

ECONOMICS

Class axe

*The
Republicans'
Contract with
America
reflects a
strategy
designed not
to reform
government
but to
destroy it.*

By David Moberg

Nothing makes Republicans more apoplectic than the suggestion, however mildly offered, that their proposals favor the wealthy or big corporations. Such talk, they harumph, is positively un-American—it stirs resentment and, worse, class envy. *New York Times* columnist and word maven William Safire was so outraged at seeing the venerable word “class” used in political discourse that in a recent column he seemed to suggest banishing its use altogether, except for references to exemplary (i.e. “classy”) behavior.

Yet differences of class (in income, wealth and power) play a critical role in contemporary American politics—particularly in the legislative proposals of the Newt barbarians in the House and Senate. In many ways, direct and indirect,

the Contract with America is a contract written to serve the needs of corporations and the rich. It dramatically shifts yet more wealth and power to the already wealthy and powerful at the expense of the vast majority. That class bias is not just unfair; it's bad for the vitality of American society as a whole.

The most obvious examples of class legislation are the tax proposals, which range from liberalized depreciation allowances to halving the tax on capital gains. More than half of the contract's tax benefits, according to a Treasury Department study, would go to the top 10 percent of families—those with incomes over \$100,000. This government-mandated redistribution of wealth simply compounds the already existing inequities of the marketplace. During the '80s, while the incomes of the middle class stagnated and those of the poor declined, the rich grew richer, with those in the top 1 percent more than doubling their real income.

While the class politics of tax cuts are relatively clear, the balanced-budget amendment also has a class bias that, though harder to see, is no less pernicious. By establishing strict voting requirements, the amendment passed in the House makes it harder to increase taxes—or to cut tax breaks—than to cut spending.

Low- and middle-income families typically get more of their benefits through direct government spending programs, such as Medicare, Head Start or aid to schools. Public goods that broadly benefit citizens and businesses—such as medical research, transportation infrastructure, and environmental protection—most often take the form of spending programs.

The rich and corporations, by contrast, get most of their government assistance in the form of tax breaks. In this fiscal year alone, such “tax expenditures” will amount to \$400 billion in foregone revenue, far more than the deficit or the total cost of Social Security, according to an analysis by the Center on Budget and Policy Priorities, a Washington think tank. As Robert McIntyre of Citizens for Tax Justice explains, such “corporate welfare” includes excessive depreciation write-offs (\$164 billion over the next five years), tax breaks for mergers and acquisitions (\$9 billion), uncollected taxes on multinational corporations (\$46 billion), and subsidies for business meals and entertainment (\$29 billion).

The line-item veto approved by the House in early February continues this same pattern of inequity. It gives the president power to veto spending proposals or very narrow tax breaks, but it specifically exempted—contrary to the Republicans' own language in the Contract with America—all of the biggest, broadest tax breaks from the line-item veto.

The balanced-budget amendment, combined with other initiatives to cut spending, will shift more responsibilities to the states and more burdens to low-income taxpayers. For while the federal income tax is somewhat progressive, "virtually all state tax systems are regressive," as Philip

poor and working people will feel the squeeze.

Most states are already suffering fiscal crises—crises that can only get worse if they follow through on currently popular plans to cut taxes (except the most regressive tax, the sales tax) and slash programs even further. The pro-



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Dearborn, finance director of the federal Advisory Commission on Intergovernmental Relations, explains. Now, on average, states get 26 percent of their revenue from the federal government. As federal assistance is cut back, many programs will be slashed. And those that survive the cuts will be funded with more regressive taxes. Either way,

grams being slashed tend to be those designed to help the poor, but programs that serve the middle class (schools, police, health services, aid to the elderly) are also under the gun. In many cases, the burden will be shifted to local governments, where the disparity in wealth and social problems among suburbs and central cities will almost certainly

intensify both the insults and privileges of class.

State and local governments may know their local terrain better than Washington bureaucrats, but that doesn't mean they're closer to the people, as the Republicans argue. State legislatures are often more corrupt, incompetent and cowed by business interests than even Congress. Typically, voter turnout is lower for state or local races than for national elections, skewing results in a more conservative direction. Increasing power to the states does not increase the level of participatory democracy.

Businesses play state governments off against each other, pressuring them to give tax breaks in order to keep or attract business. By threatening to move jobs elsewhere, they blackmail state governments into passing anti-labor legislation to create what is euphemistically called a "good business climate." And while some states and cities are demanding that businesses at least deliver jobs in return for their subsidies (as labor consultant Greg LeRoy details in a recent study, *No More Candy Store*), the blackmail continues.

***The Republicans
aren't returning
government to
the people;
they're handing
it over to the
corporations
and the rich.***

For example, Exxon last year extracted more than \$14 million in tax abatements from Louisiana for routine maintenance or compliance with safety and environmental regulations at its plants, even though the investment promised only one new permanent job. In its first act, the newly Republican Illinois state House voted to repeal an 88-year-old worker-safety law "to improve the business climate in the state," a G.O.P. legislator explained.

