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NEWS UPDATE - February 20, 2001

In the News…

- *LABOR – BUSH BEGINS OFFENSIVE AGAINST UNIONS WITH NEW EXECUTIVE ORDERS:* The Wall Street Journal reports on President Bush's annoucement that he was issuing four executive orders aimed squarely at weakening organized labor. As the article states, the National Right to Work Foundation, a leader in fighting against worker protections, said that Bush's orders were "only a small, symbolic first step" in an overall offensive against organized labor.
- *TAXES – IRS AUDITS FALL FOR MOST, RISE FOR WORKING POOR:* The New York Tiems reports that while the total number of IRS audits have dropped, the amount of audits of poorer Americans has increased.
- *TAXES – ESTATE TAX REPEAL DEAD ON ARRIVAL THANKS TO OPPOSITION:* The Wall Street Journal reports that aggressive opposition will prevent the GOP from enacting a full estate tax repeal and from therefore giving huge tax breaks to the wealthiest Americans.
- *TAXES – PROGS OFFER 'ONLY DETAILED PROPOSAL'; LEADERS CALL PLAN 'WORTHY ALTERNATIVE':* National Public Radio reports that the Progressive Caucus's American People's Dividend is the only detailed alternative being proposed in opposition to the Bush tax-giveaway-to-the-rich plan. Prog. Caucus Chairman Rep. Dennis Kucinich is featured.
- *TAXES – GOP RETURNS TO ROOTS; UNLEASHES CORPORATE LOBBYISTS FOR TAX FIGHT:* Roll Call reports that "with President Bush's signature $1.6 trillion tax-cut plan facing some trouble on Capitol Hill, White House officials and GOP leaders are turning to K Street for help." Specifically, the article notes that lobbyistss last week joined Kirk Blalock, special assistant to Bush and former lobbyist for Philip Morris, to plot tax strategy.
- *PRESCRIPTION DRUGS – GM JOINS THE FIGHT FOR LOWER PRICES:* Newsweek reports that GM is joining the fight to lower the price of prescription drugs. As the article states, "with 1.25 million people enrolled in its health plans, GM is the largest private pruchaser of health care in the U.S." and has a financial stake in seeing the pharmaceutical industry stop fleecing Americans with the high prices.
- *SENIORS – AARP AGENDA AT ODDS WITH BUSH:* Roll Call reports that AARP – the largest grassroots seniors organization in the nation – may find a serious enemy in President Bush and his corporate agenda. As the article states, AARP is "definetly putting its muscle behind priorities that preclude Bush's $1.6 trillion tax cut" and the GOP's desire to privatize Social Security.
- *CENSUS - BUSH STRIPS CENSUS CHIEF OF POWER TO ENSURE FAIR REPRESENTATION :* The Wall Street Journal reports that the Bush Administration has barred acting Census Director William Barron from using scientific sampling for the census – a process that most professional statisticians agree would provide a far more accurate count of minorities.
- *ENERGY – CONSOLIDATION IN ENERGY INDUSTRY HAUNTS CONSUMERS:* The Associated Press examines how massive consolidation in the energy sector have contributed to the skyrocketing prices for power now plaguing California and other parts of the country.
- *ENVIRONMENT – CONFLICT OF INTEREST AT FISH & WILDLIFE SERVICE?:* The New York Times explores how the U.S. Fish and Wildlife Service "permits oil and gas exploration or production at 29 of its 530 refuges, even though habitat conservation is supposed to be the agency's primary mission."

From the Editorial Pages…

- *REP. PETER DEFAZIO* writes for the Eugene Register-Guard that "before we lock in large tax cuts or spending increases, members of Congress owe it to the American public to be certain these proposals are affordable, fair and efficient."
- *THE MINNEAPOLIS STAR TRIBUNE* questions how the U.S. can demand fair treatment for workers abroad when in fact it often does not properly protect workers rights at home.
- *THE NEW YORK TIMES* urges President Bush to demand the IRS to "to worry less about the poor and crack down harder on the rich and powerful" in its tax auditing.
- *USA TODAY* scolds the GOP for pushing for a full repeal of the estate tax and applauds those wealthy individuals for urging against a full repeal. As the editorial states, "the billionaires are right to be telling the millionaires to stop being so selfish: Problems with the estate tax can be fixed without creating an open-ended tax exemption for a few children of wealth."
- *THE WASHINGTON POST* calls on President Bush to veto any bankruptcy legislation that "is fairly balanced" between the desires of corporate creditors and protections for debtors.

Quote of the Day…

'The corporate guys are used to working with us in passing legislation. Now we'll integrate the White House into this, and we'll dramatically step it up over the next few months. This is going to take place on a much bigger scale than in the past."

– *House GOP leadership aide commenting on how the GOP is using an army of corporate lobbyists to help push its tax-giveaway-to-the-rich plan (Roll Call, 2/19)*

In the News on February 20, 2001

BUSH EXECUTIVE ORDERS ON LABOR ISSUES BRING THREATS OF LAWSUITS FROM UNIONS

Wall Street Journal

WASHINGTON -- President Bush issued four executive orders on workplace issues opposed by organized labor, exacerbating already uneasy relations with the country's unions. The move wasn't unexpected, with two of the orders rescinding Clinton administration rules that had, in turn, overturned policies that had been implemented by Mr. Bush's father when he was president.

The executive orders take the following steps:

Require federal contractors to post a notice telling workers they have a right under a 1988 Supreme Court ruling not to pay portions of their dues that sponsor political activities. Unions are a prime source of money and grass-roots organizing for Democrats.

Revoke the "project labor agreement," which requires contractors in many federally financed projects to be unionized. The provision, employed at the discretion of states, is an issue in an expensive proposal to replace the Woodrow Wilson Bridge on heavily traveled Interstate 95 between Virginia and Maryland.

Dissolve the National Partnership Council, a Clinton organization that sought to get government agencies and unions to resolve their differences.

Revoke a Clinton policy of job protection for employees of contractors at federal buildings when the project is awarded to another contractor.

Mr. Bush's signing of the orders Saturday sparked heated criticism and threats of lawsuits from union officials. Some said they saw it as a sign that the president was insincere in his invitation to work with organized labor, which had mobilized millions of union members to support Al Gore in last year's election.

"I am appalled and outraged by President Bush's decision to issue four mean-spirited, antiworker executive orders," AFL-CIO President John Sweeney said in a statement. "His action appears to be pure retribution for the growing voice of working men and women in our nation's political life."

A White House spokesman said in a statement that the orders are "based on the principles of fair and open competition, neutrality in government contracting, efficient use of tax dollars and the legal right of workers to be notified of how their dues may be used."

Bush vs. Labor
The following is a sample of various actions taken by the Bush administration:

Threatened to intervene in the Northwest Airlines contract fight; unions say this would take away their right to strike.

Hinted toward opening the border to Mexican trucks, a move opposed by the Teamsters.

Initiated a review of a dozen labor-friendly regulations, including the controversial ergonomics rule.

Issued four executive orders that would roll back pro-labor rules, including one that would require government contractors to notify nonunion members of their Beck rights.

Edward Sullivan, head of the AFL-CIO's Building and Construction Trades Department, said his union is "disappointed and angry." The building trades have been especially concerned about one order that revokes a Clinton administration policy encouraging federally funded projects to use "project labor agreements." By allowing a project sponsor and its contractors -- most often, unionized companies or companies working with unionized workers -- to set wages and other working terms before a project starts, such agreements effectively promoted the use of unionized labor for federally funded projects.

While Mr. Bush's order didn't ban such agreements outright as some union officials had feared it might, it could spell less use of such agreements. The result, said Jon Hiatt, general counsel of the AFL-CIO, is that it "will hurt consumers and the public more than workers, because you won't have the opportunity for more orderly resolutions of labor disputes in the construction sector."

Labor officials said they are likely to file a lawsuit against a second Bush order, which requires federal contractors to notify nonunion members of their right, under a 1998 Supreme Court decision, to object to their union-representation fees being used for political activities. Mr. Hiatt said he believes Mr. Bush is overstepping his authority in issuing the order, which reinstates another last-minute policy of Mr. Bush's father that had been overturned by Mr. Clinton.

