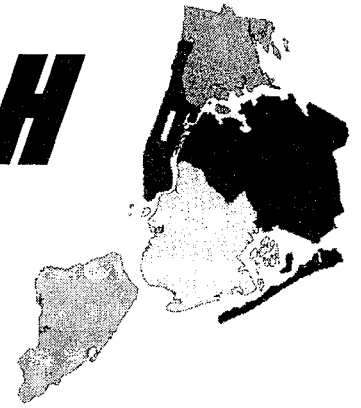


THE FIVE BOROUGH

REPORT



*A highly appropriate way to recognize Sumner Rosen's visionary leadership over more than six decades, including as Founding Chair of the Five Borough Institute, is the Institute's June 20th Symposium and Recognition Luncheon upon the occasion of his 80th birthday: **Resisting the Permanent War Economy: Imperatives for a New New Deal for our Cities.** This, the first of a series of symposia, seeks to provide a basis for real political resistance through a **Cities and Labor New New Deal Coalition.***

Our goal is two-fold: (1) to rename the system and help us better understand the complex nature of the contemporary U.S. political economy – its unilateral militarizing, pre-emptive global domination, and vastly corrupt domestic corporate elite payoffs -- and (2) to offer a practical formulation of a "New New Deal" vision for rebuilding the physical and social infrastructure beginning at Ground Zero, New York City.

The View from Ground Zero: Resisting the Permanent War Economy, Reclaiming Our New Deal Heritage

Sumner Rosen

New York City after 9/11 has become a special place nationally and internationally. It is emblematic of the struggle being waged across the globe against the imperial military and economic excesses of the United States. This city was already in economic difficulty, and the effects of 9/11 intensified those problems. The permanent war declared by the Bush Administration means there will be little left to meet the needs of this city, or any of our cities, many of which are also in fiscal crisis. The greatest resource for our cities, the federal government, has been taken away. And the failure of the federal government is leading state and local governments to turn fiscally and economically against their people.

The right wing wants to put to rest, finally, the heritage of the New Deal, of government as the institution that protects the vulnerable and the weak, regulates the excesses of corporations, protects consumers, and ensures that labor has the right to organize. In fact, government is the only institution that can provide the basis for a broad-based social wage and improved quality of life. These were some of the key innovations that the New Deal put in place and that became consolidated in the 40s and 50s.

What we have seen now is a war that energizes a longstanding right-wing agenda for remaking the domestic map. The right has failed to address, much less solve, the fundamental problems, not only of fairness and justice, but of economic growth and employment as well. Numerous economists and others have provided answers to these problems, but they don't have the amplification of the media enjoyed by the right-wing ideologues.

We have the record of concrete ways to solve these problems in the social democratic nations of Europe, especially Scandinavia, which for decades have operated a competitive economy whose capitalists were taught by social democrats to play by new rules, to ensure that there was social protection, good health care, cradle to grave social security. In New York,

as Joshua Freeman has shown in Working Class New York, labor and its allies created the equivalent of the social democratic welfare state with the best schools, excellent health care, and strong infrastructure. This was a system that made it possible for people to support themselves.

What ended it was the Red Scare that marginalized the progressive elements of New York labor, along with the deterioration that followed the fiscal crisis of the 1970s. Today's labor movement still runs scared, is fragmented, self-protective, and business-union-like. It has yet to identify and take possession of its progressive heritage. Recent changes in the labor movement give some reason for optimism, but the revival of labor's progressive advocacy role is a slow process.

Towards a Cities-Labor Coalition

What we lack now is a countervailing force to the controlling corporate forces. Whether we talk about politics in New York, in the country, or in the world, in the last analysis what matters is the balance of contending social forces. The ultimate test is whether the people have organized and applied themselves, and that happens at all levels. And so the bottom line is giving people the right and the ability to organize.

Emancipation begins with the right to organize, particularly among workers. I would emphasize labor rights, the right to organize to protect their interests, and those of all working peoples. In the workplace is the real heart of serious politics and the struggle for liberation. Workers struggle every day to win and protect their rights. The successful economies, in my view, are ones where a vigorous capitalism has been combined with effective labor organizing. In the post-Cold War era, capitalism is essentially the global economic order now, in one form or another, but there are new voices in labor, many people of color, women, and immigrants, and they offer great hope for the future.

Full employment is not only the right of every working person, but it is the solution to many of our most pressing social problems and the basis for empowering the working class as a whole. The high tech permanent war economy will not generate the high level and broad range of jobs such as were created in

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World War II, so those who are in the lower tiers, marginalized and in part-time work, will not find real work in this economy without new public programs that ensure jobs at a living wage.

There will always be much work to be done. Think about the deficiencies in our society: uncovered health care and public health needs; real homeland security; schools that have to be replaced; children who should be taught in smaller classrooms by qualified and well-paid teachers; older people, the chronically ill, and people with severe disabilities who need companionship and care; all who work in the arts and music. Some of this is evoked by Mike Wallace, who portrays what the New Deal meant for New York City and evokes a vision of what could be created by and for the people of this city.

Preparing to Create Change

The current dominance of market capitalism is not a law of nature that can't be changed by human and political action. The Iraq war evoked a level of organized opposition that is without precedent anywhere or anytime, but it has not acquired political shape and form. Working people can take control of their own lives in a serious and comprehensive way. I have seen enough examples in different parts of the world to know that it can be done. People need not only the power but the information and the institutions to decide their own fate. They will then make intelligent decisions. We are not well-prepared, but E. F. Schumacher said, "You never know when the winds of change will blow, but when they do, be sure that your sails are at the ready." Our task today is not only to resist politically the currently dominant globally-militarized political economy but to prepare for that change.

Building Weapons of Mass Construction

George Locker

The latest emergency appropriation to pay for the invasion of Iraq, \$80 billion, could instead have been used to construct 800,000 units of badly needed low and middle-income housing, with no debt. Such expenditure would, by itself, transform and indeed liberate urban America overnight. So why are the human needs of ordinary citizens off the government's radar screen? Because we have become a nation engorged on military power and prowess.

The Militarization of our Productive Capacities

Money spent on war preparations hardly leads to socially useful and productive goods, services and activities, the kinds of items that make life easier and better for the average American. Once, magic bullets were made of penicillin; now they are made from depleted uranium. Rather than improve the general welfare for the many, our trained personnel, research, technical priorities and government procurement have been massively misdirected.