The new restrictions on unfunded federal mandates, combined with financial pressures on the federal government, will effectively mean an end to most federal setting of standards. The mandate restriction won't provide any money to the states for past mandates. Federal revenue sharing to help finance those mandates would have been constructive federalism.

Republicans, however, aren't interested in a progressive federalism that raises standards. They want to block or roll back federal rules, whether those rules strengthen democracy through "motor voter" registration or protect public health under the Drinking Water Act. Instead of sharing revenue, the Republicans have proposed regulatory budgets that would cut back existing mandates—especially environmental laws—and block most new initiatives.

The federal government has enacted regulations—consumer safety, workplace health and safety, environmental protections, and much more—to protect the general wel-

fare, usually against the depredations of business, both large and small. Over the decades, it has done that either because the states have been unwilling or unable to act or because some states have resisted the progressive initiatives of others.

Without the potential of national uniformity or minimum standards, turning powers back to the states is likely to promote innovation only in the ongoing contest to see who can be the stingiest, meanest and most regressive. States can be "laboratories of democracy," but they need the federal government to put its power and money behind the successful ideas that emerge.

Yet successful government is hardly the Republican goal. The Contract with America reflects a strategy designed not so much to reform but to destroy government—except, of course, for the army and police apparatus—and to shift power to the private marketplace, the realm of businesses big and small.

By limiting government's size, power and effectiveness, the Republican strategy thus gives freer rein to the market forces that are pushing this country toward greater income inequality. The contract further limits the already inadequate powers of government to halt the decline of the middle class, the assaults on workers, and the marginalization of the poor that result from the workings of the free market.

One of the key anti-government initiatives currently under consideration is the badly misnamed "Job Creation and Wage Enhancement Act," which might be better named "The Government Crippling and Corporate Lobbying Enhancement Act." Besides its corporate tax breaks and ban on unfunded mandates, the act would create a complex web of restraints and obstacles that would make it extremely difficult for Congress to pass new laws protecting the environment or guarding the health and safety of workers and consumers, argues Gary Bass, executive director of OMB (Office of Management and Budget) Watch, a government oversight group.

Besides establishing strict—and diminishing—regulatory budgets for both the public and private sectors, the legislation would require the government to provide elaborate estimates of what economic impact any new rules might have on businesses. There would be peer-review panels, which could include industry hacks, and the opportunity in many cases to take agency actions before a court for review even before a proposed rule is published. The law would also greatly restrict both the information government collects (at a time when government policy is already hampered by the inadequacy of its information) and the dissemination of information. It would expand lobbyists' ability to communicate—even in secret—with government regulators.

The risk assessments at the heart of this bill are not just obstacles to regulation; they set up procedures that can easily be manipulated by corporations. It is always easy to measure (and exaggerate) the costs of regulation, but its

benefits are often more diffuse and extend far into the future, making them harder to gauge. The costs of regulation are also typically borne by business; the benefits go to the general population. Why should citizens be asked to pay with their health for the profits of a business? In the final analysis, if a fair cost-benefit analysis were applied to this proposed legislation, it would never be considered.

Equally troubling, one key section of the act perversely reinterprets the "takings" clause in the Constitution to permit property owners to sue for compensation if any agency regulation, permit decision, license or other action limits the lawful use of any land or water (or right to use that property) and reduces the value of the property by 10 percent or more. This could result in unpredictable legal claims, not only, say, from farmers with wetlands they were blocked from destroying, but also from big corporations with polluting factories or contaminated land sites.

The act thus establishes a dangerous precedent: that broad government legislation for the general welfare can be interpreted as "takings" of private property. The ideological movement behind this measure views most modern government legislation, from labor law to social welfare legislation, as a kind of theft, "taking" from property owners the profit they might have made under a laissez-faire market. The act would force government to compensate for this supposed theft. The class bias in favor of property owners over citizens in general could hardly be more clear.

So what, the Newt Barbarians say, if the government is dismantled. The rich, newly endowed with the wealth previously wrested from them by nefarious government, can provide through charity what the government has failed to though welfare. Don't count on it. For the past three decades, total private charity has remained at roughly 2 percent of the gross domestic product, regardless of tax law changes. Little of that charity helps the unfortunate: only about one-tenth of the \$126 billion in 1993 charitable contributions went to human services, and much of that went to disaster relief.

"Private contributions do not tend to flow to communities in need from affluent communities," reports Ann Kaplan, research director of the American Association of Fund-Raising Counsel. "Philanthropy isn't intended to achieve that redistribution of income. That's a role of government and the progressive tax system."

Though presenting themselves as champions of reform, accountability, efficiency, personal responsibility and other worthy goals, the Republicans are undertaking an agenda far different from their rhetoric. They aren't returning government to the people; they are dismantling it, locking in draconian cuts in government spending, increasing the regressivity of its financing, obstructing future protections of public safety and health, elevating the rights of property and the power of corporations, and guaranteeing that social inequality will increase even more.