The third order rescinds a Clinton policy that required newly hired service contractors to federal buildings to offer jobs first to qualified workers of the displaced contractor. The fourth dissolves the National Partnership Council, a Clinton initiative aimed at improving communications between federal agencies and unions.

Mike Bartlett, director of labor-law policy at the U.S. Chamber of Commerce, said the orders are aimed at "getting some balance back into federal labor policy. It makes for a fair and more balanced situation between management and labor."

But the National Right to Work Foundation, a Washington-based group that provides legal aid to workers with union complaints, said in a statement that Mr. Bush's order on union dues is "only a small, symbolic first step."

RATE OF ALL I.R.S. AUDITS FALLS; POOR FACE INTENSE SCRUTINY

New York Times

Audits of tax returns by the Internal Revenue Service, already at a record low in 1999, fell almost 50 percent last year.
The chance of an individual tax return's being audited last year was less than one in 200, down from one in 112 in 1999 and one in 60 in 1996, new data and revised figures for last year show.

Even those figures significantly overstate the risk of an audit for most taxpayers. That is because, under orders from Congress, the I.R.S. is giving particular attention to returns filed by the working poor who apply for a special tax credit. Such returns accounted for 44 percent of all audits.

Among taxpayers who did not apply for that credit, the audit rate last year was just one in 370.

For taxpayers who make more than $100,000, and who pay 62 percent of all individual income taxes, the audit rate last year was slightly less than one in 100, down from one in 50 in 1998 and down from one in 9 in 1988.
Audits of corporations also fell, by nearly 13 percent from the record low in 1999. The I.R.S. did not release data on audits of the largest corporations, with more than $250 million of assets, which pay more than 80 percent of corporate income taxes.

Commissioner Charles O. Rossotti, disclosing the new figures yesterday, attributed the decline in audit rates to the shrinking of the I.R.S. auditing staff even as the number of tax returns grew, and to the diversion of I.R.S. employees to other functions as required by several new laws aimed at protecting taxpayers from abuses.

In 1999, for the first time, the poor were more likely than the rich to have their tax returns audited, as the I.R.S. followed through on orders from Congress to closely examine the working poor who apply for the special credit, known as the Earned Income Tax Credit. But last year the rich were again more likely than the poor to be audited. For those making less than $25,000 last year the audit rate was one in 161, compared with one in 100 for those making more than $100,000.

Over all, the I.R.S. examined, either in a limited procedure or a thorough audit, a total of 617,765 tax returns, down two-thirds from the 1.94 million returns audited in 1996.
Mr. Rossotti said the steady drop in audit rates might be coming to an end. "I hope we will stabilize this year," he said, adding that he hopes to get budget increases that will allow audit rates to begin rising next year.

The recent economic boom has generated so much tax money that it masks the effect of cheating that has been encouraged by a lower risk of detection in audits, said David Burnham, a Syracuse University researcher whose team will soon post on its Web site detailed I.R.S. data, including figures on auditing of the poor that were not available yesterday from the I.R.S.

"Politicians can easily duck the issue" of enforcement and its role in fairness because of the surge of revenue, Mr. Burnham said.

The White House said it was unaware of Mr. Rossotti's announcement and had no comment.

John Feehrey, a spokesman for Speaker J. Dennis Hastert of Illinois, said that "there is no movement in the House to compel the I.R.S. to audit more people."

Senator Charles E. Grassley, Republican of Iowa, chairman of the Senate Finance Committee, said the 2,000 employees whom Congress had authorized the I.R.S. to hire this year and the modernization of tax return processing should remove concerns about audit rates falling.

"When Congress enacted I.R.S. reform legislation, we realized this wouldn't be an easy transition, and that there would be shortfalls in I.R.S. work," he said. "Regardless, treating taxpayers fairly and assisting taxpayers are critical missions for the I.R.S. They shouldn't inhibit the agency from performing any other responsibilities. If they do, something's fundamentally wrong."

The chairman of the House Ways and Means Committee, Representative Bill Thomas, Republican of California, also had no comment, his spokesman, Trent Duffy, said.

Mr. Rossotti warned taxpayers against cheating on the assumption that low audit rates meant little chance of being caught, a practice known as audit roulette. "If gambling is what you have a passion for," he said, "I would say you have better odds going to Las Vegas. Yes, these audit rates are down, but audits are not the only way we identify taxpayers. We get more than a billion pieces of information that come in from third parties and even though we are slow, our computers eventually do their job."

Audits and I.R.S. computers only catch cheating by those who operate within the tax system and are known to the government. A small number of businesses have stopped withholding taxes from their workers' paychecks and have stopped filing reports with the I.R.S.

Several hundred of these business- people and their supporters, who say the I.R.S. has no legal authority to collect taxes, are to gather tomorrow in Arlington, Va., to seek to expand their movement. The I.R.S. this week announced a crackdown on businesspeople who fail to withhold and turn over taxes.

Mr. Rossotti said his sweeping reorganization of the I.R.S. played only a minor role in the drop in audit rates last year.
"It is mostly a combination of additional time it takes to do each case, which has increased since the Reform and Restructuring Act was passed in 1998, as well as having fewer people," he said. He said that until this year Congress had not appropriated enough money to replace auditors lost to normal attrition.

He also acknowledged widespread reports from within the agency of poor morale and fearfulness of pressing cases against taxpayers, especially those whose lawyers or accountants threaten to invoke a portion of the 1998 restructuring act, which mandates the firing of any I.R.S. employee for committing any of 10 specific acts that constitute harassment of a taxpayer.

"There has been a bit of hesitancy," Mr. Rossotti said, adding that he thinks that as his staff becomes more familiar with the new law, any reluctance to act will fade.

He said the number of auditors, which fell to 12,550 last year from 13,061 in 1999 and nearly 16,000 in 1996, may grow slightly in the coming year. And he said those auditors would be more efficient because fewer of them would be diverted to claims involving divorce cases and to other work mandated by Congress, including answering telephone inquiries from taxpayers.

But he said that even if his staff of auditors grew, audit rates might not rise. Instead, he said, he might use auditors and tax collectors to go after abusive trusts, many of them run by people who claim that the tax laws are a hoax and others by promoters who help Americans hide income through offshore bank accounts.

CONGRESS MAY REDUCE ESTATE TAX, BUT NOT LIKELY TO REPEAL IT OUTRIGHT

Wall Street Journal

WASHINGTON -- The death tax may be proving hard to kill.

While chances remain strong in Congress for some kind of federal estate-tax rollback this year, it is looking increasingly doubtful that large estates will escape federal taxation altogether, as advocates had hoped.

When the House starts hashing out its estate-tax cut some time in the next few weeks, it is likely to approve reforms that significantly reduce federal taxes on large estates, but don't quite erase them.

In the most likely scenario -- one that is already being quietly promoted by some GOP congressional leaders as well as advisers to President Bush -- Congress would repeal the current estate tax but place new capital-gains tax liability on assets inherited from estates above, say, $2 million or so. The tax could be avoided as long as an heir held onto an inherited asset. But when the heir sold it, he or she would have to pay capital-gains tax on all the gain, including the gain that the previous owner had built up, perhaps over a lifetime.

And even that modified repeal isn't a sure thing, given opposition from many Democrats and some in the estate-planning industry, as well as the increasingly bruising competition from other interest groups for a spot on the tax-cut train.

President Bush, who campaigned for full repeal, might well still propose it in his budget later this month. But in an interview last week, Bush economic adviser Lawrence Lindsey said for the first time that he is "commending" the capital-gains approach as "the most sensible."

Mr. Lindsey contends it simply would be unfair to allow appreciated assets to escape all tax. But a related reason is almost certainly the cost of such an approach. Last year, Mr. Bush's outright repeal was estimated by the congressional Joint Committee on Taxation to cost $236 billion over 10 years -- more than twice the $105 billion cost of the modified repeal. And that cost is expected to grow when analysts complete this year's calculations.

