The Republican Agenda and The New Corporate Abuse

The role of the GOP's drive for deregulation in undermining regulatory watchdogs and creating conditions for corporate abuse and deception

A Report by the Office of Congressman Dave Obey

TABLE OF CONTENTS

Introduction	**3**
Stage I: The Reagan Revolution	**5**
Stage I: The Record	
- FTC/Anti-Trust	**6**
- Consumer Product Safety Commission	**6**
- OMB/OIRA	**6**
- Grace Commission	**7**
- EPA	**7**
- OSHA	**8**
- Council on Competitiveness	**8**
- Democratic Congress	**8-9**
- Stock Options Policy	**9-10**
Stage II: GOP Congress and Big Business	**11**
Stage II: The Record	
- SEC	**12-13**
- Accounting Standards	**13-14**
- Food/Health/Safety Inspections	**14**
- Public Health	**14-15**
- Energy Deregulation	**15**
Stage III: The New Bush Administration	**16**
Stage III: The Record	
- Tax Policy	**17**
- Crippled Oversight	**17**
- Sham Pension Protection	**18**
Conclusions: What Drove Away the Watchdogs?	**19**

INTRODUCTION

For the past year or more, we have seen nightly news programs tell the story of corporations - Enron and a cascade of others - collapsing in value, devouring investor's savings, and destroying retirement hopes of thousands and thousands of workers. Almost daily now, we hear news stories about American corporations lying to investors and workers about the financial health of the company and their accountants swearing to it. How did this happen? How could this "anything goes" story of corporate deception and greed come to pass - especially in an era of tightened focus on morals and values?

The tragedies of Enron, and Arthur Andersen, and Merrill Lynch, and WorldCom, and so many others happened because for more than 20 years some of the most powerful people in government have walked away from their obligation to protect the American capitalist system by keeping the big boys honest. Market capitalism can be a wonderful system that rewards risk, hard work, and enterprise. But history shows it is corrupted if the rules of the game for big business don't assure honesty and fair play.

For the last decade or more, large numbers of people had almost frenzied expectations that they were going to strike it rich in the stock market. But over the last two years many of those soaring hopes have come crashing down as the money chase by the well-connected devastated the life savings of every day working people.

Because too many people in government walked away from their duty to make sure government was an honest, effective umpire, the rules of fair play were not enforced and little people got chewed up in the name of free enterprise capitalism.

Adam Smith, the founding high priest of capitalism, himself warned a long time ago that without fair rules of the game to keep markets honest, capitalism could be twisted into a system that hugely rewarded the powerful and crunched everybody else.

Throughout most of the 20th century Republican and Democratic Presidents like Teddy Roosevelt, Woodrow Wilson, FDR, and Harry Truman taught us that government regulation of big business was not anti-free enterprise; it was necessary to make free enterprise work not just for workers and consumers but for investors and businesses, as well.

They produced the Sherman and Clayton Anti-Trust Acts. They created the Interstate Commerce Commission, the Federal Trade Commission, the Securities Exchange Commission, and the Federal Communications Commission. To protect the integrity of financial markets they passed the Glass Steagall Act, the Public Utilities Holding Company Act, and the Commodity Exchange Act. Truman followed by creating the Administrative Procedures Act that defined federal agency rule making procedures.

For another generation, those stabilizing protections kept the American capitalistic system working for ALL income groups. America entered the '70s with the smallest gap between rich and poor of any industrialized nation. And the American people told pollsters that they had confidence in government and corporate leaders "to do the right thing."

But since the ‘80s government regulation of big business has been painted by the political right as a nuisance rather than a necessity. And what a difference the last 20 years have made!

Today, public confidence is in tatters. Today, America no longer has the smallest gap between the rich and the poor - it has the largest. Today, the share of the nation's wealth held by the most well off 1 percent has risen to levels not seen since the Great Depression. In the ‘60s when Jack Kennedy was President, the salary of a CEO of a Fortune 500 corporation was about 13 times the salary of an average worker in that same company. Today, it is over 200 times as large, and a dazzling array of special tax provisions and stock options have expanded the gap between average families and the most well rewarded faster than the universe has expanded.

But it's not just that the most favored in our society are acquiring an unfair share of the nation's resources. The worst of it is that the rules of the game, as weak as they have become, are being twisted beyond recognition. The result: the life savings and investments of millions of hard working middle class Americans are being shredded in this new "winner-take-all, I'll-get-mine-anyway-I-can-and-to-hell-with-the-rest-of-you" world we are now living. Let's look at how it happened.

Throughout the ‘60s and ‘70s alert regulation kept a reasonable balance between individual entrepreneurship and communitarian responsibility. Then change came in two stages: First, with the election of Ronald Reagan in 1980. Second, with the GOP takeover of Congress in 1994 and the ascension of Newt Gingrich to the Speakership of the House.