While carrying out this duplicitous agenda, they are

winning kudos for being honest and forthright. While launching a massive pro-rich, pro-business, pro-private property offensive, they are acting shocked—shocked!—that anyone could raise the issue of class.

It is remarkable that there has been such a feeble response to this camouflaged class warfare. While it is unclear whether Clinton is willing to draw the line anywhere on the Republican agenda—except on the assault weapons ban and his volunteer service plan—there is renewed hope that the Senate may narrowly defeat the balanced budget amendment. Liberals and the left—along with much of organized labor—have been slow to act.

A few organizations and leaders, among them Ralph Nader and Teamsters President Ron Carey, have called for an end to "corporate welfare" and to environmentally harmful subsidies to corporations, such as those cutting timber or digging mines on public land. Rep. Dick Gephardt (D-MO), for example, in a speech at the Economic Policy Institute earlier this month, called for a new economic internationalism, a strategy to raise standards and guarantee rights for workers everywhere. At the same time, he argued, the United States needs a new economic nationalism, which sets as its goal protecting the living standards of "hard-working, middle-class families here at home." In proposing a new global "code of conduct for business," Gephardt argued that "the single, simple, fundamental task of our party ... is to fight for the standard of living of working families and the middle class."

However slowly and feebly, the current debate is beginning to be defined more in class terms. That is crucial for the Democrats and liberals, who need to move beyond a shopping list of programs and causes and to create a sense of solidarity and common interest among a very diverse working class majority. Americans have traditionally felt a deep ambivalence about class, and have hesitated to blame the rich for their own deprivations. And the Democrats might have a difficult time convincing the public they truly stand for working people. But stirring popular passions against inequalities of wealth and power would not only be good politics for the Democrats: it would also be good for the welfare of the nation as a whole. ◀

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H I R O S H I M A

Historical cleansing

*A key point
was missing
in the debate
over the
Smithsonian's
Enola Gay
exhibit: there
was no
military
necessity to
use the bomb.*

By Gar Alperovitz

It is no accident that most of the really critical points about the Hiroshima decision were lost to all but the most careful observers as the recent Enola Gay controversy unfolded. The "debate" itself—the result of a well-oiled and well-financed campaign by the Air Force Association, the American Legion and some 81 members of Congress, culminating in the decision by the Smithsonian Institution to scale back its proposed Hiroshima exhibit to a bland presentation of the Enola Gay's fuselage—was a model of misdirection.

First, the conservative critics charged, the idea that dropping the atomic bomb launched the nuclear era was too controversial. Then, they claimed, the exhibit didn't tell enough about Japan's undisputed World War II military brutality, and it told too much about dissension among

American military leaders troubled by the idea of bombing a Japanese city without warning. In the end it came down to a dispute over the number of lives the bomb might possibly have saved—if, in fact, it had averted an American invasion of Japan.

From most press accounts of the recent Enola Gay controversy any reader would have thought that these were central issues in the historical debate over the bombing of Hiroshima. What was largely bypassed in the discussion was the simple but overwhelming truth that most serious scholars of the subject have concluded that the use of the atomic bomb was almost certainly unnecessary—that there would have been no invasion of Japan, and hence no invasion casualties.

We have been so deluged with biased reporting of these issues that this point needs to be underlined. As early as 1946 a massive official study by the U.S. Strategic Bombing Survey concluded that "certainly prior to 31 December 1945, and in all probability prior to 1 November 1945, Japan would have surrendered even if the atomic bombs had not

been dropped, even if Russia had not entered the war, and even if no invasion had been planned or contemplated."

Similarly, a secret 1946 War Department study reported that "the Japanese leaders had decided to surrender and were merely looking for sufficient pretext to convince the diehard Army Group that Japan had lost the war and must capitulate to the Allies." The study concluded that the entry of Russia into the war "would almost certainly have furnished this pretext, and would have been sufficient to convince all responsible leaders that surrender was unavoidable." This official study judged that well before the bombings even an initial November 1945 landing on the island of Kyushu was only a "remote" possibility and that the full 1946 invasion of Japan proper would not have occurred.

Many American military leaders felt a similar uneasiness about the use of the bomb. According to Dwight D. Eisenhower, "Japan was already defeated. ... It wasn't necessary to hit them with that awful thing."

And the highest military official of the United States—chief of staff to the president, Adm. William D. Leahy—later minced few words: The "Japanese were already defeated and ready to surrender. ... The use of this barbarous weapon at Hiroshima and Nagasaki was of no material assistance in our war against Japan."

The reasons the various studies and military leaders judged the bombing to be unnecessary are now clear. By the summer of 1945, the Japanese were in extremely dire straits. Long before the bombing of their cities began, the U.S. Navy had shut down a high percentage of Japan's military industry by ringing the island nation and preventing necessary supplies (particularly oil) from reaching her harbors. A