Our former superpower rival, once among the world's largest economies, collapsed under the weight of its unaffordable defense budget. America's wealth too has been squandered; our civil sector subsidizes the military at unaffordable levels.

U.S. expenditures for defense, nuclear weaponry, veteran's benefits and indebtedness related to past military activity *are more than half again as great as all other discretionary federal spending put together.* They exceed the military budgets of the next 25 countries combined.

Towards a 2004 Counter-Convention

Robb Burlage

By September 11, 2004, the Republican Presidential Re-Nominating Convention will have come through New York City (Aug. 30-Sept 2). One way to ground resistance and coalition-building on Manhattan soil is to begin the groundwork for a truly grassroots/pavement-top counter-convention — a National Convention for American Families. This assembly could be co-sponsored, not only by the Five Borough Institute, but also locally by the NYC Central Labor Council and other allied and supportive organizations, and nationally by the AFL-CIO-initiated Partnership for American Families, among many others. Political energy originating outside the traditional political arena can be united through this vital oppositional movement, providing a site for dialogue that could further unite and deepen oppositional platform programs, particularly those developed several weeks before at the Democratic National Convention in Boston.

If we are to be offered (to quote Barry Goldwater, the last "true" conservative) "A Choice, Not an Echo," it is vital that we deepen our strategic political-economic analysis and our vision of a New New Deal for Our Cities, from here on into the November 2004 elections and beyond, on the Federal, State, local, and working community levels. The most visionary proposals should be up for discussion and debate, including the national cities-rebuilding vision of Mike Wallace and others like the labor-backed proposal for a massive alternate energy program

May the strategic analysis and political strategy discussions around the June 20th Symposium and this Report be further developed for united and dedicated action.

Decline of the Civil Sector

We have failed to invest in our own civil economy. It has undergone significant shrinkage and de-industrialization, exposing the economy to unsustainable trade imbalances and a depreciating currency. The infrastructure of America, its railroads, sewers, mass transit, roadways, and water systems are in desperate need of repair and modernization, but there is no money. Without bringing the permanent war economy under control, there is no chance to rebuild and invest domestically for productive purposes or to address the urgent needs in every community.

Every state and city faces budget deficits of historic proportions. We cannot afford decent housing, schools, healthcare, daycare, libraries in this environment. Massive cutbacks are presented as the only solution, and blame is placed on the recession.

From Delusions of Power to Re-visioning America

For a few distracting moments, all eyes were riveted on images of our military's devastating firepower in Iraq. The clear message to the American people: believe that it pays to spend your national fortune to have the world's best weapons of mass destruction.

But this belief is profoundly self-destructive and, ultimately, deeply unpatriotic. It is no over-reaction to fear that our democracy, as we know it, will not survive. The real road to security and freedom will be traveled only if our wealth, our knowledge, and our muscle are directed to developing and building weapons of mass construction, both at home and abroad.

Towards a New New Deal?

Kim Phillips-Fein

In his new book, *A New Deal for New York*, Mike Wallace was inspired by New Yorkers' solidarity and compassion for one another after 9/11. It seemed possible that the collapse of the twin towers could focus national attention on the longstanding political and economic problems of the City. "By making chronic conditions acute," Wallace writes, the bombing of the towers "helped galvanize the will to confront them." The New Deal --which started as a response to another Wall Street disaster -- could serve as a model of a compassionate public sector.

What would a new New Deal look like? The New Deal's creators viewed the alleviation of poverty as an economic good. Improving the lives of the poor and the working class could make the whole economy grow. He wants a greater level of public involvement to preserve and nurture the urban economy.

The New Deal is quite a benchmark. By 1936, public works projects in New York City employed more than 246,000 people who constructed hundreds of parks, swimming pools, playgrounds and the Central Park Zoo, and almost 400 new police and fire stations. New Deal agencies hired artists, writers and actors. Out-of-work teachers founded the city's first public day-care centers. Thousands of workers in all kinds of occupations organized industrial unions. Especially in New York City, the New Deal contained the promise of a vision of a society driven by human need and collective purpose instead of private wealth.

The first New Deal was won only after a century of struggle. It bore witness to a vision of American society that would place labor and the well-being of working people at the center of the economy's productive power. It saw government as a counterbalance to the power of the private sector, protecting ordinary people from the ravages of the marketplace. New Deal Democrats did not make the New Deal alone. It was born of the men and women who sat down at Flint and streamed into industrial unions, who marched on Washington for sustenance and work. This near-revolution was fought bitterly in the 1930s by conservative businessmen, and its remnants are still under attack today -- in every supply-side tax cut, every antiunion campaign.

An egalitarian politics has yet to rise from the ruins of lower Manhattan. It seems clear that the primary effect of the war on terror has been to strengthen every conservative political force in American society. Instead of a program of public investment, we've gotten tax cuts and welfare cutbacks--not to mention a new federal agency free of unions, and the first invocation in a generation of the Taft-Hartley Act to stop a labor action. No politics that matters can hide beneath the sentimental unity of war. The Great Depression and the New Deal revealed deep conflicts in American society that had long been evaded and denied. No matter how remarkable the New Deal's practical accomplishments, its deeper political lesson is that we must to keep faith in the struggle for a better world, even as we are disappointed and frustrated with the current leadership of the Democratic Party.

-- Excerpted from *The Nation* - December 30, 2002

Imagining a New New Deal

Mike Wallace

What we should *not* be asking for -- as victims -- is for the national government to underwrite an ambitious program of improvements in New York City...What we *should* be doing is making common cause with the millions and millions of people all over the country who are hurting -- some from fallout from September 11th, most from the arrival of hard times.

We should immediately strike up alliances with other states and localities and together insist that the federal government -- that is, us -- should deploy its resources -- that is, our tax dollars -- to alleviate suffering and revitalize the economy. We should launch a massive program to create and enhance the nation's social capital -- investing in people and resources in a way we haven't done recently, but used to do brilliantly. I'm talking about something far greater than the anemic "stimulus packages" that were discussed briefly. What we need is a new New Deal.

Three accomplishments of that distant era seem particularly worthy of emulation: (i) the compassionate provision of relief, in the form of income and jobs, for victims of the amoral marketplace; (ii) An effort to jump-start the private economy with a jolt of government-underwritten demand; and (iii) the rehabilitation of the public sector, marshaling our resources to augment the nation's social capital.