Most certainly there were deregulatory efforts in the ‘70s. At that time Democrats and Republicans alike pursued deregulation of major industries, such as railroads, aviation, and trucking. But the thrust of those efforts was not to eliminate scrutiny of powerful actors in the economy; it was to bring about greater economic efficiency.

During that era most Democrats, led by Commerce Subcommittee Chairman John Moss, were trying to make government agencies function more effectively with more responsiveness to the public. But key Republicans were pursuing a more troubling course, trying to eliminate a whole range of federal regulations in areas such as auto emissions, consumer product safety, work place safety, financial regulations, environmental protection, and the like. The tide changed in their direction with the election of Ronald Reagan in November of 1980.

STAGE I: THE REAGAN REVOLUTION CRIPPLES THE REGULATORY COP ON THE BEAT

President Ronald Reagan was elected on a promise to balance the budget by energizing the power of free markets through tax cuts and deregulation. He failed spectacularly to balance the budget. The legacy of his reward-the-rich tax cuts drove the federal budget deficit, which up to that point had never been larger than $70 billion, to well above $200 billion.

But, armed with a big business deregulation recipe that had been precooked by the HERITAGE FOUNDATION, he succeeded spectacularly on the deregulation front. What followed his election was a sustained, 12-year assault by the GOP on the regulations that protected our health and safety at work, protected the purity of our air and water, provided financial protection for pensions and investments, and created the economic stability that comes from a healthy oversight of the most powerful elements in corporate America. That assault continues to this day.

Reagan was very outspoken in his view. He did not see the government as a means to help resolve the problems of Americans; he declared that the government *was* the problem.

When he entered the White House, Reagan immediately imposed a 60-day freeze on all regulations. Over the next few years, he helped undermine the regulatory system that had helped promote the health and well being of Americans and the American economy over the previous 50 years.

STAGE I: THE RECORD

WEAKENING PROTECTION FOR COMPETITION

The ANTI-TRUST DIVISION AT THE DEPARTMENT OF JUSTICE and the FEDERAL TRADE COMMISSION are jointly charged with promoting and protecting economic competition through the enforcement of antitrust laws. Following his election, Reagan systematically decommissioned both agencies. Prosecutions by both were sharply curtailed:

* In the two years prior to Reagan's election, the FTC and Justice had investigated almost 11 percent of the nearly 1,700 corporate mergers and instituted enforcement actions in 2.5 percent of the cases. From 1982-87, the number of investigations dropped to 4 percent and the number of enforcement actions dropped to 0.7%;
* Federal Trade Commissioner Andrew Strenio pointed out that from 1980 to 1988 while merger filings grew 320 percent, there was a drop of 40 percent in the work years allocated to antitrust enforcement.
* The Reagan Administration succeeded in cutting the budgets for the FTC and Department of Justice Anti-Trust Division by almost 50 percent. In constant 1992 dollars, the budget for the Federal Trade Commission fell from $120 million in 1978 to $75 million in 1990.

At the same time that these oversight agencies were being shrunk, America experienced the greatest wave of mergers and corporate acquisitions in the nation's history.

WEAKENING CONSUMER PROTECTION

The CONSUMER PRODUCT SAFETY COMMISSION (CPSC) is charged with investigating injuries and deaths associated with defective consumer products and helps reduce accidents through voluntary and mandatory standards, product recalls, product research and public information campaigns. When Reagan came to office the CPSC had a staffing level of 978. That level of staffing was cut in half during the Reagan years and remains at only 480, even today.

USING DEMOCRACY TO BLOCK PUBLIC INTEREST REGULATORS

In 1980, Congress had passed, and President Carter had signed into law the PAPERWORK REDUCTION ACT. The purpose was not to scale back oversight, but to eliminate needless paper shuffling. The bill attacked the problem by creating within the Office of Management and Budget a central OFFICE OF INFORMATION AND REGULATORY AFFAIRS (OIRA). It was given the authority to review all requests for information from the public made by government agencies to make sure the information requested was necessary, could not be found elsewhere, and was being collected efficiently. In February 1981, Reagan dramatically expanded and subverted the role of OMB and OIRA by EXECUTIVE ORDER 12291, which centralized control over the agency rulemaking process. He changed the nature of the game, from one that tried to eliminate unnecessary paperwork to one that tried to limit the scope of government's oversight of big business. He designated OMB, under David Stockman, as the central agency to review regulations. OIRA used its enhanced powers to override decisions by federal agencies and give big business off-the-record opportunities to reargue battles they had previously lost at the agency level. Reagan went farther after his re-election in 1985, issuing EXECUTIVE ORDER 12498, which directed each executive agency to submit to OMB a statement of its regulatory policies, goals, and objectives for the coming year and information concerning "all significant regulatory actions underway or planned."