More broadly, estate-tax relief, which would directly benefit only the top 2% of estates, simply isn't as high a priority for the Bush team as is cutting marginal tax rates across the board. In fact, the administration's focus on stimulus is bound to keep estate-tax repeal near the bottom of its to-do list on taxes.

The upshot is that estate-tax repeal may have trouble competing politically with more broad-based reforms in the legislative bargaining that lies ahead. With middle-class priorities such as marriage-penalty relief and an expanded child credit to choose from, as well as business breaks, Congress "will start horse trading," said Clint Stretch, director of tax policy for Deloitte & Touche.

In addition, insurance, charitable and other interests that are potentially hurt by estate-tax repeal are suddenly becoming more vocal. Insurance interests, which profit from selling policies designed to pay for the tax, are helping to fund an advocacy group called ASsETS -- Americans for Sensible Estate Tax Solutions -- that is pushing smaller reforms such as increasing exemptions and reducing rates. It has brought in former Wyoming Sen. Alan Simpson, a friend of Vice President Dick Cheney, as a spokesman.

Some supporters of all-out repeal concede this worries them. "We see groups of people opposing the repeal of the death tax who" benefit from its continuation, said Rep. Jennifer Dunn (R., Wash.), at a recent congressional hearing.

The antirepeal effort got a big boost last week when George Soros, Warren Buffett and the father of Microsoft Chairman Bill Gates joined other wealthy Americans in expressing support for an antirepeal petition.

One important part of the Republican base, the small-business community, is sure to keep fighting for full repeal. Officials at the National Federation of Independent Business, for instance, remain confident that repeal is on track.

Still, the political crosscurrents suggest that even modified repeal ultimately could nose-dive. A few Democrats who voted to kill the estate tax last year are noticeably less enthusiastic about the issue now. Even some Republicans are pushing alternatives to repeal. GOP Rep. Mark Foley, whose district includes Palm Beach, Fla., recently filed his own legislation that would increase the basic exemption to $5 million while leaving the tax in place.

One problem facing repeal advocates is the expectation that the price tag attached to all repeal plans is likely to go up significantly this year, as analysts assess how savvy taxpayers would maneuver to avoid other taxes as well in a post-estate-tax world. Currently, assets passing through estates generally escape tax on their existing capital gains; the rules essentially wipe the slate clean for whoever inherits the property. Now, analysts are realizing that by eliminating the estate tax, Congress would be vastly increasing the incentive for owners of appreciated assets to avoid selling them during their lifetimes, so they could pass them tax-free through their estates. That would mean the loss of not only the estate-tax revenue in the long run but also capital-gains revenue in the short term.

CONGRESS IN RECESS AS LAWMAKERS SEEK CONSTITUENTS' VIEWS ON TAX CUTS

National Public Radio – All Things Considered

It's WEEKEND ALL THINGS CONSIDERED from NPR News. I'm Lisa Simeone.

The Congress has just begun a weeklong recess, and many lawmakers have gone back home to get their constituents' views on an issue that's roiled Capitol Hill for the last two weeks: tax cuts. President Bush and the Republicans have long advocated tax cuts, but now even the most liberal Democrats have joined the tax-cutting chorus. There's considerable disagreement, though, on the details.

NPR's David Welna reports from the Capitol.

DAVID WELNA reporting:

When Treasury Secretary Paul O'Neill recently made his first appearance before the House Ways and Means committee, the top Democrat on that panel, Charles Rangel of New York, assured O'Neill he did not have to make the case for why there should be a tax cut. But O'Neill, for his part, made it clear President Bush has already decided what the size and the means of a tax cut should be.

Secretary PAUL O'NEILL (Treasury Department): The president has made clear in every meeting that I've been in with him that he believes in the component parts of what he's recommended in his tax package, and he believes that we need to discipline ourselves not to obligate more than $ 1.6 trillion over this 10-year time period.

WELNA: Mr. Bush also wants no less than $ 1.6 trillion in tax cuts. And while Democrats have long contended that's too much money, in the last week, two Republican senators, Jim Jeffords of Vermont and Lincoln Chafee of Rhode Island, have said they too are worried the president is pushing for a tax cut that's too big. So with the Senate divided 50-50 and with only one Democratic senator, Zell Miller of Georgia, having come out in favor of Mr. Bush's tax cut, it would appear the president's plan lacks the votes it needs to clear the Senate. Meanwhile, a new study by the non-partisan but generally liberal Center for Budget Priorities and Policy(ph) challenges the Bush administration's claim that all federal taxpayers would benefit from the tax cut.

Mr. ISAAC SHAPIRO (Center for Budget Priorities and Policy): It turns out that one-third of all families with children in this country would not get a cent from this tax proposal.

WELNA: Isaac Shapiro is an author of the new study, which is based on data from the US Census Bureau.

Mr. SHAPIRO: Twelve million families with children, 24 million children living in those families don't benefit at all. And that's because they are in families that don't pay income tax, but that--most of those families pay significant sums in payroll taxes.

WELNA: The lack of relief in the Bush plan for such low-income payroll-taxpaying families was pointed out by Congressman Rangel, who represents the Harlem district of New York. But Treasury Secretary O'Neill said the president's proposed tax cuts have a different aim.

Sec. O'NEILL: I don't think it's our purpose here--I would not recommend to you that we try to deal with all the social problems that exist in our society and try to encompass the welfare system in what we're doing with these tax proposals. This is about giving back to the American people who sent the money in at least some part of what they sent in.

WELNA: O'Neill insisted the president's plan does shift resources to lower-and middle-income families from upper-income taxpayers. But at a press conference at the Capitol, Democrats challenged that claim by borrowing Mr. Bush's technique of presenting actual taxpayers. A single mother named Luwanna Adams, who's a secretary in Pennsylvania, said her before-tax income is $ 20,400 a year, and she doesn't expect much more spending money from the president's tax cut.

Ms. LUWANNA ADAMS (Taxpayer): I can expect to receive $ 117 a year. That comes to about $ 2 a week. It's good and it's useful, but it really won't make a difference in my life.

WELNA: The other taxpayer the Democrats presented was the freshman Democratic senator from New Jersey, Jon Corzine. The former Wall Street investment banker, who spent $ 60 million of his personal fortune to win a seat in the Senate, said he'd likely get $ 1 million in reduced taxes under the Bush tax cut.

Senator JON CORZINE (Democrat, New Jersey): That's more than generous. And maybe some of you will think that I'm crazy for protesting, but frankly, I don't think it's right. Our nation has higher priorities. I don't need a break, but Luwanna does.

WELNA: But it's not clear what kind of a tax break Corzine and his fellow Democrats would give low-income workers like Luwanna Adams. While they're united in their opposition to the Bush plan, the Democrats have yet to close ranks around a plan of their own. The only detailed alternative proposal for spending the surplus comes from members of the most liberal faction of the congressional Democrats, the Progressive Caucus. They want to use $ 900 billion of the projected surplus to give every man, woman and child a $ 300 annual payment they call the American people's dividend. Ohio Democratic Congressman Dennis Kucinich, who chairs the Progressive Caucus, says 80 percent of Americans would get more from this dividend than they would from the Bush tax cut. And Kucinich says a $ 300 dividend is also fiscally more responsible.

Representative DENNIS KUCINICH (Democrat, Ohio): It will be payable every year the federal budget is in surplus, without making permanent changes to the tax code. If there's no surplus, there's no dividend. If there is a surplus, all the American people can share in the dividend.

WELNA: Democratic congressional leaders are calling the dividend plan a worthy alternative. But even the dividend sponsors admit their chief objective is to focus attention on what they see as the unfairness of the Bush tax cut plan. Mr. Bush, for his part, plans to travel the country to build support for his tax cut, which he predicts will make it through Congress much as he proposed it. David Welna, NPR News, the Capitol.

GOP LEADERS TURN TO K STREET TO HELP PASS BUSH TAX CUT

Roll Call

With President Bush's signature $1.6 trillion tax-cut plan facing some trouble on Capitol Hill, White House officials and GOP leaders are turning to K Street for help.