Let's imagine what a new New Deal might look like. Not a revival, but a twenty-first century version -- bolder, smarter, more inclusive. We should launch a Prometheus Project to eliminate remaining obstacles in the path of producing affordable, practicable replacements for fossil and nuclear fuels. Massive resources should be pumped into dragging land transportation into the twenty-first century by underwriting silent, frictionless, high speed magnetic-levitation trains. Universal health care with a focus on public health has now become critical to national safety and economic recovery as well as social justice.

The massive withdrawal from public housing since the seventies must be reversed. And we need to reimpose government oversight of banking and commercial investment. But the initiatives that seem most immediately relevant to Gotham's current plight were the "alphabet" agencies -- FERA, CWA, WPA, PWA -- which channeled federal monies to states and localities, allowing them to hire the unemployed and put them to work providing public goods and services.

What's appealing about the New Deal are its roots in our own city's history, the range and scope of its ambition, its awareness of the interconnectedness of problems, and the inventiveness and durability of many of its solutions...It constitutes an inspirational chapter in our national narrative, one eminently worthy of revisiting as we chart our course in the years ahead

--Excerpted from *A New New Deal for New York*,
Bell and Weiland, New York, 2002

Working Class New York and the Nation

Joshua B. Freeman

In the decades after World War II, labor unions brought a measure of prosperity and security and a sense of entitlement to tens of millions of Americans across the land. Unions brought higher pay, nicer homes, decent medical care, and retirement in comfort and dignity. Politically they acted as a liberal force (at least on domestic matters), protecting and in limited ways extending the legacy of the New Deal. But what labor accomplished, impressive as it was, fell short of the hopes and dreams many Americans had when the war ended, expressed in President Franklin D. Roosevelt's Economic Bill of Rights and the CIO's People's Program, with their calls for full employment, universal, government-guaranteed health care, affordable housing, racial equality, and checks on corporate power, a social democratic program rooted in shared sacrifice and a commitment to communal responsibility. As things turned out, corporate power increased in postwar America, as a more prosperous but individualistic way of life grew out of the Cold War, suburbanization, mass culture, and free market ideology.

The New York Way

New York City took a different path. New York workers and their allies put in place a far more extensive web of social benefits than elsewhere. This New York social democracy, which encompassed housing, health care, education, the arts, and civil rights, was intensely urban in its origins, strategies, and beliefs. Integral to it was the labor movement, a civilizing force in a city dedicated to wealth and power, and one that remained relatively strong even as unionism elsewhere weakened.

New York's exceptionality had multiple roots. The fact that the vast majority of New Yorkers were outsiders in a country and a city in which white Protestants controlled the most important levers of power and wealth helped sustain a political culture of dissent and struggle, an openness to ideas and movements outside the national mainstream.

The structure of New York business facilitated labor power and liberal reform. Small New York employers might fight particular unions, but they had neither the wherewithal nor the inclination to launch an antiunion movement. In some industries, employers came to depend on unions for a flexible supply of skilled workers. Meanwhile, the small scale of most New York businesses left it up to unions and left-liberal professionals to take the lead in developing benefit programs, which they did in pathbreaking ways.

The End of Exceptionalism

Eventually, working-class New York's progress down a road not taken by most of the country halted. Nationally, Cold War anticommunism checked the power of labor and all but destroyed its left wing. In New York, some left-wing unions managed to survive, and a few, like 1199, even expanded their influence. But almost across the board, labor abandoned radical, utopian, or social democratic rhetoric, spurning even the language of class.

By the 1970s, shifting residential patterns and changing housing and health economics had reduced the ability of the labor movement to serve its members and their families. Internal disputes over racial integration and foreign policy and over who should wield power further robbed the movement of momentum. Soon after came the fiscal crisis, which proved more damaging to New York social democracy than the Cold War. Beneath the cover of assumed economic necessity, a wholesale shift in power and normative values took place.

In many respects, the city had become less exceptional. Like everywhere else, brand name consumption and culture reigned, with the once raunchy Times Square turned into a benign amusement center where locals and tourists attended Disney shows and bought food and souvenirs at restaurants and stores owned by Disney, Warner Brothers, ESPN, and other national corporations. As in much of the country, the politics and culture of racial and ethnic identity seemed to overwhelm outlooks and mobilizations resting on class identification.

While in some respects New York had become more like the rest of the country, the rest of the country in some respects had become more like New York. Nationally the most robust economic growth occurred in the service industries, while manufacturing declined in relative importance. And within the manufacturing sector, many companies turned away from the standardized, mass production methods for more flexible approaches of the sort long characteristic of New York. Slowly and unevenly, the United States moved toward the ethnic and racial diversity long present in New York.

The Persistence of Working Class New York

By the end of the twentieth century, working-class New York no longer had the dominant role it once possessed in shaping the social organization, politics, and sensibility of the City. But New York labor had proved remarkably stubborn, balking at leaving history's stage. Its persistence, and its continuing vitality, perhaps augur well for the new century. Working-class New York represents America's past, a survival from the days when most Americans made or moved things for a living, from when social ambitions were large and class conflict openly acknowledged. But it also may represent America's future, the future of a country that has come to look more like its largest city. Working-class New York may still have more to contribute to American democracy.

--Excerpted from Working Class New York: Life and Labor Since World War II, The New Press, NY, 2000

Beyond Fiscal Crisis

George Locker

Following the bursting bubble of the new economy, the stagnant and now deflating real economy has ravaged city and state finances nationwide. Plummeting revenues combined with expanded debt obligations have left governments with enormous and catastrophic budget shortfalls.

In place of a large surplus and the promise of unlimited growth, we now have austerity, cutbacks, layoffs, price increases, etc., all of which are imposed in the name of fiscal necessity. But this is yesterday's news.

Today, it is clear that spending cuts that seem impossible either to prevent or to accept represent only the beginning of a deep and lingering budget nightmare. More than 30 states, including New York, California, Pennsylvania, Arizona, Washington, Wyoming and Alaska are expected to experience long-term budget shortfalls for years into the future.

Progressives and the labor movement are unprepared to oppose this bleak scenario. What is really a crisis of economic planning, allocation and development has been mislabeled and misperceived to be a fiscal crisis. America does not lack the financial capacity to address its domestic priorities, but our affairs, debates and organizing efforts are conducted as if we do.

