DEMOCRATIC LEFT

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Democratic Socialists of America

inside—

Crony Capitalism

presents

Negative Home Equity

TALKING UNION

A Project of the DSA Labor Network

There's a new blog in town. "Talking Union" (http://talkingunion.wordpress.com) is a project of the DSA Labor Network that not only reports on the activities of our DSA and YDS labor activists as well as organizational perspectives on labor and working class issues but also includes original and reproduced material by others that network members find useful and thought provoking.

"Talking Union" seeks to be a place for a range of labor activists, writers and scholars to discuss and debate ways to renew and strengthen the labor movement and aid working people's struggles. The site also includes links to AFL-CIO and Change to Win unions, as well as a number of independent labor sites. Articles and blog posts can be submitted via e-mail to talkingunion@gmail.com.

The DSA Labor Network also operates DSALabor, a Yahoo Groups discussion list. The list is open to all interested DSA and YDS members. To join in the discussions, go to http://groups.yahoo.com/group/DSAlabor or send an e-mail containing your name and address (so we can verify your membership) to the list moderator at mmh@pipeline.com.

One representative blog entry is re-printed below.

Bush Tries Again to Pass Free Trade Agreement with Colombia

By Paul Garver

To date, the Colombian and American labor movements' united and unrelenting critique of the systematic violations of union rights in Colombia has deterred the Bush administration from introducing legislation to ratify and implement the US-Colombia Trade Promotion Act (*née* Free Trade Agreement). Now the Administration is trying to use national security arguments to woo recalcitrant Democrats. By echoing Bush's uncritical support for Colombia's military attack on a FARC camp in Ecuador, Clinton and Obama appear naive and vulnerable to this duplicitous approach.

At midnight on March 1, the Colombian air force dropped cluster bombs to kill some two dozen guerillas of the Revolutionary Armed Forces of Colombia (FARC), who were sleeping in tents at a jungle site one mile inside Ecuadorian territory. Colombian troops crossed the border to claim the pajama-clad bodies, which included that of Raúl Reyes, the chief international spokesperson for the FARC. Colombian authorities claimed that Reyes' laptop contained evidence that the FARC had received $300 million from Venezuelan President Hugo Chavez, which FARC was going to use to obtain uranium to make a "dirty bomb." President George Bush called his good friend Colombia President Álvaro Uribe to congratulate him on his successful strike against terrorism. Hilary Clinton echoed Bush's support for Uribe, calling the invasion of Ecuador justified by Colombia's "right to defend itself." Barack Obama agreed that "the Colombian government has every right to defend itself." The government of Ecuador reacted by sending troops to the border to defend its sovereignty, while Hugo Chavez supported Ecuador by sending troops to Venezuela's border with Colombia. Every Latin American member of the Organization of American States (OAS) condemned Colombia's action as a serious violation of international law. The OAS authorized its Secretary General, José Miguel Insulza, and Brazilian Foreign Minister Carlos Amorim to mediate the crisis. Following Uribe's apology for its intrusion into Ecuadorian territory, the diplomatic crisis was defused among the three countries. What is going on here?

Uribe's motivation is fairly evident, if both cynical and calculating. It was his political decision to wreck a promising peace process orchestrated by Venezuela and Ecuador to encourage a political settlement of the decades-long civil war in Colombia.

Within the last month the FARC had, through the mediation efforts of Hugo Chávez, unilaterally released four Colombian politicians it had earlier kidnapped. The FARC negotiator, who was currently negotiating with France with the help of Ecuadorian President Rafael Correa the release of its most prominent prisoner, the ailing French-Colombian former presidential candidate Ingrid Betancourt, was none other than Raúl Reyes. In fact, Reyes was to meet later on March 1 with three personal envoys of French President Nicolas Sarkozy to discuss details of her release and that of eleven other prominent FARC hostages. Early in the morning of March 1, the French envoys were called by Colombian Peace Commissioner Luis Carlos Restrepo to inform them it

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DSA launches *Renegotiate NAFTA* Campaign

DSA is launching a national petition campaign calling on the incoming president to make good on the rhetoric of the 2008 campaign by renegotiating NAFTA. The campaign, which will involve DSA and partner organizations, will collect as many signatures as possible on an on-line petition detailing changes to NAFTA (see pages 6-7). Additionally, the campaign will seek commitments from elected officials by asking them to become petition signatories and, if the resources are available, will organize rallies at the national political conventions. The campaign will present the petitions to the incoming president early in 2009.

The campaign is in its initial stages. We are constructing a website, *renegotiatenafta.org*, which we expect to launch on May 1. Every member of DSA can expect to receive a printed petition this summer, and we hope that everyone will collect signatures and return the petition to the national office.

This campaign is part of developing support for DSA's Economic Justice Agenda. Frankly, even six months ago, few of us would have expected NAFTA and issues around fair trade to become so important in the presidential primaries. This NAFTA campaign will try to ensure that it does not end up as another example of forgotten campaign rhetoric.

Copies of the actual petition and its main advocacy statement (both of which are still works in progress) are included in this issue of *Democratic Left*. This project is one of the most ambitious that DSA has ever undertaken; to have an impact, we will need the help of most of our members and other organizations already committed to the principles of fair trade.

Frank Llewellyn

inside DL

Democratic Left

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Democratic Socialists of America share a vision of a humane international social order based on equitable distribution of resources, meaningful work, a healthy environment, sustainable growth, gender and racial equality, and non-oppressive relationships. Equality, solidarity, and democracy can only be achieved through international political and social cooperation aimed at ensuring that economic institutions benefit all people. We are dedicated to building truly international social movements – of unionists, environmentalists, feminists, and people of color – which together can elevate global justice over brutalizing global competition.

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Democratic Left welcomes new editorial board members:

Duane Campbell
Barbara Joye

Latin America and the Next U.S. Left

By Corey D.B. Walker

The democratic left of Europe and North America must do the same, nationally and internationally. It is not just that its Fordist program of the past half-century no longer works and that it must go far beyond it. It will only be able to speak for the increasingly diverse peoples of the West if it rethinks and restates its own legitimacy.

– Michael Harrington, *The Next Left: The History of a Future* (1986)

The leftist political movements that have sought to fundamentally reconfigure the terrain of politics in Latin America offer some lessons for the Left in the United States.

Over the past decade, new political actors have taken center stage across the Latin American region in a tenacious struggle to redefine the nature of political power and representation. New political formations such as Raphael Correa's Alianza PAIS (Patria Altiva I Soberana) in Ecuador and Evo Morales's MAS (Movimiento al Socialismo) in Bolivia have engaged in political elections, popular mobilizations, and ideological battles in an effort to transform the norms of politics and materially alter cultural and economic relations. These and other groups have forged new political identities by expanding the spectrum of political representation to include marginalized persons, most notably indigenous peoples, while deepening both formal and informal democratic forms of governance.

To be sure, the political reorganization struggles in Latin America have met fierce resistance from entrenched power elites throughout the region in addition to a hostile and aggressive political regime in Washington, D.C., that maintains the imperialist view and posture that Latin America is the United States' backyard. One need only examine the failed 2002 coup d'état against Hugo Chávez and the recent conservative opposition battles against Evo Morales over the new draft constitution to understand the tremendous power of those forces determined to resist any structural realignment in the region.

Despite the multiple internal and external obstacles facing these political tendencies in their attempt to institutionalize more egalitarian social, political, cultural, and economic policies, the left in the United States can learn a great deal from the strategies, tactics, and philosophies of some of our Latin American comrades.