Lobbyists from the U.S. Chamber of Commerce, National Federation of Independent Business, Food Marketing Institute, National Association of Wholesaler-Distributors, National Association of Manufacturers and other groups huddled last week with top aides to Speaker Dennis Hastert (R-Ill.) to plot strategy for pushing the President's proposal through the House.

Also attending the meeting was Kirk Blalock, a special assistant to Bush who will act as a liaison to the business community and trade groups. Blalock previously worked for tobacco giant Philip Morris and top GOPlobbyist Haley Barbour before moving over to the White House.

This was the first time that a White House official has sat in one of the coalition meetings regularly held by business lobbyists and House GOP leaders, including Conference Chairman J.C. Watts (Okla.) and Chief Deputy Majority Whip Roy Blunt (Mo.).

Republican insiders said this latest initiative is part of a much broader outreach effort being coordinated by Karl Rove, the President's top political adviser.

Rove is attempting to round up support, both on and off the Hill, for the first piece of Bush's tax plan, a roughly $900 billion cut in income-tax rates - as well as the Bush education reform package.

White House officials met last week with representatives from America Online, FedEx, Intel, IBM and the Business Roundtable seeking support for the President's education reform plan. That meeting was put together by Quinn/Gillespie & Associates, the consulting firm run in part by Ed Gillespie, a top Bush adviser.

In addition, Lezlee Westine, the new head of the White House Office of Public Liaison, was feted by lobbyists at a luncheon last Friday at the St. Regis Washington Hotel. That gathering was hosted by NFIB and NAWD, two key pro-GOP business groups, and represented a "coming-out party of sorts" for Westine, said one lobbyist in attendance.

For House Republicans, this outreach effort to the business community mimics what they have done over the past six years - receive help from corporate America to counter the Democrats and organized labor.

"The corporate guys are used to working with us in passing legislation," a House GOP leadership aide close to the talks noted. "Now we'll integrate the White House into this, and we'll dramatically step it up over the next few months. This is going to take place on a much bigger scale than in the past."

"Our outreach efforts have been extremely successful in the past, and we're going to build on that model in the 107th Congress," added Leigh LaMora, director of coalitions for the House GOP Conference.

However, some lobbyists fear that Bush would be satisfied if the rate-reduction package and no other part of his tax-cut plan was enacted, so the whole effort doesn't appear to be a sop to the wealthy.

"They want to get the rate cut," a well-connected GOP lobbyist insisted about the White House's real strategy on tax cuts.

"They don't care about anything else. They're going to squeeze everybody hard on this, but they won't fall on their swords for the marriage penalty or [alternative minimum tax] reform or estate taxes."

Some lobbyists are also concerned that unless they get in on the ground floor of this coalition effort, the Bush administration will leave them out in the cold when they ask for help in getting their own provisions included in upcoming tax bills.

"You have to work at helping us pass our agenda if you want a shot at passing your own agenda," a senior House GOP staffer said when asked about the message being sent to K Street.

White House officials and GOP leaders have publicly dismissed such fears, and some have even advocated larger tax cuts than proposed by Bush.

The behind-the-scenes effort to coordinate with the White House on its legislative agenda counters what so far has been a slow start to this session.

Majority Leader Dick Armey (R-Texas) predicted that the "the next seven weeks will be the most legislatively productive since the Contract with America in early 1995."

In a letter to his GOP colleagues sent before they skipped town for the Presidents Day recess, the Texas Republican estimated that the House would act soon to cut taxes, reduce the national debt, alter federal bankruptcy laws, adopt a pay raise for the military and take up a patients' bill of rights.

"We have our marching orders," Armey said. "The next seven weeks are crucial."

GM'S WAR ON DRUG COSTS

Newsweek

Feb. 26 issue — The purple pill has General Motors seeing red. The automaker spent $52 million last year buying Prilosec, the brightly colored ulcer medicine, for its employees and retirees. That is millions more than GM executives believe they should have spent, and they blame much of the extra cost on savvy marketing by Prilosec's maker, AstraZeneca.

ENTICING ADS, featuring a woman in a purple dress, floating blissfully across a soft blue sky, have consumers clamoring for Prilosec, including many with common heartburn who don't need such a powerful drug, GM says. "If we don't get the right people getting the right drugs, then we're wasting a lot of money," says James Cubbin, GM's point man for its aggressive plan to curb drug spending. AstraZeneca says Prilosec is popular because it is effective, and disagrees that its drug is being used inappropriately.

Prilosec is just part of GM's mounting drug problem. With 1.25 million people enrolled in its health plans, GM is the largest private purchaser of health care in the United States. The company is staggering under a prescription-drug bill that topped $1.1 billion in 2000 and is expected to climb as much as 22 percent this year. Prescription drugs are the fastest-growing part of GM's health-care costs, accounting for more than 25 percent of its total medical spending last year. That's a big bite out of the automaker's bottom line, and Cubbin's year began with a concerned call from GM's new chief financial officer, John Devine, who wanted to know what exactly was being done to rein in skyrocketing drug costs.

Quite a lot, as it turns out. Cubbin and his team are attacking the problem from all directions, with the goal of keeping the growth in drug spending this year under 15 percent. Two years ago GM became one of the first corporations to hire its own pharmacist to oversee its prescription-drug programs. To promote the use of generic drugs, GM is printing messages on pay stubs ("using generics saves you money") and holding closed-circuit teleconferences with retirees, who gather in local movie theaters to hear the company pharmacist talk about the safety and efficacy of generics. It also raised copayments on brand-name drugs for retirees and some employees. (Each 1 percent increase in the use of generics saves GM $3 million.) But most important, GM is taking its complaints directly to the pharmaceutical giants, as part of a pointed campaign against their well-funded marketing efforts. "I don't want to draw battle lines necessarily," says Cubbin, "but I do think some more responsibility and accountability is going to be necessary from the drug companies."

Some in GM's vast army of workers and retirees, however, are concerned that they will be the casualties in the company's war on drug costs. "I think the majority of people are more comfortable with the original type of medication rather than the generic," says Marty Aldrich, 54, president of the United Auto Workers Local No. 2250 in Wentzville, Mo. Aldrich, who started with GM in 1968, says switching from brand-name drugs to generics is "like trying to put Autolite spark plugs into a GM vehicle. It just don't jibe." GM retiree Robert H. Bickmeyer, 71, says his annual copayments for prescriptions will more than double this year, from $440 to $990, due to the increases that took effect Jan.
1 Bickmeyer and his wife, Phyllis, 63, of Troy, Mich., fill prescriptions for 13 different medicines each year, 11 of them brand-name drugs. "It hurts," Bickmeyer says.

GM says generics have to meet the same quality standards as brand-name drugs and acknowledges that it raised copayments for brand-name drugs to encourage greater use of generics.

But when it comes to drug spending, what's bad for General Motors is bad for the country. An aging population and the increased importance of medication in treating illness are driving up costs for both. Prescription-drug spending in the United States climbed 15 percent in 2000, to $145 billion. The soaring cost of medicine is a burden for millions of Americans, including the 13 million Medicare seniors who lack prescription-drug coverage. Their plight became a red-hot issue during the presidential campaign, and President Bush wants to add drug benefits to a reformed Medicare system.

General Motors isn't waiting around for a governmental fix. In the No. 1 automaker's most aggressive tactic so far, Cubbin has been taking his case to senior executives at some of the nation's largest drugmakers, including AstraZeneca, GlaxoSmithKline and Merck. In recent months Cubbin and GM pharmacist Cynthia Kirman journeyed from Detroit to New Jersey, where many drugmakers are located, for face-to-face meetings. At the sessions, Cubbin acknowledges the many contributions of the pharmaceutical industry, then details GM's complaints against the drugmakers, chief among them the intense marketing campaigns for brand-name drugs aimed directly at consumers.
The pharmaceutical companies, which spent more than $2 billion on consumer advertising last year, 50 percent more than in 1998, aren't backing down. James Coyne, a spokesman for AstraZeneca, acknowledges that consumer advertising of prescription drugs has become "very controversial" for its role in increasing drug spending. But he says such advertising is educational and often results in people's seeking treatment they really need. "I can certainly appreciate that GM is seeing a lot of patients coming into doctors' offices more informed than they would otherwise be," he says.