Considerable resources will be needed to rebuild our infrastructure and to restart our productive economy. These could be made available through demilitarization (see accompanying article, *Building Weapons of Mass Construction*) and by taxation of speculation.

Finding the Resources

In order to raise much-needed state and city revenues from non-Federal sources, taxation of speculative activity must be embraced to be as legitimate as raising the cost to shop, smoke, cross the bridge, or take the subway. Examples abound.

Implementing a cooperative tri-state tax on all equity transactions, currency swaps, derivative deals, securitizations, and other financial products initiated, undertaken or routed through the metropolitan area, would be an obvious, practical and substantial source of funding for social programs in New York, New Jersey and Connecticut. Collection and sharing of these taxes could be governed via interstate pacts and any state could choose to participate.

For all of the wealth generated by New York City's biggest industry, real estate, it does not pay nearly its fair share for the upkeep of the City. There is no reason why a large real estate transaction that represents a change of title only (which is most often the case), could not be taxed at a significantly higher rate than a purchase or re-financing that results in the actual construction or rehabilitation of a building.

These and many other potential taxes on speculative activities are both viable and enforceable. For too long, ingrained ideology, misplaced support and an unspoken compact have allowed serious consideration of speculation taxes to be placed strictly off limits. Now, we need to discuss, debate, and analyze the issue with integrity, insight, passion and persistence.

With forced austerity and a permanent war footing, the room available for a meaningful and effective progressive political response has narrowed. Without new, equitable and significant sources of non-Federal revenue, further contraction and impoverishment of local government is inevitable.

Unlimited military procurement and unchecked speculation re-enforce the need and possibility of the other. They destabilize and weaken. Both are incompatible with economic development, shared prosperity, and social justice.

To achieve a New New Deal for New York and America, our task is to bring these destructive activities under control.

Rolling Back the 20th Century

William Greider

George W. Bush, properly understood, represents the third and most powerful wave in the right's assault on the governing order created by twentieth-century liberalism. The first wave was Ronald Reagan, whose election allowed movement conservatives finally to attain governing power, though he accomplished very little reordering of government. The second was Newt Gingrich who, despite some victories, flamed out quickly, a zealous revolutionary ineffective as legislative leader.

Bush II may be as shallow as he appears, but his presidency represents a far more formidable challenge than either Reagan or Gingrich. Bush's governing strength is anchored in the hard-driving movement of the right that now owns all three branches of the federal government.

The movement's grand ambition is to roll back the twentieth century. That is, defenestrate the federal government and reduce its scale and powers to a level well below what it was before the New Deal's centralization. With that accomplished, movement conservatives envision a restored society in which the prevailing values and power relationships resemble the America that existed around 1900, when William McKinley was President. Governing authority and resources will be dispersed from Washington, returned to local levels and to individuals and, most notably, corporations and religious organizations. The primacy of private property rights will be re-established over shared public priorities. Above all, private wealth will be insulated from the progressive claims of the graduated income tax.

Constructing an effective response requires a politics that goes directly at the ideology, lays out the implications for society, and argues unabashedly for a more positive, forward-looking vision. The Democratic Party, alas, is accustomed to playing defense and now sees its role as managerial rather than big reform. If a new understanding of progressive purpose is to get formed, the vision will not originate in Washington but among those who are struggling now to change things on the ground.

My own conviction is that a lot of Americans are ready to take up these questions and many others. When conscientious people find ideas and remedies that resonate with the real experiences of Americans, then they will have their vision, and perhaps the true answer to the right wing.

-- Excerpted from *The Nation*, May 12, 2003

Unemployment and Joblessness in New York City

Mark Levitan

It has been over two years since the demise of the dot com boom and Wall Street's tumble from exuberance to funk. Although the local recession first took hold at the high end of the city's economy, much of the subsequent burden has been shouldered by New Yorkers farther down the income ladder.

New York City's Unemployed

It is the young, the less educated, Blacks, Hispanics, and men who have suffered a disproportionate share of the decline in employment. Workers aged 16-19 and 20-24 make up 3.2% and 10.2%, respectively, of the City's labor force, but 8.9% and 20.1% of the unemployed. Workers with the least schooling are overrepresented among the unemployed. Those with less than a high school diploma are 16.9% of the labor force but account for 27.4% of the unemployed. By contrast, workers with a Bachelors degree or higher are 34.9% of the labor force but only 21% of the unemployed.

Black residents make up 31.9% of the unemployed but only 23.7% of the labor force. Hispanics comprise 28.2% of the unemployed and 24.0% of the labor force.

Blue collar workers hit hardest

This is not a "white collar recession." White collar workers -- executives, managers, professionals and technicians -- are under-represented among the unemployed, while blue collar workers -- craft, machine operatives, laborers -- are over-represented. Executives and managers make up 14.5% of the labor force but only 9.1% of the unemployed. Blue collar workers, by contrast, are 20.2% of the labor force, but are 30.0% of the unemployed.

Impact of the Recession: Declining Rates of Jobholding

Even before 9/11, New York City's economy was contracting. Employment in September, 2001, was 48,000 below its December, 2000, peak. Then came 9/11, and by December the City had lost 141,000 more jobs. Overall, the unemployment rate jumped from 5.7% in 2000 to an average of 8.3% in April, 2003.

However, the unemployment rate does not capture the full extent of the recession's impact. Workers are considered to be unemployed only if they are actively seeking work, and looking for a job in a recession is a discouraging experience. To the extent that some groups rates are more likely to become discouraged and stop actively seeking work than others, unemployment rates will understate the disparate impact of the recession across demographic groups. The employment-population ratio -- the

proportion of the working age population with paid employment -- provides a better measure of joblessness and of this "discouraged worker" effect.

The employment-population ratio for men dropped 5.0 percentage points between 2000 and 2002, while the ratio for women dropped a more modest 1.6 percentage points in the same period. Young men have been hit especially hard. The employment-population ratio for young men 16-24 plunged 9.7 percentage points to 36.4%, compared to a 1.2 percentage point dip for young women to 40.4%. *The dramatic collapse in jobholding by young men puts their employment-population ratio four percentage points below that of their female counterparts.*

Among men, the most disadvantaged groups have suffered the steepest declines in jobholding. The employment-population ratio for Black men fell by 6.1 percentage points to 58.1%, while the drop for Hispanic men was even more dramatic, a 7.0 percentage point plunge to 65.5%. The decline for White men was a more modest 4.2 percentage points, to 73.6%.