The "Battle of Seattle" in 1999, which graphically confronted capitalist globalization, also marked the high-water mark of the U.S. left's unfortunate valorization of a model of politics and organizing that privileges civil society in challenging the power of capital and the state. In this view, the mechanisms and politics of the state are disconnected from other relations and formations in society and the only opening with any potential of political transformation of the existing order is offered by and through the actions of civil society actors and groups. As encouraging as the waves of opposition to neoliberal globalization were, the U.S. Left remained bereft of any critical strategies, formidable tactics, and coherent ideologies that critically integrate a radical politics of civil society with an equally radical politics of the state.

This situation is exacerbated by the presidential electoral campaign of 2008. Left discourse has been saturated with what Howard Zinn has rightly called "electoral madness." Instead of taking up the arduous task of organizing a broad Left, there has been a pronounced tendency to abandon the electoral field and allow the low-intensity spectacle politics of the American "one party, two faction" political system to set the terms and frame the debate not only on social policy but on left political thought and strategy, too.

In contrast, what we have seen demonstrated again and again throughout the struggles in Latin America and what is particularly instructive for the U.S. Left is the creative responses by multiple Latin American leftist movements to the question, "How do organizations and movements within civil society change relations of politics and the terrain of the political in light of the concentration of hegemonic forms of power in the apparatus of the state?"

Indeed, Hugo Chávez's formulation of a "grassroots government" and Evo Morales's push to make Bolivia a "plurinational" state both seek to bring together the radical democratic politics of mass mobilizations with an equalitarian and egalitarian politics of statecraft. The radical experiments afloat in Bolivia and Venezuela represent novel ways of envisioning and enacting new state forms that respond to the political agenda of the masses while recognizing the need for leveraging the operations of the state in service to a radical socialist democracy.

The Latin American Left has reformulated the frame of the century-old Bernstein-Luxemburg debate on reform or revolution to rightly focus on under what conditions it is possible for a horizontalist grassroots politics to transform the vertical structures of the state in the interests of the marginalized and dispossessed.

By reformulating the frame of this debate, Latin American leftist movements exposed the false dichotomy of reform or revolution and have rightly focused on political agenda setting, political education, organizational infrastructure, and critical coalition building aimed at empowering the dispossessed and creating a more humane existence. This is not a one shot strategy, but a continuous and evolutionary process as demonstrated by the cocaleros (cocoa growers) in Bolivia who continue to mobilize, educate, and agitate despite Morales's ascension to the presidency.

Although the U.S. Left may not exactly follow the lead of the cocaleros who have inspired the cocoa farmers in Peru to get better organized by forming the National Confederation of Agricultural Producers in Peru's Coca Growing Valleys

(CONPACCP), they do offer a model for redefining the nature of politics in the U.S. and working to achieve a radically democratic, if not socialist, state of affairs.

With new forms of political and economic sovereignty, these elements in the Latin American Left have also provided the U.S. Left with new modelsnot only for critically understanding the transformations of capitalist political economy but also for developing effective responses to the age of con-temporary capitalist imperialism. Too often, leftist analyses of neoliberalism in the U.S. – as ideology and economic policy – have decoupled the economics of global capital from the politics of statecraft. This has impoverished our understanding of the transformations of capital since what Harvard economist Stephen Marglin has so aptly named the end of the Golden Age of Capitalism in relation to the transformations of the politics, practices, and philosophies informing U.S. statecraft in the same period.

Admittedly, this is a sweeping claim that would require several stout volumes to elaborate and substantiate, but what it aims to highlight is a gap in the U.S. Left's theoretical vision that views "capitalist imperialism" grounded in the American nation-state as ancillary to challenging a dematerialized and spiritualized "neoliberalism." The rhetoric of challenging neoliberalism has aided in the proliferation of organizational practices that eschew any critical interrogation of and consistent struggle against state power. Politics is reduced to personalities – whether the personality of a corporation, a politician, or a cause – absent any institutional or systemic critique, let alone producing and enacting alternative proposals that take a long march through the institutions.

Such a luxury is not enjoyed by our comrades in Latin America. Because of the devastating history of the penetration of the national and the economic by the capitalist ventures of the West, the Latin American Left is forced to creatively confront the interpenetrations of the economic and the national. With the U.S. military and intelligence services strained and overreached in Iraq and Afghanistan, these elements of the Latin American Left see the chance for greater independence from the U.S. In so doing, leftist Latin American regimes, inspired by the ideologies and politics of the movements that have swept them to power, have begun to experiment with new forms of political and economic sovereignty that harness the massive powers of the state to facilitate the development of alternative labor and production relations aimed at restructuring the political economy of the region to address massive inequalities and injustices.

The struggle for hegemony waged by forces on the Latin American Left have pressed for a critical shaping of domestic and foreign policy that punctures the smooth tex-tures of neoliberalism in its economic and political guises. The mobilizations by Brazil's Landless Workers Movement – Movimento dos Trabalhadores Rurais Sem Terra (MST) – are an exemplary articulation of this initiative. It continues to agitate for land reform even as it develops new policies for formal land acquisition by the landless while also challenging the economic initiatives of transnational corporations. It is targeting use by corporations of increasing amounts of land for biofuel crop cultivation and the introduction of genetically modified seeds that impair the ability of local farmers to grow and cultivate sustainable crops. The MST has also linked these issues to other issues like energy sovereignty and support for movements against state police violence while continuing to maintain pressure on the government of former labor leader Lula da Silva to develop policies and practices in the interests of radical structural change.

These leftist movements and governments remind us in the U.S. of the importance of linking the struggles against the policies and ideologies of free market fundamentalism with a coherent theory and strategy of fundamental transformation of the state. Theirs is not a call for a left "electoralism" – an impoverished principle when not critically linked with an emancipatory politics – but for a more comprehensive strategy of social mobilization, ideological articulation, and political transformation geared toward fundamental restructuring of the relations of labor, production, and power. The critical question thus becomes not when, where, who, but how.

The recent declaration of sovereignty by the Lakota Nation is a beginning of a response to the critical question of how. Drawing on U.S. and international law, including the UN Declaration of Rights of Indigenous People passed by the UN general assembly in 2007, the Lakota Nation has inaugurated a new path for political sovereignty that will open up its ability to exercise political and economic self-determination in its own interests. The Lakota Nation's example has inspired a number of other indigenous groups throughout the U.S. to examine ways in which they may exercise political and economic sovereignty in the interests of radically restructuring economic and political relations.

Although the U.S. Left has been mostly silent in the wake of these radical and potentially revolutionary developments, the clear and present danger represented by these actions has caught the attention of the regime in Washington. So much so that Kansas Republican Sen. Sam Brownback, along with thirteen co-sponsors, recently succeeded in having the Senate issue a formal apology from the U.S. government to Native Americans. According to a February 15, 2008, press release from his office, the senator stated, "Hopefully, this apology will help restore the relationship between the United States and Native Americans."

However, the actions of the Lakota Nation remind us of the limits of symbolic politics and the necessity to develop liberatory politics for a new century. Their declaration of sovereignty holds out the possibility of translating Morales's vision of a "plurinational" state to their neighbors to the north with potential radical implications. Coupled with a crippling crisis in capitalism that has perplexed even the most ideologically orthodox free-market economists, the U.S. Left may be confronting a critical opening for bringing forth a hemispheric transformation of political and economic sovereignty like we have witnessed in Latin America.

In *The Next Left: The History of a Future*, Michael Harrington optimistically states, "The Western left will confront the possibility of political power within the next five years, and perhaps sooner rather than later. No one knows when or for what immediate reasons that possibility will manifest itself. But it will come." Harrington then tempers his optimism with the following caveat: "Only that in no way guarantees that the next left will successfully respond to the opening. It may well be overwhelmed by the very events that give it a new chance; it may simply lack the creativity to deal with a crisis that has already bankrupted so much of American liberal and European socialist ideology."