Cubbin points to Pharmacia's Celebrex as another example. The arthritis medication was one of the most heavily marketed drugs in the United States last year, with a total advertising and promotional budget of $242 million. Citing the studies that led to the FDA approval of

Celebrex, Cubbin says the drug is a great medicine for the small percentage of arthritis patients who also have a propensity for gastrointestinal bleeding. But marketing the drug as an improved pain medication is inaccurate, he says. (Cubbin is a lawyer, not a doctor, but he relies on research and analysis by GM’s pharmacist as well as outside medical experts.) Celebrex’s frequently aired TV commercial shows an attractive, gray-haired woman performing pain-free tai chi in a park. Pharmacia had to change the ad last fall after the FDA said it suggested that Celebrex was “more effective than has been demonstrated by substantial evidence.” Pharmacia vice president Steven Geis says the drug is much better for pain than over-the-counter alternatives, and that there is no way to predict exactly who is going to develop a bleeding problem, which makes Celebrex a smart choice for many of the 19 million arthritis patients in the United States.

Locked in a high-stakes chess game with the pharmaceutical industry, Cubbin is always thinking a few moves ahead. With a key Prilosec patent due to expire as soon as April, GM’s prescription-drug spending might be expected to decrease by millions as generic versions of the purple pill come on the market. (Generics usually cost about one third the price of the brand-name drugs they replace.) But AstraZeneca is about to release a new and improved version of Prilosec called Nexium. AstraZeneca declined to comment on its plans for Nexium, but Cubbin anticipates a massive marketing campaign designed to get Prilosec users to switch to Nexium, rather than generic versions of the popular ulcer medicine. Other big new drugs are sure to follow, and given the continued resistance to generics among workers and the resolve of the drugmakers to establish their brands in the marketplace, GM faces a tough road ahead. “These guys really know what the hell they are doing,” Cubbin says, with a hint of grudging admiration for the drug marketers. It’s enough to give a guy an ulcer.

AARP’S AGENDA AT ODDS WITH BUSH PRIORITIES

Roll Call

Often rated Washington's most powerful lobby, the AARP assembled its official 2001 policy agenda last week - and its main points are bad news for President Bush.

The AARP, formerly known as the American Association of Retired Persons, doesn't make campaign contributions, doesn't endorse candidates and rarely plays hardball. But it is definitely putting its muscle behind priorities that preclude Bush's $1.6 trillion tax cut.

On other major issues, the group will resist any Social Security reform that reduces guaranteed benefits and Medicare reforms that force seniors into managed care. Moreover, AARP is staunchly backing Sen. John McCain's (R-Ariz.) push for campaign finance reform.

Nothing in the group's new four-inch-thick agenda book breathes a word of hostility toward Bush or his legislative agenda. In fact, the AARP is rigorously non-partisan. It lays down "principles," not hard positions. And its lobbyists always "work with" people with whom they have differences.

However, with 34.5 million members who theoretically could be mobilized in a crunch, the AARP usually gets heeded by Congress on its issues.

It is also in the process of retooling itself - the name change is part of it - to expand its influence. The organization wants to be the voice not only for 35 million "seniors" over 65 but for the 78 million-strong baby-boom generation that is gradually turning 50.

In major magazines and on television, the group is "rebranding" itself with ads featuring vigorous-looking 50-plus business owners, environmentalists, educators and rock climbers rather than "retired persons."

The organization just launched a glossy new magazine, My Generation, sent free to those ages 50 to 55. Its redesigned standby, Modern Maturity, goes to members over 55.

The remaking of the AARP is a project initiated by the group's 13-year executive director, Horace Deets, who is retiring next January. A nationwide search is under way for his successor.

One internal candidate is Bill Novelli, who sold his powerhouse public relations firm, Porter Novelli, in 1990 to start a second career in public service, working first at CARE and then leading the Campaign for Tobacco Free Kids.

Novelli has been in charge of the AARP's advocacy and public affairs activities for 13 months and envisions the group becoming "the No. 1 organization in the country working for social change," including better education, upgraded standards for long-term care facilities, and tax credits for long-term care insurance.

As part of Deets' reorganization, the AARP is establishing offices in all 50 states, up from 22, to lobby legislatures and stay in touch with local groups.

Only 10 percent of the AARP's $450 million budget is spent on lobbying and advocacy - still a huge amount. The rest goes to volunteer and service work.

For four years running, the AARP has headed Fortune magazine’s list of the most powerful lobbies in Washington, beating out such groups as the National Rifle Association, the National Federation of Independent Business, the American Israel Public Affairs Committee, the AFL-CIO and the Association of Trial Lawyers of America.

The AARP’s clout-wielding reputation is partly based on a mistaken legend. In 1988 the organization backed so-called "catastrophic" prescription drug coverage for seniors, which passed Congress.

But well-off seniors and those with pre-existing drug coverage raged against the mandatory program for its increased premiums, famously banging on the car of then-Ways and Means Chairman Dan Rostenkowski (D-Ill.), chief sponsor of the measure.

The AARP’s board and Washington office urged that the program be kept alive, but Congress got scared and repealed it in 1989 under massive pressure from rank-and-file seniors, many of them AARP members.

That was evidence of the power of the membership, though, and AARP lobbyists bring it silently to bear when they visit Members to talk about their issues.

Last week the AARP’s board decided that the group’s "principles" this year would include "balanced" use of the federal budget surplus, with enough money available for a Medicare prescription drug benefit, expanded health insurance for children and new education spending as to preclude Bush’s $1.6 trillion tax cut.

Moreover, the group wants tax cuts to be targeted - reducing (though not eliminating) the inheritance tax, providing a credit for caregivers and expanding IRAs - rather than across the board, as Bush proposes.

The AARP will support Bush’s idea of a Social Security commission - but oppose the kind of partial privatization proposals he backed in the campaign, "carve outs," which called for a reduction of guaranteed benefits. The AARP favors a new voluntary savings plan being added to Social Security.

It’s not clear where Bush will end up on Medicare, but the AARP prefers a much more costly drug benefit than Bush seemed to favor in the campaign and wants to keep traditional fee-for-service Medicare, not push seniors into HMOs.

The AARP has a genteel atmosphere about it that fits right in with Bush’s less confrontational Washington. But their differences leave them with a lot of "working with" to do.

COMMERCE SECRETARY, CITIES PREPARE FOR FIGHT OVER USE OF CENSUS COUNT

Wall Street Journal

WASHINGTON -- The political battle over population data collected in last year’s census is shaping up as a replay of one fought over the 1990 head count.

Once again, U.S. cities are lining up to challenge the commerce secretary for making what they argue would be a political decision about whether to statistically adjust the numbers to correct an undercount, as a president named Bush tries to stay above the fray.

Commerce Secretary Donald Evans hasn’t said if he would bar the Census Bureau from adjusting the count through a technique called sampling. But Friday, he took an important step in that direction, wresting control of the decision from acting Census Director William Barron.

The largely Democratic supporters of a adjusted count -- in which a sample of census tracts is counted more carefully to determine which groups are overlooked and at what rate -- say it is a foregone conclusion that Mr. Evans will reject any move to adjust the numbers. Indeed, congressional Republicans have indicated that the current administration privately promised to block states from using sampled numbers for redrawing House district boundaries.

For the purposes of redistricting, an adjusted count is seen as favoring Democrats. In addition to the high-stakes political game, the adjusted numbers are used for the distribution of government funds and by statistical agencies to calculate key economic indicators such as the unemployment rate.

As in the aftermath of the 1990 census, large cities, where minorities especially are typically undercounted, say they will pursue their cause in court. The first legal attacks against the policies would likely be on procedural grounds.

"They can't revoke this rule without engaging in the notice and comment process," said Brian Currey, partner at the law firm O'Melveny & Myers, representing the city of Los Angeles in a lawsuit it is preparing.