What must be done?

The City labor market is in what may become an extended slump. Continued weakness on Wall Street and the city and state fiscal crises will retard growth for some time to come. Without effective action in Washington to provide economic stimulus, job opportunities for out-of-work New Yorkers may be few and far between. Programs that will bolster spending and spur economic growth should be at the top of the federal agenda. Among the needed policies are three essential initiatives.

Extend Unemployment Insurance A further extension of unemployment insurance would not only alleviate hardship among the unemployed but would bolster consumer spending and stimulate economic growth. Benefits flow toward areas with the greatest unemployment, and unemployed workers quickly spend their benefit checks on life's necessities.

Provide Revenue for the States When State tax revenues fall, they must raise tax rates or cut expenditures. Both reduce spending and deepen or prolong recessions.

Create a Transitional Jobs Program Money is available to put New Yorkers back to work. The Lower Manhattan Development Corporation should establish an emergency transitional jobs program, such as that proposed by the Labor Community Advocacy Network (www.lcan.org). This would make use of wage subsidy funds, giving cash-strapped employers the ability to put thousands of people back to work in a relatively short period of time. Moreover, these subsidies could be utilized in conjunction with funds from the federal Workforce Investment Act to provide participants with new skills along with new jobs.

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From 9/11/01 to a Political "911" in 2004: Notes on New Yorkers Again Being at the Global Ground Zero as the Whole World is Marching on Manhattan

We gather at a Symposium on June 20th, 2003, with Sumner Rosen (upon his 80th birthday) in lower Manhattan at the Local 32BJ SEIU union hall to discuss vital strategic analysis and action - toward the looming epochal 2004 Presidential and Congressional elections. As Bill Moyers has recently keynoted, we are challenged to action in the coming months for nothing less than the preservation and expansion of democracy itself in a society suddenly transformed, as he put it, into "half oligarchy and half democracy."

We seek together to confront the new permanent global war political economy, coupled with anti-government corporate greed not seen in 100 years, and to assess their impact on New York and all U.S. cities. We also seek to support a new resistance coalition uniting cities, organized labor, and the anti-cutback and the anti-war/anti-globalization movements in a "New New Deal" offensive that is necessarily both defensive/preservationist and visionary.

In fourteen months, when the Republican Presidential ReNominating Convention hits town, the whole world will be marching on and around Manhattan. We, therefore, have special political leadership and stewardship responsibilities and opportunities, analogous to those after 9/11/01 when we, along with the Nation, experienced a revived "New Deal" national solidarity with the working family victims and first-responders. We have responsibility now to (1) contribute to a shared understanding of the epochal challenge of this new global and domestic political economy represented by this Administration and Congress; and (2) begin comprehensive coalition-building with a practical but visionary program uniting and energizing us.

These times and this place are and will be quite unlike Chicago Summer 1968, with the demonstrators chanting (to the TV cameras): "The Whole World is Watching!" In this time in this place, after the globally-unprecedented protest marching against the unilateral U.S. war on Iraq, the whole world will be marching...a million or more predictably to and surrounding Manhattan, from Madison Square Garden and even as close as possible to Ground Zero to "defend" the continuing civic, working-families, community-rebuilding spirit of Lower Manhattan.

All this will be in obvious protest of this Republican attempt at a global imperial coronation, including a planned, doubly-insulting Ground Zero working-families-graveyard photo-op. Ground Zero is indeed the mass gravesite of mostly working class New Yorkers, as well as people from many nations. It would be insulting to the heroes, including uniformed (and unionized) first responders. It would be insulting as well to the "New Deal" moment of cooperation and support of the working and immigrant families

Our responsibility from now on is to begin preparing for an energized, visionary, policy-meaningful grass roots Counter-Convention; having by then been through the experience of the "vision primaries" and platform hearings producing the Democratic Party opposition candidate ticket in Boston a few weeks before. And our responsibility is to help plan humanly respectful and politically meaningful anti-Bush Administration demonstrations among the diverse global multitude...amidst what otherwise might be provoked, repressed, and potentially counter-productive havoc.

Those grieving, mostly working families, of 9/11 victims, not only will be called forth to protest the cynically opportunistic political "use" of this gravesite of 9/11/01. These and all working families are also now increasingly aware, and are increasingly angry, about the actual impacts on our city and cities across America, as well as directly on unionized families and retirees and on the most vulnerable and needy among us.

Those grieving 9/11 working families, supported by and allied with New York and national organized labor, should and must lead any protest demonstrations "up front", including with their impassioned, disciplined seriousness about what united opposition must mean in the epochally pivotal '04 election.

We and they together will indeed demonstrate and march together in and around Manhattan and Ground Zero...and across the world.

Here is a vital and predictably historic event to be centered on our City in the next fifteen months - far more than symbolic; yet certainly hopefully not "Chicago-'68-like, chaotic" (though Administration spinning and event "provacateur-ing" can also be expected). We are anticipating (and organizing) a kind of 9-1-1 emergency political alarm in the working spirit of 9/11/01. It can be a real expression of anger and hope in the streets (and on the webs and listservs and desktop presses); as well as shoring up the campaigning in the precincts. It is also the opportunity for a major grass roots, energizing, visionary, policy-practicable Counter-Convention, following weeks after the Democratic Nominating Convention in Boston.

May the strategic analysis and on-the-ground political strategy discussions around the June 20th Sumner Rosen Symposium/Honoring Luncheon be further developed in more profound analysis for more united and dedicated action...from this so appropriate -- -- we hope well and timely utilized - June 20th, 2003 day of recognition.

--Robb Burlage

State Of The Unions: The Bush Administration's War On Labor

Rick Fantasia And Kim Voss

There was unanimous and universal praise for those (unionized) ordinary people of the United States who had died doing their jobs on 11 September 2001. And then the Bush administration returned to its policy of stripping workers of their rights and de-unionizing whole zones of employment.

A quiet lull briefly settled over the United States in the weeks immediately following 11 September 2001. The silence was a respite from the usual din of commercial and cultural transactions. It allowed for a space of remembrance for the many firefighters, police officers and emergency medical technicians who had risked their lives in the collapse of the World Trade Center, and died there. This was a heartfelt salute to the courage of those who risk death in their everyday work.