The events of Latin America provide the next U.S. Left with an important opportunity to respond in an ideologically, politically, and institutionally creative manner to the opening that exists in our contemporary conjuncture. If the U.S. Left refuses to learn from the examples in Latin America, we can rest assured that Harrington's caveat will (once again) become the fate of the "next Left."

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DSA says: Renegotiate NAFTA!

In the fifteen years since the North American Free Trade Agreement (NAFTA) was established, the flow of goods across national borders has increased and the profits of multinational corporations have grown. However, the social and economic costs to the majority of North Americans have been considerable. The level of economic inequality has soared in all three countries, and NAFTA's side agreements to protect labor and environmental standards proved weak and unenforceable. NAFTA's provisions for protecting the rights of foreign investors, on the other hand, have been successfully used in all three countries to challenge local and state regulations protecting public health and the environment. The United States has lost millions of industrial jobs that paid decent wages and benefits, and corporations have used the threat of exporting jobs to reduce wages and benefits even for the unionized factories that remain in the USA and Canada. The industrial jobs created in Mexico were primarily poorly paid and insecure, and, in recent years, many of those jobs were relocated to China. Small subsistence farmers in Mexico lost their ability to earn a living, forcing many of them to cross the border in a desperate search for work. At the beginning of 2008, the provisions of NAFTA required that the few remaining protections for basic foodstuffs had to be dismantled in Mexico, and hundreds of thousands of peasants took to the streets demanding that NAFTA be renegotiated. A strong citizens' movement in Canada is also demanding that NAFTA be renegotiated.

"Free trade" agreements like NAFTA are increasingly unpopular with many working Americans, particularly union members and families. The issue played a pivotal role in electing several proponents of "fair trade" in the 2006 congressional elections. In the key primary states of Ohio and Texas, fair trade advocates secured written statements by both Senators Clinton and Obama that, if elected, they would renegotiate NAFTA. Both promised to include enforceable labor and environmental standards, and both promised, albeit more vaguely, to reexamine clauses that excessively favored investor interests. Although neither candidate has in the past been a strong critic of "free trade," they had to respond to the evident demands of a wide spectrum of the electorate. Thus far, however, the trade debate between the Obama and Clinton campaigns has been more about smearing the other candidate's record as a tactical approach to winning specific states than a broad strategy designed to win the general election or build political support for a new "fair trade" policy.

None the less, the 2008 general election campaign will feature an ongoing debate on "free" versus "fair" trade, particularly in those states that have suffered trade-related job losses. Senator McCain wholeheartedly supports NAFTA and other "free trade" agreements that primarily benefit the multinational corporations and economic elites. Whether it be Obama or Clinton, the Democratic candidate will have to advocate substantial reforms in U.S. trade policies. However, both the Clinton and Obama campaigns are financially supported by business interests that favor "free trade," and both candidates are advised by economic policy analysts who are "free traders" – raising a substantial question about the willingness and ability of any elected Democratic president to fulfill the electoral promise to renegotiate NAFTA.

So campaign rhetoric does not guarantee a major change in policy. What will help make a difference is a strong citizen's movement for fair trade after Election Day. We must take steps now to build grassroots support for renegotiating NAFTA that will make it more difficult for the new administration to avoid or backburner the issue of fair trade and NAFTA.

This petition is intended to help build broad public support for renegotiating NAFTA between now and the first months of the inauguration of the new administration. It provides a vehicle to register the support of individual American citizens for making renegotiating NAFTA not a mere tactical slogan for a political campaign but, in fact, a genuine grassroots demand for fair trade policies that encourage the creation of decent jobs at decent wages.

A website at *renegotiatenafta.org* is under construction. When it is launched, people will be able to sign the petition online and download petitions and other materials. *Renegotiate NAFTA* is a campaign initiated by the Democratic Socialists of America, (212) 727-8610 (www.dsausa.org). Partner organizations will be announced as they sign on to the campaign.

A Petition To the Next President of the United States:

Renegotiate NAFTA

While on the campaign trail, you heard the voices of millions of American citizens who described the secure industrial jobs that no longer exist, the devastated communities and shuttered small businesses of Middle America, the growing inequality in wealth and opportunity. You heard the clamor for "fair trade" instead of unregulated "free trade." You may even have promised that, if elected, you would renegotiate a treaty that, fifteen years after its adoption, clearly does not meet the social and economic needs of the American people. Campaign rhetoric is not enough. Major changes are needed in our trade and investment policies. We therefore call upon you, immediately after you take office, to begin renegotiating NAFTA. A newly negotiated treaty should include the following changes:

- To safeguard national sovereignty and democratic rights, the Chapter 11 "investor-state" clause, which gives investors the right to sue governments over measures taken in the public interest, should be eliminated. This clause is one of many provisions that favor the rights of foreign investors over the democratic rights of citizens.
- Governments must regain the ability to safeguard food sovereignty by protecting family and small-scale subsistence farmers. Large-scale importation of basic grains into Mexico is a major cause of the economic collapse of rural communities, which forces millions of undocumented migrants to seek work in the USA. Tariffs that offset subsidies on imported agricultural commodities should be permitted.
- Consumers have the right to know the origins and production methods of their imported foods. Provisions that discourage food safety laws by prohibiting labeling, traceability and identification of country of origin must be repealed.
- Nothing in the agreement should prohibit governments from taking measures necessary to protect the environment and natural resources such as water and energy supplies from overuse and exploitation.
- The current weak and unenforceable "side agreement" to protect labor must be replaced by enforceable provisions that fully safeguard workers' rights in all countries. This is essential to reverse the rapid increase in social and economic inequality that is fueling a "race to the bottom" in living standards.
- Governments should recover the right to use procurement policies to promote national development and job creation. Trade agreements should not limit the ability of governments at any level to support local employment and other social and environmental goods.
- Each country should have the right to preserve its cultural heritage and support an informed citizenry through policies that protect locally produced films, television and other media products.
- Major development assistance should be provided to poorer regions to reduce inequalities and thereby reduce the incentive to relocate to other countries out of desperate economic need. Substantial trade adjustment assistance should be provided to workers and communities in regions suffering from major economic dislocations.
- A new, impartial and transparent mechanism should be developed for settling disputes and should be open to public scrutiny in all affected countries.

A complete study and review of the impact of NAFTA should commence immediately. This process should include extensive public and legislative hearings throughout the USA and the other North American countries. Civil society organizations and movements, as well as state and local governments, should be invited to participate in this review.

The Security and Prosperity Partnership (SPP) process should be terminated immediately. This attempt to revise NAFTA under the aegis of the large multinational corporations (joined in the North American Competitiveness Council), together with heads of state, without public input or scrutiny, is the polar opposite of the genuine democratic process that is needed to renegotiate NAFTA and develop fair and just treaties.

Furthermore, the above-mentioned points should be integral parts of any future trade agreements negotiated by the United States and should serve as the basis for renegotiation of other existing treaties in the Americas and elsewhere.

To add your name to this petition, fill in your information on the back. Completed petitions should be mailed to: *Renegotiate NAFTA*, 75 Maiden Lane Suite 505, New York, NY 10038. (A website at *renegotiatenafta.org* is under construction. When it is launched, you will be able to sign the petition on-line and download petitions and other materials.) *Renegotiate NAFTA* is a campaign initiated by the Democratic Socialists of America. Partner organizations will be announced as they sign on to the campaign.