The Commerce Department announced the transfer of control of the decision late Friday, the same day that President Bush's trip to Mexico and bombings in Iraq were capturing public attention. In a statement, Mr. Evans said: "I believe the decision-making authority for the 2000 census should reside with the person selected by the president, approved by the U.S. Senate and accountable to the people," alluding to the fact that Mr. Barron is a career civil servant heading the bureau until Mr. Bush can nominate his own director.

When the Clinton administration in October issued the rule allowing sampling, it went through a months-long notice and comment period under the Administrative Procedures Act. Critics of Mr. Evans's move say he must do the same to revoke it. But the Justice Department sent the Commerce Department's acting general counsel an advisory memo last week saying the agency is within its rights. "Because a rule regarding the Secretary's delegation or reservation of his authority is a matter of internal management [it] is exempt from the notice and comment provisions of the APA," the memo said.

Mr. Evans went further, however, than simply removing the decision-making power from the Census Bureau's hands. He also revoked another section of the Clinton rule that said the adjusted numbers should be released along with the actual count even if the census director chooses not to adjust.

"Not to have the data in the public domain would be unprecedented and deeply troubling," said Kenneth Prewitt, who stepped down last month as census director.

Congressional Democrats were quick to cry foul over Mr. Evans's move. "The secretary's action is a perilous step toward disenfranchising the estimated millions of minorities, children and rural residents who were not counted by the 2000 census," said House Minority Leader Richard Gephardt (D., Mo.).

President Bush's father was forced to deal with the sampling issue after the 1990 census. The elder Bush's commerce secretary, Robert Mosbacher, ruled against adjusting the count, setting off a round of lawsuits. In the end, the adjusted numbers weren't used for redistricting, but were released for other governmental uses.

ARE UTILITIES TOO POWERFUL?

Associated Press

HOUSTON - During the Depression, Congress was so concerned about the economic clout wielded by electric utilities that it passed a law to limit their size and keep their operations regional.

That statute is still on the books 66 years later, but a more recent federal law is pushing big utilities toward mergers that strain their geographic choke chains. For some power companies, a "region" now stretches across much of the country.

American Electric Power Co., the nation's largest power distributor, does business with millions of customers in 11 states from Texas to Michigan and Virginia.

Exelon Corp. - formed last year by the merger of Philadelphia's Peco Energy Co. and Chicago's Unicom Corp. - serves customers in Pennsylvania and Illinois.

And a pending deal between Entergy Corp. and Florida Power & Light Group would create the nation's largest electric utility, with business interests in 19 states from coast to coast.

Critics complain that expanding service areas through consolidation is not in the best interest of electricity consumers, who would find themselves at the mercy of mighty companies that would, for the most part, be free of state regulation.

"We're returning ourselves to where we were in the '20s and '30s," said economist Dave Penn, deputy executive director of the American Public Power Association, a coalition of municipal utilities.

But defenders of consolidation contend that the electricity business is changing and that utilities have to change to remain competitive.

"The core model that used to exist is just going away," said Graham Painter, a spokesman for Reliant Energy Inc., a Houston company that has national aspirations. Utilities "have to redefine who they are and who they want to be."

Utilities are redefining themselves by becoming holding companies under the Public Utility Holding Company Act of 1935 - the same law whose onerous public-disclosure requirements had confined most of them to single states for decades.

The industry started looking at the statute differently in the early 1990s, after a federal deregulation law was passed. It allowed nonutilities to generate and market electricity, essentially breaking the legal monopoly that public utilities had long enjoyed.

Adam Wenner, a Washington lawyer who specializes in electric power issues, said governmental red tape became less of an issue.

Twenty electric-utility holding companies served more than 39 million customers by the end of 1999, according to the Energy Information Administration's latest figures. Both the number of holding companies and the number of their customers have roughly doubled since 1992, when the first electric-utility merger in 25 years occurred.

The biggest merger yet is the pending marriage between Entergy, of New Orleans, and Florida Power & Light, of Juno Beach, Fla. The combined company would have a generating capacity of 48,000 megawatts and more than six million customers.

The two companies, which had combined revenue of more than $15 billion in 1999, have utility operations in five Southern states. They also have non-utility businesses - independent power generation, power-plant investing, energy marketing and trading, and electric transmission - in much of the contiguous United States.

Penn, at the power association, said consumers are ill-served by companies that operate in many states using systems spanning 1,000 miles or more.

"Who are you going to call when it turns out the generation in your region is owned by people elsewhere?" he said. "You may get a response, but not the same response as from utilities chartered in your state and regulated by your state commission."

James Smith, a professor at Southern Methodist University in Dallas, said unregulated non-utility operators could eventually own most U.S. power generation, with traditional utilities limited to transmission and distribution.

"I think it will be a successful trend, because the core companies doing this will do so efficiently," Smith said. "Customers will choose the least cost, and further technological innovation will cause further reductions in the cost of power."

Al Destribats, executive director of the utility and telecommunications practice at J.D. Power & Associates, a consumer research firm, said the number of major U.S. utility companies could shrink from the 125 that existed a few years ago to 50 over the next decade. A similar consolidation could occur among non-utility electricity generators and marketers that jumped into the market after 1992, he said.

Non-utility generators such as Dynegy Inc., a major California producer, are acquiring capacity throughout the United States, although utilities remain the largest power generators.

AGENCY'S MISSION COMBINES CONSERVATION AND FOSSIL FUEL DRILLING

New York Times

VENICE, La., Feb. 15 — At the mouth of the Mississippi, at Louisiana's far southern tip, a marsh that is home to alligators, herons, egrets, ospreys, spoonbills and more than 200 other species has since 1935 enjoyed protected status as the Delta National Wildlife Refuge.

For nearly all of that time, the wildlife has shared its watery quarters with oil and gas wells, pipelines and pumping stations built by energy companies, which have also dredged countless canals, almost always acting with federal permission.

The cohabitation is not altogether unusual. From Alaska to North Dakota to Louisiana, the federal Fish and Wildlife Service permits oil and gas exploration or production at 29 of its 530 refuges, even though habitat conservation is supposed to be the agency's primary mission. Out of sight to all but wildlife, oil workers and the rare outsider, the infrastructure includes some 1,400 wells.

But now, with the Bush administration considering other federal sanctuaries, notably the Arctic National Wildlife Refuge in Alaska, as sources of new energy supplies, questions about what has and has not worked in places like the Delta refuge have suddenly become a focus of both interest and contention.

"I'm not saying that what's happened in Louisiana has been perfect, because nothing in life is perfect," said Senator John B. Breaux, the Louisiana Democrat who is among a handful in his party to support drilling in the Arctic refuge. "But with all the oil that's at stake in Alaska, it's time to take a look."

But environmentalists and others opposed to drilling in the Arctic refuge say the record of oil and gas developments at other refuges should, at best, be regarded as an unfortunate exception. Even if it is subtle, they argue, the harm inflicted in refuges in Louisiana and elsewhere will be long-lasting, and not worth the short-term economic gain of exploiting nonrenewable oil resources. The Arctic tundra may be even more sensitive to an industrial footprint, conservationists say.

"By definition, a wildlife refuge is a special place — it's a place that wildlife need," said Noah Matson, refuge program manager for Defenders of Wildlife, a national environmental group. "So why damage it by oil and gas activity that, one way or another, is bound to be harmful?"

Accessible only by boat, 10 miles from the nearest port, the 400,000- acre Delta refuge may be the clearest example of the coexistence that people like Mr. Breaux argue can prudently proceed in the Arctic.

"I guess if you want primitive, this is the place to come," said David Patterson, production supervisor for the Jetta Production Company, whose employees work seven days and seven off, operating from an industrial island in the marsh that is linked by pipeline to 64 wells.

Jetta and Texaco operate some 78 oil and gas wells in the refuge, making the operation the largest at any wildlife refuge in the lower 48 states.

Under these companies and Jetta's predecessor, the Chevron Corporation, there have been a number of small oil and gas spills here in the last 10 years, during which a concerted effort at environmental recordkeeping began. wildlife service officials describe several as having been significant, killing vegetation and affecting 40 to 80 acres of marsh. But the agency says there was no indication of harm to wildlife.