In ordinary times it takes great power or wealth to become a hero, but these workers were hailed for being workers. To be honored for doing humble work is a big thing in a society where decades of neoliberal dogma have erased workers from the social imagination. The gratitude expressed to and for workers after 9/11 was an uncommon gesture of recognition for the usually invisible.

But this quiet reverence was quickly overwhelmed by the noise of vengeance and war. The Bush administration, which had previously shown indifference to workers and contempt for their unions, discovered that it could use its war against terrorism to front another kind of low-intensity warfare against workers and trades unions. New laws were quickly passed to create a new Department of Homeland Security. This meant an enormous reorganization of federal agencies, stripping 170,000 workers transferred into the new super-agency of all rights to collective bargaining and civil service protections. As the nation was still honoring the (unionized) firefighters and policemen who had died on 11 September, President Bush was claiming that unionization posed a national security threat.

He amplified the anti-worker tone of his presidency more after the Republican gains in the mid-term congressional elections of November 2001. When he could not eliminate public employee unions by fiat, he intended to speed up the privatization of the federal workforce, permitting non-union and low-wage subcontractors to bid for the jobs of some 850,000 federal workers, many of whom are union members.

This assault on public sector unions came in the context of a ferocious 25-year campaign of anti-

unionism by employers and their trade associations in the private sector, where the rate of union membership has fallen to 9% (the overall rate of 14% is propped up by higher rates of unionization in the much smaller public sector). In many European societies social benefits are mandated by the state. But in the US union membership matters very much and is hard to secure.

There are few statutory regulations upon employers, so union membership is one of the few ways for a worker to get reasonable social benefits and protection (paid health insurance, a pension plan, paid holidays, a legally enforceable grievance resolution system). Gaining union status is not easy in the US; it must be won through a process of social combat governed by judicial rules that overwhelmingly favor the employer.

The Bush administration has used the congressional powers conferred because of the war on terrorism against workers in the private sector. When Bush moved to save the airline industry with a \$15 B bailout against losses suffered because of a slowdown in air travel after 9/11, he offered almost nothing to 100,000 airline workers who had been laid off, and used the power of injunction under the anti-labor 1947 Taft-Hartley Act to end strikes at two major airlines. He made a rhetorical link between the interruption of economic activity and national security.

This was reinforced in the US national consciousness in autumn 2002, when Bush actively intervened on the side of shipping companies after they locked out some 10,000 longshoremen from their jobs at 29 West Coast ports. Before the lockout, the shippers had formed a coalition with some of their biggest customers, mostly large retail chains like WalMart and Gap, and had met a task force from the Bush administration to prepare strategy. The administration's actions against the longshoremen's union, the International Longshore and Warehouse Union (ILWU), were a warning to the rest of the labor movement. In the middle of negotiations between the union and the shipping companies, Tom Ridge, the head of the Department of Homeland Security, and representatives of the federal Department of Labor telephoned the head of the ILWU to dissuade the union from shutting the ports. They warned that any strike or interruption of work on the docks would be treated as a threat to national security and that the government was prepared to deploy the military to replace striking workers (echoing Ronald Reagan's actions in 1981). According to a principle elaborated by the US defense secretary, Donald Rumsfeld, in the war against

terrorism all commercial cargo, not only goods directly intended for military use, would be considered to have a military importance.

The Bush administration has adroitly used regulatory mechanisms as a powerful weapon against the unions. In contrast to the administration policies on the environment and corporate governance, where the White House has fiercely opposed any regulation of air and water quality, food safety, and business practices, the Labor Department issued new regulations in December 2001 that will require unions to itemize every expense over \$2,000 on organizing workers, striking, and legislative or political activities. This means an administrative nightmare that will cost millions of dollars and weigh down their already overburdened staff in bureaucratic practices that have limited US unions for decades.

In Bush's current budget, funds have been dramatically increased for auditing and investigating unions while funds for enforcing health and safety laws, child-labor regulations, and violations of the minimum wage have been cut. The unions have responded to this. At the end of February, the leadership of the AFL-CIO registered its opposition to the war on Iraq.

This was unprecedented, because the labor movement has for 50 years been a strong voice for military intervention, a dependable ideological combatant throughout the cold war. Anti-communism was obligatory for entry into the top leadership of almost all US trade unions (and most US institutions), and there was a recognition that millions of the jobs that sustained industrial unionism depended on the policies of postwar "military Keynesianism". The attack on anti-war demonstrators by hundreds of construction workers in New York City in 1970 gave the working class a militantly pro-war image.

This has now changed. Since 1995 a younger and more militant leadership group, with roots in the more dynamic service sector unions, and less burdened by the cold war imperative, have taken over leadership of the labor federation. The change is reflected in the willingness to break with the Bush administration on Iraq. The shift is not only evident at the top, but throughout the movement, where a longstanding ideological curtain of self-censorship has been lifted and the accusation of being "soft on communism" has lost its bite (although forces on the right are trying to provoke fears with the charge of being "soft on terrorism"). The result is a more critical voice from the labor movement, and opposition from new organizations that have emerged as vehicles of labor mobilization.

Besides the executive council's resolution against the war, the leaders of 400 labor groups, representing nearly 5 million union members, signed an even stronger resolution calling the drive to war a "pretext for attacks on labor, civil, immigrant and human rights at home" and warning that the main victims of war "will be the sons and daughters of working class families serving in the military and innocent Iraqi civilians".

Once the war began, the open opposition muted, as a curtain came down over all debate, in deference to an enforced tradition of national unity and support always invoked when US troops go to war. When they entered Baghdad, a lunchtime rally to "support our troops" was held on the site of the World Trade Center (organized by the conservative New York building trades unions), drawing over 10,000 union workers.

If the positions of the unions have changed, so has the US military since 1973. It is half the size it was at the height of Vietnam, with 1.4 million active duty members, and an almost equal number of reservists. The draft, discontinued at the end of the Vietnam War, gave way to the current "volunteer" force, a term that perhaps misdescribes the social compulsions at the intersection of civilian and military labor markets. This is most evident with African-Americans, for whom the US army has been a central institution of social maintenance and mobility.

The US military is overwhelmingly working-class, from all racial and ethnic backgrounds, 90% of whom enter the forces with just a high school diploma, and come from families with a median income of \$33,000 a year - about one-third below the average income.