The Mortgage Mess and the Economic Meltdown:
What McCain (and the rest of us) Should Learn from the Keating Scandal
By Peter Dreier

The nation's escalating economic troubles – triggered by the growing wave of home foreclosures, declining housing prices, and bank failures – was entirely preventable. It will take years and trillions of dollars to dig ourselves out of this hole, as the ripple effects of the mortgage meltdown reverberate throughout the economy: millions of families losing their homes, a housing industry in disarray, skyrocketing consumer debt, tight credit, massive lay-offs, neighborhoods in decline, and serious fiscal woes for states and cities.

The issue should be at the forefront of this presidential campaign. John McCain is conspicuously silent, even as George Bush proposes to bail out Wall Street, which played a major role in getting us into the mess. Barack Obama and Hillary Clinton have offered reasonable ideas for coping with the symptoms (especially homeowners facing foreclosure), but neither has proposed the sweeping reforms needed to address the root causes – five pillars of which are outlined below.

The problem began in the 1980s, when – under political pressure from the banking industry – the Reagan administration and Congress stopped regulating the nation's financial institutions. Commercial banks and savings-and-loans used their political clout – especially campaign contributions – to get Congress to loosen restrictions on the kinds of loans they could make.

One of government's important roles is to establish groundrules, and to regulate companies and industries, to save them from their own short-sighted greed. Government is necessary to make business act responsibly. Without it, capitalism becomes anarchy.

Washington now needs to put a short-term tourniquet on the banking industry to stem the damage and to get back into the business of protecting consumers, employees, and investors from corporate greed. But in its last year in office, the Bush administration is repeating the same mistakes. It is about to invest huge sums of taxpayer dollars to bail out Wall Street – including the investment bank Bear Stearns – without insisting on any quid-pro-quo. And if there's anyone who should be screaming "stop!" before the Bushies giftwrap the bail-out package, it should be John McCain, a politician who claimed that he'd learned his lesson after getting caught being a sock puppet for a sleazy banker. But so far his silence is deafening.

We're in the current mess because the financial industry has too much influence in Washington. This culture of corruption was epitomized by the Keating Five scandal. Five Senators – including John McCain and four Democrats (none of them still in Congress) – tried to intimidate federal bank regulators on behalf of Charles Keating, an Arizona real estate developer and owner of Lincoln Savings who had raised $1.3 million for the politicians. McCain, who received $112,000 from Keating and flew to the banker's home in the Bahamas on company planes, attended several meetings in 1987 with federal bank regulators who were investigating Keating for swindling investors.

McCain says he learned a valuable lesson from that experience about conflicts of interest, even though he later repeated the behavior in other instances, including intervening with the Federal Communications Commission on behalf of Paxson Communications, which was seeking to buy a television station license in Pennsylvania and which had donated more than $20,000 to McCain and lent him the company's jet for campaign travel.

But if McCain were alone in participating in this culture of corruption, we wouldn't be in the economic mess we're now in. Unfortunately, McCain's behavior was typical. Congress let the financial industry get away with giant rip-offs. While federal regulators looked the other way, banks engaged in an orgy of risky loans and speculative investments. Every aspect of the financial industry was so short-sighted and greedy that they didn't see the train wreck coming around the corner.

There was a time, not too long ago, when Washington did regulate banks. The Depression triggered the creation of government bank regulations and agencies, such as the Federal Deposit Insurance Corporation (FDIC), the Federal Home Loan Bank System, Home Owners Loan Corporation (HOLC), Fannie Mae, and the Federal Housing Administration (FHA), to protect consumers and expand homeownership. After World War II, until the late 1970s, the system worked. The savings-and-loan industry was highly regulated by the federal government, with a mission to take people's deposits and then provide loans for the sole purpose of helping people buy homes to live in. Washington insured those loans through the FDIC, provided mortgage discounts through FHA and the Veterans Administration, created a secondary mortgage market to guarantee a steady flow of capital, and required S&Ls to make predictable 30-year fixed loans. The result was a steady increase in homeownership and few foreclosures.

In the 1970s, when community groups discovered that lenders and the FHA were engaged in systematic racial discrimination against minority consumers and neighborhoods – a practice called "redlining" – they mobilized and got Congress, led by Wisconsin Senator William Proxmire, to adopt the Community Reinvestment Act and the Home Mortgage Disclosure Act, which together have significantly reduced racial disparities in lending.

But by the early 1980s, the lending industry used its political clout to push back against government regulation. In 1980, Congress adopted the Depository Institutions Deregulatory and Monetary Control Act, which eliminated interest-rate caps and made subprime lending more feasible for lenders.

The S&L industry, like Keating's Lincoln Savings, balked at constraints on their ability to compete with conventional banks engaged in commercial lending. They got Congress – Democrats and Republicans alike – to change the rules, allowing S&Ls to begin a decade-long orgy of real-estate speculation, mismanagement, and fraud.

The deregulation of banking led to merger mania, with banks and S&Ls gobbling each other up and making loans to finance shopping malls, golf courses, office buildings, and condo projects that had no financial logic other than a quick-buck profit. When the dust settled in the late 1980s, about a thousand S&Ls and banks had gone under, billions of dollars of commercial loans were useless, and the federal government was left to bail out the depositors whose money the speculators had looted to the tune of about $125 billion.

The icing on the cake was the Gramm-Leach-Bliley Act of 1999, enacted during the Clinton years by the Republican-controlled Congress, which tore down the remaining legal barriers to combining commercial banking, investment banking, and insurance under one corporate roof.

As a result of industry consolidation, between 1984 and 2004, the number of FDIC-regulated banks declined from 14,392 to 7,511. In 1960, the 10 largest banks held 21 percent of the industry's assets; by 2005, the 10 largest banks controlled 60 percent of the assets. Meanwhile, a netherworld of non-bank institutions that lend and invest money emerged, offering complex and risky loan products and investment vehicles that defy common understanding and resist government regulation.

The stable neighborhood S&L soon became a thing of the past. Banks, insurance companies, credit-card firms, and other money lenders became part of a giant financial-services industry, while Washington walked away from its responsibility to protect consumers with rules, regulations, and enforcement.

Into this vacuum stepped banks, mortgage lenders, and scam artists, looking for ways to make big profits from consumers desperate for the American Dream of homeownership. They invented new "loan products" that put borrowers at risk. Thus was born the subprime market.

Now, as millions of Americans lose their homes, Wall Street institutions face collapse, and the economy is in a deepening recession, all the players within the financial and housing industry are pointing fingers, and lawsuits, at each other. Here's what really happened:

At the bottom rung of the industry ladder are the private mortgage brokers and bank salespeople who solicited and hounded families, encouraging them to take out a loan to buy a house or to refinance their homes. These street hustlers earned fees for bringing borrowers to lenders – the larger the mortgage, the larger the fee. They were often in cahoots with real estate appraisers, who inflated the value of homes (on paper) to make the loans look reasonable. Brokers persuaded many borrowers who were eligible for conventional loans to take out risky subprime loans, including adjustable-rate mortgages that start with low rates and jump sharply after a few years. Subprime loans typically have higher application, appraisal, and other fees, as well as higher mortgage insurance payments, principle and interest payments, late fees, and fines for delinquent payments. Many borrowers were snookered into taking loans whose terms they barely understood because the documents were confusing. And in many cases, lenders simply lied about the costs of the loans and whether borrowers could really afford them.

Some of these brokers and banks were engaged in predatory lending, an array of abusive practices that targeted those least likely to be able to repay. Predatory lenders charged unconscionably high fees and interest rates, sometimes running well over 22 percent. Borrowers faced hidden fees masked by confusing terms such as "discount points," erroneously suggesting that the fees will lower the interest rates. Many of these loans had prepayment penalties that make it difficult or impossible for borrowers to refinance when interest rates decline. Many banks were so eager to profit on these loans that they failed to require the documentation needed to evaluate the risks.