That record is roughly comparable with those of other refuges where oil and gas activity is under way, with no major spills or widespread death of wildlife in recent memory, wildlife service officials say. Still, at the Kenai National Wildlife Refuge in Alaska, oil and gas exploration has led to evidence of PCB contamination, these officials said, while at the D'Arbonne refuge in northern Louisiana, the use of improper equipment was linked to mercury contamination in the late 1980's.

At the D'Arbonne refuge and others in the South, environmental problems arise when drilling brings to the surface saltwater that is not part of the natural habitat. And in the Delta refuge and others along the Gulf Coast, the dredging of canals has contributed to the loss of wetlands.

Over all, cautioned Jim Kurth, deputy director of the national wildlife refuge system at the wildlife service, "we don't have a fair sense systemwide of the impact of oil and gas drilling in the refuges."

But energy industry officials say what is known about the record should demonstrate that energy exploration and wildlife can coexist.

"I think you can do your operations in a way that protects what a wildlife refuge is designed to protect and, in some cases, enhance it," Elliott Laws, Texaco's president for safety, health and the environment, said in a telephone interview, describing the lessons he said his company had learned since drilling its first well in the Delta refuge in 1941.

As Mr. Bush's allies, including Senator Frank H. Murkowski, the Alaska Republican who heads the Energy Committee, have been eager to point out, at least one environmental group, the Audubon Society, has appeared to condone drilling on wildlife refuges. Until 1999, the group permitted oil and gas production on a private refuge it owns on the Louisiana coast. The society has been a vocal opponent of new drilling in the Arctic refuge, but its officials have insisted that the two stances are not incompatible, on grounds that it had decided long ago to end the energy operation as soon as a lease expired.

"It's something we did, and it's why we have the position we do in Alaska," John Bianchi, an Audubon spokesman, said.

By law, national wildlife refuges enjoy a level of protection that may be second only to areas set aside by Congress as wilderness areas, off limits to all but hikers and pack horses. While national forests and most other federal land is set aside for varied purposes that include logging, mining and drilling, and national parks and monuments must be accessible to the public, refuges are supposed to permit only activity compatible with protecting wildlife.

But until about a decade ago, the rules governing refuges, first imposed in 1966, have sometimes been honored in the breach, with little effort made to determine whether operations like those in the Delta refuge were harming animal habitat. Even now, records are spotty, leaving the actual effect debatable.

In a survey of wildlife service managers by the agency in 1991 and 1992, a substantial number described oil and gas operations at their refuges as incompatible with wildlife protection. But in many cases, federal officials say, nothing can be legally done to halt the energy operations, because the subsurface rights are in private hands.

In most cases, when the federal government owns the mineral rights to land beneath the refuges, it no longer offers them for lease. But an exception is made when, as with many of the Delta wells, the government concludes that it has an obligation to taxpayers to extract the oil and gas because otherwise, a neighboring drilling operation on nonfederal land would be able to do so first.

"If you ask, Is a refuge better off with or without oil and gas development, I'd say probably without," said Dan Ashe, chief of the national wildlife system for the wildlife service.

The Arctic refuge is a special case — and not just because of the sheer volume of oil estimated to lie beneath, which at 5 billion to 19 billion acres ranks as the largest single discovery in the United States.

The refuge has been off limits to drilling, as part of a compromise reached in 1981. But Congress holds the power to authorize the start of oil development on 1.8 million acres along the coast, and Mr. Bush has said he will push for just such a vote as part of what he says is a broad effort to reduce dependence on foreign oil.

In the Senate, Mr. Murkowski is expected to introduce his own proposal in the next 10 days, as a rough draft for a Bush plan that is not expected until April. And opponents have begun to gear up for a fight about whether it is possible, as Mr. Bush has asserted, for drilling in the Arctic refuge to proceed "in an environmentally sensitive way."

At the refuge in Louisiana, wildlife managers say, oil companies have been quick to report even the smallest spill and willing to shift pipelines and even drilling sites to meet environmental concerns.

In the last 10 years, said James O. Harris, supervisory biologist for the federal refuges in southeast Louisiana, the wildlife service has collected about $1 million in fees from the oil companies to mitigate damage in the Delta refuge. That, Mr. Harris said, has been enough to help the agency recover more than 1,000 acres in wetlands, or 10 times the amount lost to energy operations in the period.

"There were times when you had spills when you wish they weren't there," Mr. Harris said of the oil companies from his office in New Orleans. "But because of their presence there, we've been able to do some restoration projects that we might not have been able to do."

Still, Jim Graham, until recently the wildlife biologist at the Delta refuge, said that as cooperative as relations were, he could never quite escape the feeling that the oil companies did not belong.

"You have a pristine area, like a refuge out there, and then you have these structures," Mr. Graham said. "They may not be doing any harm to the refuge, but you're putting an object into the area that's foreign to it."

On the Editorial Pages on February 20, 2001

TAX CUTS MUST WAIT UNTIL SURPLUS IS REAL

By Rep. PETER DeFAZIO
Eugene Register-Guard

President Bush has sent his $1.6 trillion tax cut proposal to Congress. His plan was immediately trumped by Republican leaders in Congress, who called for even larger tax cuts despite the fact that independent analysts pegged the Bush proposal as actually costing $2.5 trillion. And corporate lobbyists have been making noise about the need to incorporate tax cuts for big business, which will further increase the overall cost of any compromise tax package. Still other members of Congress have jumped into the fray with proposals to increase spending for the Pentagon and other federal agencies by hundreds of billions of dollars.

Before we lock in large tax cuts or spending increases, members of Congress owe it to the American public to be certain these proposals are affordable, fair and efficient.

All of the plans swirling around Washington, D.C., are based on surplus estimates by the Congressional Budget Office of $5.6 trillion over 10 years. People are virtually pushing one another aside in the rush to spend this money before it even exists. A note of caution is in order.

First, the CBO's track record is not that great. While noting that "considerable uncertainty" surrounds its projections, the CBO admits that based on recent history, its projections could be off by hundreds of billions of dollars. In 2006 alone, the CBO says its estimate could be off by $412 billion. The CBO also warned "the budget might fall into deficit in 2006, even without policy changes (i.e., tax cuts or spending increases)."

There are a few key problems with the CBO estimate. First, the CBO assumes the economy will grow at a average rate of over 3 percent, despite the fact that the U.S. economy has slowed to near zero growth this year. For every one-tenth of 1 percent the CBO is off in its 10-year economic growth estimate, the 10-year surplus plummets by $244 billion.

The CBO surplus estimate contains other unrealistic assumptions. The CBO assumes there will be no emergency spending for natural disasters and agriculture for the next decade; that popular tax credits, such as the research and development credit for business, will be allowed to expire; and that the level of discretionary spending will decline in purchasing power. All of these assumptions defy the reality of spending by Congress over the last five years. Last year alone, Congress shattered fiscal discipline by approving spending bills that shaved $600 billion off the projected surplus.

Overshadowing all of these tax cut and spending plans is our $5.6 trillion mountain of debt. The national debt is equivalent to around $20,000 for every citizen. In my mind, any responsible plan will ensure not only that we don't increase this burden, but that we show we are committed to paying down this debt rather than passing it on to our kids.

A plan that locks in $2.5 trillion in tax cuts over 10 years, primarily titled toward those making $320,000 or more, no matter what levels of surplus actually materialize, does not meet that test.

I believe a responsible plan would allocate surpluses only when the money is actually in the bank. I would first protect income earmarked for the Social Security and Medicare Trust Funds. The CBO includes these trust fund balances in its surplus estimate. Removing these funds from the budget totals would leave $2.7 trillion in projected surpluses.

Of the non-Social Security, non-Medicare surpluses, I would evenly split the resources among tax relief, additional debt reduction, and critical investments like education and infrastructure. This could provide around $900 billion for each of these areas if current surplus estimates hold up over 10 years.

Tax relief can take many forms. Last year I supported a number of tax cuts, such as eliminating the marriage penalty, repealing the telephone tax that dates from the Spanish-American War era, estate tax relief for farmers and small businesses, and tax incentives for saving. These proposals may be on the table again this year.