It is ironic that working-class soldiers will come home from Iraq to a socio-economic reality that has been shaped by the costs of a huge military establishment. Americans pay for an annual military budget of \$400 B and rising - yet they go without national health insurance or affordable child care, and have an educational system full of inequities.

As US troops entered Baghdad, the administration was quietly proposing changes to the federal Fair Labor Standards Act to exclude millions of workers from overtime pay for work over 40 hours a week. By reclassifying previously protected workers as managers and administrative employees, and removing overtime protections from workers in aerospace, defense, health care, and hi-tech industries, the Bush administration is handing to employers who are already laden with gifts an especially generous handout. The workers, including those soon to be discharged from military service, will pay for this gift.

-- Excerpted from *Le Monde diplomatique* June 2003

Bill Moyers' Call to Action

Democratic presidential candidates were handed a dream audience of 1,000 "ready-for-action" labor, civil rights, peace and economic justice campaigners at the Take Back America conference organized in Washington last week by the Campaign for America's Future. And the 2004 contenders grabbed for it, delivering some of the better speeches of a campaign that remains rhetorically -- and directionally -- challenged. But it was a non-candidate who won the hearts and minds of the crowd with a "Cross of Gold" speech for the 21st century.

Recalling the populism and old-school progressivism of the era in which William Jennings Bryan stirred the Democratic National Convention of 1896 to enter into the great struggle between privilege and democracy -- and to spontaneously nominate the young Nebraskan for president -- journalist and former presidential aide Bill Moyers delivered a call to arms against "government of, by and for the ruling corporate class."

Condemning "the unholy alliance between government and wealth" and the compassionate conservative spin that tries to make "the rape of America sound like a consensual date," Moyers charged that "rightwing wrecking crews" assembled by the Bush Administration and its Congressional allies were out to bankrupt government. Then, he said, they would privatize public services in order to enrich the corporate interests that fund campaigns and provide golden parachutes to pliable politicians. If unchecked, Moyers warned, the result of these machinations will be the dismantling of "every last brick of the social contract."

"I think this is a deliberate, intentional destruction of the United States of America," said Moyers, as he called for the progressives gathered in Washington -- and for their allies across the United States -- to organize not merely in defense of social and economic justice but in order to preserve democracy itself. Paraphrasing the words of Abraham Lincoln as the 16th president rallied the nation to battle against slavery, Moyers declared, "our nation can no more survive as half democracy and half oligarchy than it could survive half slave and half free."

There was little doubt that the crowd of activists from across the country would have nominated Moyers by acclamation when he finished a remarkable address in which he challenged not just the policies of the Bush Administration but the failures of Democratic leaders in Congress to effectively challenge the president and his minions. In the face of what he described as "a radical assault" on American values by those who seek to redistribute wealth upward from the many to a wealthy few, Moyers said he could not understand why "the Democrats are afraid to be branded class warriors in a war the other side started and is winning."

Several of the Democratic presidential contenders who addressed the crowd after Moyers picked up pieces of his argument. Former US Senator Carol Moseley Braun actually quoted William Jennings Bryan, while North Carolina Senator John Edwards and

Massachusetts Senator John Kerry tried -- with about as much success as Al Gore in 2000 -- to sound populist. Former House Minority Leader Richard Gephardt promised not to be "Bush-lite," and former Vermont Governor Howard Dean drew warm applause when he said the way for Democrats to get elected "is not to be like Republicans, but to stand up against them and fight." Ultimately, however, only the Rev. Al Sharpton and Congressional Progressive Caucus co-chair Dennis Kucinich came close to matching the fury and the passion of the crowd.

Kucinich, who earned nine standing ovations for his antiwar and anti-corporate free trade rhetoric, probably did more to advance his candidacy than any of the other contenders. But he never got to the place Moyers reached with a speech that legal scholar Jamie Raskin described as one of the most "amazing and spellbinding" addresses he had ever heard. Author and activist Frances Moore Lappe said she was close to tears as she thanked Moyers for providing precisely the mixture of perspective and hope that progressives need as they prepare to challenge the right in 2004.

That, Moyers explained, was the point of his address, which reflected on White House political czar Karl Rove's oft-stated admiration for Mark Hanna, the Ohio political boss who managed the campaigns and the presidency of conservative Republican William McKinley. It was McKinley who beat Bryan in 1896 and -- with Hanna's help -- fashioned a White House that served the interests of the corporate trusts.

Comparing the excesses of Hanna and Rove, and McKinley and Bush, Moyers said "the social dislocations and the meanness" of the 19th century were being renewed by a new generation of politicians who, like their predecessors, seek to strangle the spirit of the American revolution "in the hard grip of the ruling class."

To break that grip, Moyers said, progressives of today must learn from the revolutionaries and reformers of old. Recalling the progressive movement that rose up in the first years of the 20th century to preserve a "balance between wealth and commonwealth," and the successes of the New Dealers who turned progressive ideals into national policy, Moyers told the crowd to "get back in the fight." "Hear me!" he cried. "Allow yourself that conceit to believe that the flame of democracy will never go out as long as there is one candle in your hand."

While others were campaigning last week, Moyers was tending the flame of democracy. In doing so, he unwittingly made himself the candle holder-in-chief for those who seek to spark a new progressive era.

Moyers' full address can be found at www.ourfuture.org/document.cfm?documentID=962

-- John Nichols, *The Nation*, June 6, 2003

How to Deal with the Economy Today – and How Not To

Joseph E. Stiglitz

Columbia University, 2001 Nobel Prize Winner in Economics

"Seldom have so few gotten so much from so many."
That might be the motto of President Bush's proposed tax cuts.

Bush's Mistake

As the nation entered the new millennium, it faced three problems. First, the economy was slowly going into a recession, with a stock market bubble about to burst. Second, inequality was growing. While the Nineties had at last arrested the decline in income of those at the bottom of the income distribution, the fruits of that decade's growth went disproportionately to the rich. Third, there were long-range problems, including Medicare and Social Security systems, that were underfunded and an economy that had become addicted to living beyond its means, borrowing more than a billion dollars a day from abroad.