Only a decade ago, subprime loans were rare. But, starting in the mid-1990s, subprime lending began surging. They comprised 8.6 percent of all mortgages in 2001, soaring to 20.1 percent by 2006. Since 2004, more than 90 percent of subprime mortgages came with exploding adjustable rates.

Big mortgage finance companies and banks cashed in on subprime loans. These include Household Finance, New Century, Countywide, CitiMortgage, WMC Mortgage, Fremont Investment, Ameriquest, Option One, Wells Fargo, and First Franklin. The executives and officers of some of these companies cashed out before the market crashed, most notably Angelo Mozilo, the CEO of Countrywide Financial, the largest subprime lender. Mozilo made more than $270 million in profits selling stocks and options from 2004 to the beginning of 2007.

At the other end of the financial services industry are the investors – people and institutions that borrowers never see, but who made the explosion of subprime and predatory lending possible. Subprime lenders didn't hold onto these loans. Instead, they collected fees for making the transactions and sold the loans – and the risk – to investment banks and investors who considered these high-interest-rate loans a goldmine. By 2007, the subprime business had become a $1.5 trillion global market for investors seeking high returns. Because lenders didn't have to keep the loans on their books, they didn't worry about the risk of losses.

Wall Street investment firms set up special investment units, bought the subprime mortgages from the lenders, bundled them into "mortgage-backed securities," and for a fat fee sold them to wealthy investors worldwide. (According to the *New York Times*, for example, some towns in Australia are suing Lehman Brothers, the Wall Street bank with the biggest mortgage business, for improperly selling them risky mortgage-linked investments).

When the bottom began falling out of the subprime market, many banks and mortgage companies went under, and major

Wall Street firms took huge loses. They include Lehman Brothers (which underwrote $51.8 billion in securities backed by subprime loans in 2006 alone), Morgan Stanley, Barclays, Merrill Lynch, Goldman Sachs, Deutsche Bank, Credit Suisse, RBS, Citigroup, JP Morgan and Bear Stearns. These investment banks are now accusing the lenders and mortgage brokers of shoddy business practices, but the Wall Street institutions obviously failed to do their own due diligence about the risky loans they were investing in.

Finally, the major credit agencies – such as Moody's and Standard & Poor's – raked in big bucks by giving these mortgage-backed securities triple-A ratings. They had their own conflicts of interest because these ratings agencies get their revenue through Wall Street underwriters. No politician has yet called on Washington to hold these powerful credit agencies accountable.

So there you have it. The entire financial and housing food chain – brokers, appraisers, mortgage companies, bankers, investors, and credit agencies – participated in this greedy shell game. Some of what they did was illegal. But most of it was simply business as usual.

At the heart of the crisis are the conservative free-market ideologists, like former Fed Chair Alan Greenspan, whose views have shaped public policy since the 1980s, and who still dominate the Bush administration. They believe that government is always the problem, never the solution, and that regulation of private business is a misguided interference with the free market.

In 2000, Edward M. Gramlich, a Federal Reserve Board member, repeatedly warned about sub-prime mortgages and predatory lending, which he said jeopardized the twin American dreams of owning a home and building wealth. He tried to get Greenspan to crack down on irrational sub-prime lending by increasing oversight, but his warnings fell on deaf ears, including those in Congress.

"The Federal Reserve could have stopped this problem dead in its tracks," Martin Eakes, chief executive of the Center for Responsive Lending, a nonprofit watchdog group, recently told the *New York Times*. "If the Fed had done its job, we would not have had the abusive lending and we would not have a foreclosure crisis in virtually every community across America."

As Rep. Barney Frank (D-Mass.), chair of the House Financial Services Committee, wrote recently in the *Boston Globe*, the surge of subprime lending was a sort of "natural experiment on the role of regulation," testing the theories of those who favor radical deregulation of financial markets. And the lessons, Frank said, are clear: "To the extent that the system did work, it is because of prudential regulation and oversight. Where it was absent, the result was tragedy."

So, what to do now?

First, the federal government should help homeowners who have already lost their homes or are at risk of foreclosure. It should create an agency comparable to the Depression-era Home Owners Loan Corporation, buy the mortgages, and remake the loans at reasonable rates, backed by federal insurance. Created in 1933, HOLC helped distressed families avert foreclosures by replacing mortgages that were in or near default with new ones that homeowners could afford. It purchased mortgages from banks and issued new loans to homeowners. Within a few years, almost one-fifth of all mortgage were owned by the HOLC. A modern version of HOLC would focus on owner-occupied homes, not homes purchased by absentee speculators.

Second, Washington should not bail out any investors or banks, including Bear Stearns and its suitor, JP Morgan, that do not agree to these new ground rules. The Fed brokered the deal between Bear Stearns and JP Morgan without any conditions for the consumers who were ripped off. There will be more Bear Stearns-like failures in the foreseeable future – institutions that the Fed considers "too big to fail." But if the federal government is about to provide hundreds of billions from the Federal Reserve, as well as from Fannie Mae, Freddie Mac and the Federal Home Loan Banks, to prop up Wall Street institutions, it should require the industry to be held accountable for its greed and misdeeds.

Third, Washington should consolidate the crazy-quilt of federal agencies that oversee banks and financial institutions into one super agency. Federal oversight has not kept pace with the dramatic transformation of the financial services industry. Four federal agencies – the Federal Reserve, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the Federal Deposit Insurance Corporation – have some jurisdiction over mortgage lending. States have jurisdiction over the growing number of nonbank mortgage lenders (which accounted for about 40 percent of new sub-prime loans) and have no agreed-upon standards for regulating them. States are responsible for regulating the insurance industry (including homeowner insurance) and do so with widely different levels of effectiveness. It is simply absurd to have so many competing and overlapping agencies involved in regulating these financial services institutions, often at cross purposes.

"We need to go in the direction of more regulatory consolidation," Sheila C. Bair, chairwoman of the FDIC, recently told the *New York Times*. "It would make more sense to have some type of umbrella agency, if for no other reason than facilitating information."

Fourth, the federal government should be a financial services industry watchdog, not a lapdog. Sen. Chris Dodd (D-Conn.), Senate Banking Committee chair, and Rep. Frank have proposed decent legislation. Congress should require lenders to verify applicants' income and document that they have a reasonable ability to pay. It should put private mortgage companies and brokers under the umbrella of federal lending regulations, requiring them to be registered and licensed. Wall Street and other investors should be held liable for the illegal practices of mortgage brokers and lenders. Borrowers should be allowed to sue the current mortgage holder, even if the original lender sold the loan. Lenders should be prohibited from steering borrowers toward more expensive loans and from influencing an appraiser's value of a house.

These proposals may seem like common sense solutions, but they are already under attack by financial services industry lobbyists. Indeed, under pressure from the lobby, the House already gutted some of the better parts of the Frank bill. For example, the Mortgage Bankers Association and the American Banking Association lobbyists persuaded legislators to allow lenders to continue the insidious practice of paying an increased fee to brokers for steering borrowers into higher cost sub-prime mortgages. It also bars borrowers whose predatory loans have been sold on Wall Street from suing investors for relief until the homeowners are facing foreclosure. In effect, it forces borrowers into foreclosure as a condition for asserting their rights. Wall Street and the big players in the mortgage market won't be held accountable for buying abusive loans.