But, to open the debate on an affordable, fair, and efficient way to return projected surpluses to the American people, I joined my colleagues in the Congressional Progressive Caucus in offering the American People's Dividend. Under this proposal, each year a non-Social Security, non-Medicare surplus materializes, one-third of that surplus would be returned to the American people as a dividend. Every man, woman and child would get a check in the mail.

The size of the check would depend on the size of the surplus, but using the same projections as President Bush, the check would average around $300. This would mean $1,200 for a family of four.

This proposal is fair since everyone benefits and benefits equally. Plus, the American People's Dividend is fiscally responsible. It will only be paid in years when a surplus actually exists.

Reasonable people can disagree on the best form tax relief should take.

But nearly everyone who lives and works outside the Washington beltway believes tax relief should be based on economic and budgetary realities.

I believe we can also agree it would be disastrous to return to the days of $300 billion budget deficits by locking in tax cuts or spending increases today based on a predicted surplus 10 years from now.

WORKER RIGHTS: WHAT IF THE U.S. ISN'T A ROLE MODEL?

Minneapolis Star Tribune

In exporting capitalism to nations as diverse as China and Poland, Americans have argued that they also are exporting democratic ideals such as the rule of law and respect for human rights. But what if the United States itself sets a bad example?

That's the question raised in a new study published by Human Rights Watch and written by Cornell University professor Lance Compa. In "Unfair Advantage," Compa finds that American corporations routinely break federal labor law and violate the legal rights of their employees -- and that the government does almost nothing to stop them.

Since the 1930s, federal law has guaranteed Americans the right to organize unions and to negotiate working conditions with their employers. Polls show that most people still support the concept. Yet Compa finds that thousands of workers are fired every year for actions as simple as wearing a union lapel pin. Drawing on documents from the National Labor Relations Board, Compa finds that the number of workers discharged for union activity has risen from a few hundred annually in the 1950s to more than 20,000 annually in the 1990s. He interviewed a Florida nursing home worker who was fired during a union campaign, won his case before the labor board, and after five years of litigation won a grand total of $1,798 in back pay and interest. He cites the employees of a Chicago castings company who voted for a union in 1987, but after the company refused to bargain for 12 years, simply disbanded the union in 1999. Perhaps these failings should come as no surprise; the labor board's staff was cut by one-third between 1980 and 1998.

Compa was himself a union activist before joining the Cornell faculty, and skeptics will dismiss his study as the special pleadings of a special-interest group. Yet findings like his would be a scandal in most developed nations. Collective action in the workplace is one of the central tenets enshrined in the 1948 Universal Declaration of Human Rights. And a bedrock principle of most free-trade treaties is that signatory nations will at a minimum enforce their own laws.

Unions have suffered many setbacks over the years, some of them self-inflicted. But there are reasons why Congress granted workers the right to organize in the first place. Unions give voice to public concerns about job safety and workplace fairness, they narrow the gap between rich and poor, and they bring pensions and health insurance to people who wouldn't otherwise have them.

Americans learn valuable lessons when borders fall and they enter commerce with far-off cultures. Among them should be a simple one: A nation that promotes the rule of law should at least enforce its own.

EVEN BILLIONAIRES AREN'T BUYING ESTATE-TAX HYPE

USA Today

During a lifetime, William H. Gates Sr. built up his Seattle law practice into affluence and wealth, making him a ripe target for the estate tax. His son Bill, co-founder of Microsoft, is the world's richest man. So you might expect the senior Gates would be apoplectic at the notion that the government might claim more than half — a staggering $30 billion or more — of what otherwise could go to his grandchildren.

Instead, Gates is leading hundreds of other millionaires and billionaires arguing that President Bush's proposal to repeal the estate tax would be "bad for our democracy, our economy and our society."

Warren Buffett, the Omaha investor who parlayed a small-business base into a $26 billion fortune, agrees. So do George Soros, Holocaust survivor and Hungarian refugee who became a billionaire financier, and old-money heirs such as the Rockefellers.

In fact, more than 300 of the nation's richest joined Gates' online petition even before it was published Sunday. He and others holding additional publicity events today have signed on to:

• expose the false advertising used by those trying to end the estate tax.

• maintain the principle that children of wealth shouldn't get unearned fortunes tax-free when everyone else pays taxes.

• point out that the tax is a critically important incentive for private charity.

Their pitch is so powerful, it has led to reports that the Bush administration is retreating from its push to repeal the estate tax, until just weeks ago a priority element in Bush's promised $1.6 billion tax cut. That possibility has turned the tables on lobbyists seeking to end the tax. For years they have hidden behind the anecdotes of a few farmers and small businesspeople who fear losing grandpa's legacy. Last year, they created a near-stampede with the false notion that almost everyone was subject to a confiscatory "death tax."

What they didn't say was that only the largest estates, fewer than 2% of the total, are taxed at all. And because farms and family businesses get exemptions others don't, fewer than 1,500 a year are subject to the tax.

That was the original idea. The estate tax was enacted in 1916 as a companion to the then-new income tax. The idea: Holders of great wealth should contribute to society from which they benefited, particularly since some of their affluence had not been taxed.

That's still true. In most estates big enough to be taxed, a significant slice is untaxed gains from the increased value of securities, land or other assets. Anyone else pays a tax of up to 20% on such capital gains.

Yes, an argument can be made that the estate-tax floor, rising to $1 million in 2006, should be higher. The current top rate of 60%, on some estates over $10 million, looks high when the income-tax top is now 39% and likely to be reduced. And bigger exemptions for family businesses could be justified.

But such sensible reforms were blocked in Congress last year by those determined to protect the children of wealth at any cost. The Bush plan would cost the Treasury $294 billion in the next 10 years, another $750 billion in the following decade — money that could go to the middle class instead.

Further, while many of the loudest voices against the tax also talk up the virtues of private charity, their action could devastate such institutions. Treasury analysts say removing the tax could cost worthy causes $6 billion a year.

The billionaires are right to be telling the millionaires to stop being so selfish: Problems with the estate tax can be fixed without creating an open-ended tax exemption for a few children of wealth.

REFORM CHOICE FOR MR. BUSH

Washington Post

LAST DECEMBER President Clinton refused to sign a bankruptcy bill, for the good reason that it was too tough on ordinary debtors who seek the protection of the courts and too generous to high-rollers with fancy tax accountants. Now Congress is returning to the subject: A bill recently moved through a House committee, and the Senate is preparing to mark up its version. Lawrence Lindsey, the White House economics adviser, has suggested that President Bush isn't sure whether to support a bill. The administration should make it clear that bankruptcy reform will only be signed if it is fairly balanced.

The case for reform is that the number of people declaring bankruptcy has nearly doubled over the past decade, and that this represents a damaging cultural shift toward irresponsibility. If the old stigma associated with bankruptcy evaporates, people may get the idea that they can borrow freely and then get off without repaying; this imposes costs on lenders, which in turn may be passed on to honest borrowers in the form of higher interest rates. Up to a point, this case is right -- though it is also true that most people who file for bankruptcy do so because of a calamity such as illness, job loss or divorce. The challenge for reformers is to limit irresponsible abuse of bankruptcy without being too harsh toward those who deserve second chances.

The bill Congress produced last year fell short in several ways. It failed to close the egregious homestead loophole, which allows expensively advised debtors to establish residency in Florida or Texas and buy million-dollar homes that they can keep while thumbing their noses at creditors. It did too little to discourage hard-sell tactics by credit card companies, whose relentless come-ons have done much to seduce consumers into debt and to dissuade them from early repayment. And it fails to restrict creditors' abusive practice of pressuring unsophisticated debtors into reaffirming their intention to repay even when they aren't legally obliged to.

This time around, senators from both parties are preparing amendments that might fix some of these abuses. The credit card industry, on the other hand, will be issuing reminders of the size of its campaign contributions. Experience shows that it will take presidential leadership to tip the scales against the lobbyists. Let's hope Mr. Bush delivers it.