Clinton bequeathed to Bush large budget surpluses which might have been used to shore up our Social Security and Medicare system, provide badly needed new benefits like long-term care and prescription drugs, and repair America's aging highways, bridges, and airports. Instead, he took advantage of the economic downturn to push for a tax cut, but not one designed to stimulate the economy --and it did not do so to any appreciable degree. Two years later, the economy is still languishing. The cost of Bush's mistake has been enormous. In 2001 alone, we had a gap of some 3 percent between the economy's potential and what it actually produced, which translates into a loss of \$300 billion. And because of this mismanagement of national economic policy, it will be lower five, ten, twenty years from now since some of the lost output would have been spent on investments that would have enhanced productivity.

We now know that the tax cuts were ineffective in stimulating the economy. The tax cuts were oversold as a stimulus; and now we know they failed. In an astonishing feat of fiscal mismanagement, the Bush administration managed to squander the surplus, converting it into a \$2 trillion deficit.

How to Stimulate the Economy

We know how to create a powerful and effective tax stimulus. What is needed is to give money through the tax system to those who will spend it and spend it quickly: the unemployed, the cities and states that are

starving for funds, and lower-income workers. A strong stimulus would also be an equitable stimulus: the money, by and large, goes to the poorest Americans, those who have benefited least from the growth of the last quarter century. Giving money to cities and states would prevent cutbacks in educational and health expenditures which can hit the poor particularly hard.

Basic economic analysis indicates that increased government expenditures can indeed be stimulative, and, in fact, are often more effective as stimulus measures than tax cuts. The Administration's position largely ignores the central feature of a recession: lack of demand. In a recession, the primary problem is that the nation's firms face a reduction in *demand* for their products — not that they lack available workers, equipment, or anything else needed to *produce* goods and services. Indiscriminately injecting cash into such firms through tax breaks, without linking the tax breaks to new business activity, would do little if anything to address the underlying difficulty. Only when a company faces renewed demand for its products will it end the process of shedding workers and begin to create new jobs. As a result, the primary objective of a stimulus package should be to spur spending on these products.

States are suffering substantial fiscal stress as a result of the recent economic slowdown. In all states except Vermont, some form of balanced budget rule forces such counter-productive fiscal policies: When the state enters a recession, revenue naturally falls and expenditures rise. The balanced budget rules then force the state to reduce spending, raise taxes, or some combination thereof, which is counter-productive since it exacerbates the economic slowdown.

Economic analysis suggests, contrary to the statements of some political figures, that tax increases would not in general be more harmful to the economy than spending reductions. Indeed, in the short run (which is the period of concern during a downturn), the adverse impact of a tax increase on the economy may, if anything, be smaller than the adverse impact of a spending reduction, because some of the tax increase would result in reduced saving rather than reduced consumption. For example, if taxes increase by \$1, consumption may fall by 90 cents and saving may fall by 10 cents. Since a tax increase does not reduce consumption on a dollar-for-dollar basis, its negative

impact on the economy is attenuated in the short run. Some types of spending reductions, however, would reduce demand in the economy on a dollar-for-dollar basis and therefore would be more harmful to the economy than a tax increase.

The impact on the economy depends primarily on the propensity to consume, that is, on how much of an additional dollar of income is spent rather than saved, among those who receive the transfer payments or pay the taxes. The more that the tax increases or transfer reductions are focused on those with lower propensities to consume (that is, on those who spend less and save more of each additional dollar of income), the less damage is done to the weakened economy. The least damaging approach in the short run involves tax increases concentrated on higher-income families. Reductions in transfer payments to lower-income families would generally be more harmful to the economy than increases in taxes on higher-income families, since lower-income families are more likely to spend any additional income than higher-income families. Indeed, since the recipients of transfer payments typically spend virtually their entire income, the negative impact of reductions in transfer payments is likely to be nearly as great as a reduction in direct government spending on goods and services.

It is worth emphasizing that any state spending reductions or tax increases are counter-productive at this time: they restrain the economy at a time when it is already slowing. Given the existence of balanced budget rules at the state level, some form of federal fiscal relief to states is therefore warranted.

A Five-Point Stimulus Package that Would Work

First, we should extend the duration and magnitude of the benefits we provide to our unemployed. The unemployed, in a situation like this, are innocent victims. Most of the people being thrown out of work *want* to work, but our economy is not providing them jobs. Why should they suffer because of economic mismanagement? This is not only the fairest proposal, but also the most effective. People who become unemployed cut back on their expenditures. Giving them more money will directly increase expenditures.

Since our "safety net" is worse than that of most other industrialized countries, we also need extensive improvements in health care, food stamps, and other kinds of programs. For eight years, the most important part of our safety net has been full employment: people who were let go could get another job because we had such low unemployment. That is not going to be the case for the next six months to a year and a half. That

part of our safety net has gone, and we need to put into place an alternative one.

Second, we need a temporary investment tax credit or expensing, something to stimulate investment. Making it temporary encourages people to make the investment today, when the economy needs it and when our resources are not fully utilized. In 1993 we designed an investment tax credit revision that had a huge bang for the buck. It's called an incremental investment tax credit, and I strongly support moving in that direction.

Third, we ought to have better backward averaging of taxes, particularly corporate income taxes. This is one of the proposals being discussed within the Administration. One reason why there has not been better backward averaging in the past is tax avoidance; to avoid this problem, it should be limited to those firms engaged in investment activities. If these firms were allowed to have a significantly longer backward averaging, that would help provide them with the funds to invest more.

Fourth, we need a more extended program of revenue sharing with state and localities. State and local expenditures are pro-cyclical: when the economy goes into a downturn, states and localities typically cut back on their expenditures. This not only weakens the vital public services that are provided at the state and local levels, but also deepens the economic downturn.

We could put money into the states and localities very quickly through a revenue sharing program that would enable them to avoid the kinds of cutbacks that would affect every part of society. It would be particularly good to direct funds to areas of particular need, like Medicaid and education. There are a whole host of vital needs that are typically provided by state and local programs.

Fifth, there needs to be an increase in expenditure in high-return areas. It is very clear that there are areas in the public sector that are starved for funds and where returns are very high. For instance, the air traffic control system is woefully inadequate; investments in that area would yield very high returns. We have inner-city schools that are dilapidated; kids cannot learn in the kind of environment some of them face. These are areas in which programs are already underway but in which expenditures can be increased.

-- *Excerpted from "Bush's Tax Plan: The Dangers", New York Review of Books, Mar. 13, 2003; presentation at Center on Budget and Policy Priorities Press Conference, October 12, 2001*