Fifth, and finally, we need real campaign finance reform, so that the banks, insurance companies, Wall Street firms, and other players in the financial services industry can't use their political influence to avoid adhering to responsible business practices. Washington is awash in Wall Street money. In 2000 George Bush collected nearly $4 million from the securities and investment industry, according to the Center for Responsive Politics. Al Gore received $1.4 million. Four years later, Bush received $8.8 million, double Sen. John Kerry's take. This year, so far, Hillary Clinton has collected at least $6.3 million from the industry, compared to $6 million for Obama and $2.6 million for McCain, who will no doubt start closing the gap. Wall Street has also spread its largesse to candidates for Congress from both parties.

We are now seeing the consequences of this system of legal bribery.

Under Bush, Treasury Secretary Henry Paulson, and Fed Chairman Ben Bernacke, the solutions have reflected the priorities of the financial services industry: bail-outs for Wall Street but resistance to strong regulations and help for troubled homeowners.

This isn't surprising, considering who was at the negotiating table when the administration forged its plans. The key players were the mortgage-service companies (who collect the homeowner's monthly payments or foreclose when they fall behind) and groups representing investors holding the mortgages, dominated by Wall Street banks. Groups who represent consumers – ACORN, the National Community Reinvestment Coalition, the Greenlining Institute, Neighborhood Housing Services, and the Center for Responsible Lending – were not invited to the negotiation.

John McCain hasn't offered any ideas to seriously address these issues. This isn't surprising. McCain is a free market fundamentalist. And his major economic adviser is former Senator Phil Gramm of Texas, who, while in the Senate, was the key architect of the deregulation of the financial services industry and a fervent opponent of the Community Reinvestment Act. Gramm is now the vice chairman of UBS, the Swiss investment banking giant, and would be a leading candidate to be Treasury Secretary in a McCain administration.

In contrast, both Hillary Clinton and Barack Obama are cosponsors of Senator Dodd's bill and have offered proposals to protect homeowners facing foreclosure and add sensible regulation to the financial services industry. In a speech in Philadelphia, Clinton added more details; she called for a $30 billion housing stimulus package to allow cities and states to purchase foreclosed properties and improve neighborhoods blighted by foreclosure. But she also proposed a new nonpartisan housing panel led by the likes of Robert Rubin (a close advisor who runs Citigroup, which is knee-deep in the subprime mess, and was her husand's Treasury Secretary) and Greenspan – both of whom were part of the problem. So far, neither Democrat has proposed the kind of sweeping reforms needed to restore stability and accountability to the financial services industry and challenge their basic business practices.

Faced with a similar situation, President Franklin Roosevelt worked with Congress to give the federal government the tools it needed to make the banking industry act responsibly. At the time, some critics called him a socialist. But in retrospect, it is clear that what he did was to rescue capitalism. Once again, we have a financial services industry unable to police itself. The next president should tell the American people that "the era of unregulated so-called free-market banking greed and sleaze is over."

Peter Dreier is the Dr. E.P. Clapp Distinguished Professor of Politics and Chair of the Urban and Environmental Policy Program at Occidental College in Los Angeles.

State by State to Cover Everybody?

"Romneycare," Mandates and Rules in Health Care Reform

By Jeff Gold

In the early 1990's-era battles for universal health coverage, DSA as a national organization was fully engaged along with allies on the broad liberal-left. We had sponsored a fairly successful tour of Canadian parliamentarians, trade unionists, and clinicians deployed coast to coast to promote a Canadian-style single payer universal health system that we thought was the most politically transferable model given the federal nature of the U.S. Our Canadian guests appeared in *Business Week*, CNBC, and daily and weekly newspapers; were interviewed by the *New York Times* editorial board; and spoke at community forums we organized. Almost simultaneously, the Clintons offered their complicated Employer Mandate Plan to the nation, and, in response, the insurance-industrial lobbies uccessfully trotted out the “Harry and Louise” strategy that helped kill *any* reform measures.

At the time, many of us warriors for the universal principle privately discussed “the state-by-state guerilla warfare approach” to achieving our goals. This state-by-state approach presupposed that, as in the historical development of Canadian Medicare, universal coverage by whatever legal means would probably build on *existing structures of health care delivery* in each individual state, with the smaller more homogenous states like Vermont and Wyoming, with fewer choices of providers and institutions, leading the way. The 2000 selection of George W. Bush closed off hope for federal initiatives to expand coverage, and White House attempts to privatize what exists of health care safety networks, reaching its apex in the Medicare Part D drug plan, set health reform back years. The universal coverage movement’s focus on practical state-based approaches was thus rekindled. We had always lobbied in state capitals, where private health insurance is allegedly regulated and Medicaid delivery steered, to eliminate experience rating in health insurance, limit policy premiums, block the privatization/buy-outs of formerly non-profit health plans like Blue Cross, and even pass the odd one-house single-payer bill. The mantra of many progressives was regroup and organize around basic principles that give our opponents fewer specifics to shoot at, and build the largest possible coalition of mainstream organizations and individuals for the extension of care until we can see off the federal Nero. Many activists have tried to expand coverage based on political openings in various individual states. Massachusetts is one state where activists for universal coverage have been on different sides of what came to be called “Romneycare.”


Doctor, we’ve opened the patient and found the blockage.

Former GOP presidential front runner and ex-Massachusetts Governor Mitt Romney ran on or from, depending on the primary/caucus state’s electorate, “the bipartisan success of the health care mandate legislation passed in Massachusetts.” So just how effective is it?

A series of political forces converged in the fall of 2005 as Governor Romney and the state House and Senate passed a bill that went into effect in July 2007 requiring all Massachusetts residents to obtain insurance from private or public agents, in a state that had proportionally fewer uninsured citizens than most states. The first things to understand are that the “plan” is new and consists of several programs, and that hard numbers are difficult to come by.

People who are deemed able to afford insurance but don’t sign up face losing a personal tax exemption. In 2008, penalties increased by monthly increments and can be up to half the cost of an individual’s health insurance plan, though what alternatives are available to a given individual remains an open issue. Bay Staters earning 300 percent of the poverty level or less qualify for partial or total subsidies under Commonwealth Care. As of last December, about 158,000 people have enrolled in Commonwealth Care. Part of the new law established the quasi-public Commonwealth Health Connector, which directs citizens to subsidized coverage where applicable and facilitates the selection and purchase of private insurance plans by individuals and small business.

Mass Health, which is really the Medicaid and S-CHIP (children’s) low income health program in the state, was one of the triggers for all this, since the Bush administration, which hates Medicaid, wanted the state to shift $385 million in federal funds previously used in Massachusetts to assist two health plans for the uninsured operated by public hospital systems. The resulting compromise helped save federal money in Mass Health, which has seen an enrollment expansion of 60-90,000 people.

Broadly speaking, somewhere between 218,000 and 248,000 were added to the insured population as a result of Romneycare. Most experts estimate 225,000 people are subject to the penalties because they have failed to obtain coverage. As of yet, there is no reliable data as to how many might be penalized and little indication of how strictly the state intends to enforce penalties.

John McDonough, the executive director of Health Care for All in Massachusetts and a long time fighter for health care justice, “doesn’t hold the Massachusetts experiment up as a model for the other 49 states. It has lots of moving parts and it’s complicated. There have been expansions in coverage, and in a life-or-death situation, that’s a plus if not the whole loaf. However, if you live in a state that still practices medical underwriting, which is banned in Massachusetts, don’t even think about this kind of approach.”

There has been an active public enrollment outreach process in Massachusetts, and the state plans are evolving, with some patient advocates on the board of the Health Connector. McDonough acknowledges that there are a lot of holes in the programs and observes that “if Dunkin Donuts offers you lowball health coverage you can’t afford, you are not necessarily eligible for Commonwealth Care.” McDonough also notes that 90 percent of the Massachusetts market is dominated by non-profit insurers, which these days often act like for-profit insurers, “but at least they are based in Massachusetts, rather than in far-away locales where local pressure would have no effect.”

There are huge questions in Massachusetts about the price point, originally and unrealistically set at under $300 per person in the non-Medicaid program, and questions about defining “affordability” of health coverage for self-employed individuals who have incomes that can vary greatly by year. A self-employed Cambridge-based graphic designer told me, off the record, that her income varied by at least 60 percent from year to year. She was worried that the Connector mechanism "would connect me with the most expensive option, when I can't afford it." She did use hospital emergency rooms for much medical care in past years, a practice that united a chunk of the Left, most of the center and some of the right in Massachusetts as they tried to use the new mandate laws/program to shift care from expensive and inefficient hospital emergency rooms, often tapping the state's stressed Uncompensated Care Pool, to more rational entry points for care.

One of the major issues in any effort to expand coverage in any state, however flawed, is how to obtain Medicaid (and where we've tried, Medicare) waivers to allow in-state experimentation. The other issue is how to avoid court action in state health reform that is precluded by ERISA, the Employment Retirement Income Security Act of the 1970s, which now, rather than as conceived to watchdog employee pensions, is more often used to shield corporations from state health care regulation when these firms declare themselves "self-insured." In the case of Massachusetts, a Republican governor selling "universal coverage through the private sector'" rather than expansion of public programs caused the Bush administration to not block this experiment. So far, there have been no major ERISA legal challenges to the Massachusetts program, though it could happen.

The Massachusetts reform effort did not raise significant new dollars; it was more about redistributing state and federal funds that were already within the state's health system, as well as some new spending from the state's general fund, which will increase as the plan reaches full implementation.

Enactments of health reform expansion laws in Massachusetts and Vermont in the spring of 2006, and Maine's Dirigo state health plan, helped instigate a new wave of state-level legislative initiatives to expand coverage to uninsured people and to achieve other health system reforms. The huge state of California, with more uninsured people than the entire population of Massachusetts, was just the cockpit of a major new mandate health program debate between Gov. Schwarzenegger and state legislators, which went down in part due to opposition from both left and right. Since 2006, lawmakers in at least 39 states and the District of Columbia have enacted laws to address shortcomings in quality, access and costs. Says John McDonough, "This is the most far-reaching and expansive wave of state health coverage reforms since an earlier surge between 1988 and 1993." Some of this follows from the efforts of health reform activists to expand child health coverage in the 1990s and get it covered under the Balanced Budget Act of the period.

Although state-level enactments have led to expansions in coverage, it would be wrong to assume that they have necessarily resulted in a lower proportion of uninsured residents in all instances. In some states like Missouri, Texas and Tennessee, coverage increases occurred in the backwash of earlier, more severe eligibility cutbacks to Medicaid and other health access programs, leaving lower-income populations with more limited coverage than was available before. Hawaii's plan goes on line this year, and states like Pennsylvania are in the middle of legislative fights about coverage expansion.

Most of these state efforts involve some sort of mandate plan that leaves in place private insurance companies in some form. The two Democratic presidential candidates' health care proposals, which will get sliced and diced should either get the White House, rely in one form or another on mandates. As Bob Kuttner has observed, "Mandates in health care take a social problem and make it an individual problem."

"Whatever track we pursue to expand medical coverage for all," says longtime New York State Assembly Health Committee chair Dick Gottfried, "you need clear rules, rules, rules." For-profit companies will, of course, try to game the system at all times in all ways and exploit any loopholes.

Jeff Gold, a DL *editorial board member, is steering committee chair of the Metro NY Health Care for All Coalition.*

Changing Our National Priorities

Senator Bernie Sanders

Three major trends in American society must be addressed when the Senate debates the federal budget. First, the United States has the most unequal distribution of wealth and income of any major nation in the industrialized world, and the gap between the very rich and everyone else is growing wider. Second, it is a national disgrace that we have, by far, the highest rate of childhood poverty of any major country on earth. More than 18 percent of our kids live in poverty. Third, year after year, we have had record-breaking deficits and our national debt will soon be $10 trillion. That is a grossly unfair burden to leave to our kids and grandchildren. It also is economically unsustainable.

I [am offering] an amendment that addresses these issues, to change our national priorities, and to move this country in a very different direction than where we have been going in the last seven years.

According to the latest available statistics from the Internal Revenue Service, the top 1 percent of Americans earned significantly more income in 2005 than the bottom 50 percent. In addition, the Congressional Budget Office (CBO) recently reported that the wealthiest 1 percent saw total income rise by $180,000 in 2005. That is more than the average middle-class family makes in three years. The CBO also found that the total share of after-tax income going to the top 1 percent hit the highest level on record, while the middle class and working families received the smallest share of after-tax income on record.

Meanwhile, while the rich have become much richer, nearly 5 million Americans have slipped out of the middle class and into poverty over the past seven years, including over 1 million of our children.

We have a moral responsibility to put children ahead of millionaires and billionaires. That is why, during the Senate's consideration of the budget resolution, [my] amendment [would] restore the top income tax bracket to 39.6 percent for households earning more than $1 million a year.

Restoring the top income tax bracket for people making more than $1 million to what it was in 2000 would increase revenue by $32.5 billion over the next three years, according to the Joint Tax Committee, including $10.8 billion next year alone.

I would devote that revenue to the needs of our children; job creation; and deficit reduction.

Instead of giving $32.5 billion in tax breaks to millionaires and billionaires, my amendment would, over the next three years, provide:

- $10 billion for the Individuals with Disabilities Education Act to help about 7 million children with disabilities and, in the process, relieve pressure on local property taxpayers.
- $5 billion for Head Start – a program which has been cut by more than 11 percent since 2002. Today, less than half of all eligible children are enrolled in Head Start. Only about 3 percent of all eligible children are enrolled in Early Head Start. My amendment would begin to correct this situation.
- $4 billion for the Child Care Development Block Grant. Today, due to inadequate funding, only about one in seven eligible children are able to receive federal child care assistance. Already, 250,000 fewer children receive child care assistance today than in 2000.
- $3 billion for school construction. According to the most recent estimates, schools across the country have a $100 billion backlog in badly-needed school repairs. Investing $3 billion is a small but important step to help repair crumbling schools across the country and in the process create tens of thousands of jobs for painters, carpenters, electricians, and construction workers.
- $4 billion for the Low Income Home Energy Assistance Program so that low-income families with children, seniors on fixed incomes, and persons with disabilities will be able to stay warm in the winter. After adjusting for energy prices and inflation, the heating assistance program has been cut by 34.5 percent or $1.3 billion compared to 2002. My amendment would begin to reverse this trend.
- $3 billion for food stamps, so that we can begin to reduce the growing number of children and adults living with food insecurity.
- $3 billion to reduce the deficit.

This amendment is a fiscally responsible way to reduce childhood poverty, address an income gap greater than at any time since the Roaring Twenties, and lower our deficit.

Senator Bernie Sanders, an independent from Vermont, is a member of the Senate Budget Committee. He posted this statement on his website on March 7, 2008.

YDS Winter Conference: Growing the Movement

By David Duhalde

On the heels of a strong Young Democratic Socialists (YDS) turnout at DSA's 2007 national convention, its winter outreach conference's success represents another stepping stone for a revived YDS. The conference title, "Be Realistic, Demand the Impossible: Reviving Democratic, Socialist, and Youth Activism," honored the spirit of the young radicals of 1968 and reflected similar hopes and dreams that continue to motivate young activists forty years later.

On Friday evening February 15, the conference opened with a panel discussion: "2013 Isn't Soon Enough: The Anti-War Movement Post-Bush." The gathering of close to one hundred young activists served both as conference opener and an Iraq Moratorium event. YDS has participated in numerous Iraq Moratorium events (monthly actions to raise awareness against the war in Iraq) since September, and the panel showcased our grassroots work on a national stage. Veteran African-American and trade union activist

Bill Fletcher Jr., radical theorist Stephen Eric Bronner (both members of DSA), and DSA Honorary Chair and prominent sociologist and grassroots activist Frances Fox Piven led a broad-ranging group discussion, addressing issues ranging from U.S. policy toward Iran to changing conditions for the anti-war movement under different future presidential scenarios and the role young socialists can play in ending the conflict. All the speakers emphasized that activists should not place great faith in the expectation that any Democratic president (including Barack Obama) will end the war without substantial grassroots pressure from a militant anti-war movement. The plenary set a positive and interactive tone that characterized the entire conference.

The following morning, YDS chapter activists, progressive young people, and friends from across the United States gradually swelled the conference ranks to over 125 active participants. The recent growth of YDS chapters and activism has brought a more racially, class, and culturally diverse membership to our ranks. Participants included not only many individuals who came to learn about YDS, but also many YDS chapter delegations of five to eight students from campuses as diverse as elite Brown University to small liberal arts Wooster College of Ohio to the working-class and commuter campuses of the University of Central Arkansas and Wichita State University. The variety of activists reflected what a strong social justice movement could look like; the positive and enthusiastic social life of the conference demonstrated the growing potential for YDS as an increasingly strong and diverse presence on the student Left.

Racial Justice panel. l - r: Emahunn Campbell, Monami Maulik, Manning Marable, Corey Walker

Weekend plenaries featured a range of speakers, ideas, and topics – from racial justice to immigrant rights to the relevance of democratic socialism to the future of the youth and student movement. Saturday's opening plenary, "The Struggle for Racial Justice Under Capitalism," moderated by YDS Anti-Racism Coordinator Emahunn Campbell, featured Columbia University professor Manning Marable, immigrant rights organizer Monami Maulik, and DSA National Political Committee member and Brown University Professor of Africana Studies Corey D.B. Walker. The speakers addressed the need to connect the struggle for socialism to the fight against racism. Marable analyzed how the origins of capitalism depended on racist ideology; he further contended that a prerequisite for the elimination of racism would be the abolition of capitalism. In the closing plenary on Saturday, Temple University political theory professor and DSA Vice-Chair Joseph Schwartz, prominent socialist-feminist theorist Nancy Fraser, and veteran trade union leader and DSA Vice Chair Jose LaLuz addressed the continued importance and relevance of democratic socialist values to building mass social movements for racial, economic, and gender justice.

The conference workshops covered a range of topics of considerable relevance to a diverse, contemporary Left. Bolivian United Nations ambassador Hugo Siles Alvarado spoke on the centrality of movements of indigenous peoples to the revitalized Latin American Left, and DSA Vice-Chairs Maxine Philips and Steve Max led discussions on the role of people of faith within the Left and on the need for single-payer healthcare, respectively. Philips told students that they should open their minds to new potential allies when organizing for social justice, noting that evangelical Christians will work on fighting poverty and environmental destruction.

Late night carousing did not stop these new young Jimmy and Janie Higginses from starting the conference on time Sunday. The afternoon plenary featured voices from the immigrant rights movement, including DSA member Rabbi Michael Feinberg, who emphasized the need for students to understand how capitalist globalization has accentuated inequality and poverty in the developing world. He stressed that people do not risk undocumented migration to a strange country unless they are fleeing desperate conditions. The role of socialists is therefore to fight for social justice for both domestic and immigrant labor, as well as for labor rights around the globe.

Sunday concluded with a group dialogue called "Have We Reached a Revival in Democratic and Anti-Capitalist Youth Activism?" Conference participants resoundingly concluded "yes," but we all agreed that a great deal of work lies ahead of us. Professor Christine Kelly of William Paterson University, who led the discussion with me, expressed the importance of this generation learning from past youth movements while forging our own identity. I emphasized the importance of YDS relating to other left-wing young people, especially those working on the upcoming presidential election. YDS's immediate relevance depends greatly on how we connect to people in motion on the ground. I have high hopes and aspirations for a revived YDS. This conference marked the best gathering – in terms of quality of the participants, organizers, panels, and speakers – in many years, certainly since I first joined YDS in 2003. More than anything, though, it demonstrated that a new generation of talented, diverse activists has taken ownership of YDS and that its leadership will continue to reshape and build a socialist youth group capable of playing a significant role within a broader, multi-generational U.S. Left.

David Duhalde, YDS Organizer for the last two years, will be stepping down from that position this summer.

Colombia Free Trade Agreement

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would be too dangerous for them to meet with Reyes at the agreed contact point (in fact he was already dead!).

It is likely that the Uribe government, which has been provided extensive surveillance equipment and probably "real-time intelligence" by the US, had long known of Reyes' whereabouts and certainly knew where he would be and what his mission was to be on March 1. What cannot be known is whether the USA was informed in advance of the *attentat* against Reyes and the deliberate torpedoing of the potential negotiations with the FARC for a prisoner exchange.

What is evident is that Bush reacted quickly and decisively to back Uribe's murderous action against the rest of Latin America. In fact the Bush administration is now using the incident to argue for the immediate passage of the free trade agreement he and Uribe want so badly. According to Bush, "the security situation in Colombia, which has been involved in a border stand-off with neighbors Ecuador and Venezuela, has underscored the urgency for passage of the pact."

Colombia is by far the largest recipient of U.S. military aid and support in Latin America. Under the guise of a counter-productive "drug eradication" and "anti-terrorism" effort, the U.S. has poured more arms into Colombia than into the rest of Latin America combined. It has leased the Manta Air Base in Ecuador to base conduct surveillance flights in the region (perhaps including the ones that tracked Reyes). Correa has promised to end the lease when it expires next year.

If it is not surprising that Bush totally backs his good right-wing buddy Uribe down the line, one might wonder what Clinton and Obama are doing echoing Bush's position. The charitable explanation is massive ignorance of Latin American affairs coupled with knee-jerk "triangulation." Or maybe their advisors were influenced by that silly canard about Chavez giving FARC $300 million to build a dirty bomb. (By the way, Greg Palast, an investigative journalist who actually read the "incriminating" email message left on Reyes' laptop, notes that the reference to "300" probably related to the discussions of a possible humanitarian prisoner exchange.)

What I fear about the odds on defeating the US-Colombia Free Trade Agreement if it comes to a vote is that, even though the Democratic electorate is sensitive to "free trade" issues in an election year, and even though labor's message that murdering union organizers and granting immunity to their killers in Colombia should be a bar to a "free trade agreement," Democrats remain potentially vulnerable on several fronts. First, corporate lobbyists are preparing to let out all stops in urging passage of the Colombia FTA this year. Second, most of Obama's and Clinton's economic advisors, and the corporate business interests that support Democrats, are fundamentally "free traders." Third, lacking any principled critique or understanding of the American empire or its accompanying militarization, many Democrats might be stampeded by shallow and contrived appeals to "national security" and "fighting terrorism."

But this is a battle that we can win. Bring it on!

Former DSA National Political Committee member Paul Garver recently retired from the International Union of Foodworkers. He now coordinates Boston DSA work with Jobs with Justice. Since this was posted, Bush has submited the Agreement to Congress. The House voted to remove the Fast Track rule, leaving the Agreement's status unclear.