A FOX IN THE HENHOUSE

In 1984 the President's Private Sector Survey on cost control - commonly known as the GRACE COMMISSION after industrialist J. Peter Grace - produced its recommendations. The Reagan Administration used the report during the 1984 campaign and used it as a blueprint for many of his second term budget cuts. One main thrust of those recommendations was an assault on America's economic safety net. It called for means testing Social Security and Medicare, cutting Civil Service and military retirement benefits, repealing wage supports, such as the Davis Bacon prevailing wage laws. It also attacked government regulations across the board. Why Grace should have taken such a deep interest in government deregulation of business became clear in later years. The company became the target of over 330,000 asbestos-related suits. In 1997, the FCC ruled that Grace had violated reporting requirements by failing to disclose the hefty retirement package provided to J. Peter Grace by the company. In 1998, the SEC sued Grace for manipulating earnings in one of its divisions. To settle the suit, Grace set up a $1 million financial education fund. Grace was indicted by the Department of Justice on two counts of lying to the EPA in 1982 about the amount of hazardous chemicals it used at its Woburn plant, and pled guilty to one charge in 1988. In January 2000, Grace paid a $500 million fine to settle charges that its kidney dialysis business defrauded Medicare by ordering hundreds of needless tests on its patients. There may very well be companies that government should do more to emulate, but Grace and Company is certainly not one of them.

WEAKENING ENVIRONMENTAL PROTECTION

On the environmental front, from 1980 to 1983, the EPA workforce was cut from 13,078 to 10,107 - a cut of more than 22 per cent. That cut illustrated the advice that a high Republican official under Dwight Eisenhower in the 1950's, had once given to a gathering of Republican Members of Congress. "You don't have to vote against these laws," he told the GOP Congressman, "Just administer them to death." It was the EPA under Anne Gorsuch Burford that helped bury a 1982 agency report that the Grace Company was using ore laden with asbestos in a variety of building products. And it was that same EPA that, in 1983, had misrepresented the report and played down its findings in responding to Congressional inquiries about the level of asbestos in the ore. This "Soft on Business" approach was accompanied by an "Up-Against-the-Wall" belligerence toward labor as exemplified by Reagan's firing of 11,350 striking Air Traffic Controllers in August 1981. Two messages were conveyed by the Administration by those twin actions. To big business, the message was: "Anything goes." To labor, the message was: "Nothing does." And the same song was sung under George Bush, Sr.

CRIPPLING WORKER PROTECTION

Another example of the tough-on-workers position was the effort of Thorn Auchter, appointed by Reagan to head the OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA). In his first two years OSHA failed to tighten standards for a single cancer-causing chemical to which workers are exposed, despite overwhelming evidence indicating the necessity for action on a variety of workplace chemicals. While it was clear that asbestos was a much bigger danger than anyone thought, OSHA reduced the number of workplace air samples it takes for asbestos by 70 per cent between 1979 and 1983 and it delayed tightening up regulations for asbestos use for two years. During this time, OSHA did nothing to protect workers from cancer-causing compounds like ethylene oxide, ethylene dibromide, benzene and formaldehyde, despite the fact that 100,000 workers were dying and 240,000 became disabled each year due to occupational diseases caused by exposure to toxic substances on the job. Even when OSHA did act, as when it published the Health Communication Standard in 1983, the standard was limited to manufacturers and required minimal steps such as warning labels on containers and worksheets. There was no requirement for medical monitoring or periodic medical examinations. And it wasn't until the courts ruled in 1987 that the requirement was extended to employers other than manufacturers. When OSHA revised the standards to comply with the court ruling, the regulations were rejected by OMB which claimed that the revised disclosure requirements were not necessary to protect employees. It took a Supreme Court ruling in 1990 that OMB had no authority to block the OSHA regulations before workers got the minimal protections through disclosure that they needed and deserved.

STACKING THE DECK

The assault on America's regulatory structures continued through the Bush-Quayle Administration. The principal tool was the PRESIDENT'S COUNCIL ON COMPETITIVENESS, created by Executive Order in January 1989 and chaired by Vice President Dan Quayle. The Council on Competitiveness, which met and acted in secret, created another layer of bureaucracy to systematically weaken and undermine health and safety regulations. It was especially active on matters affecting the environment, including clean air act emissions regulations and wetlands.

A BRIEF RESPITE

During the brief two-year period when Democrats were in control of both elected branches of the federal government -- the only such period in the 22 years from 1980 to today -- there were a number of efforts, with varying degrees of success, to toughen regulation of the financial industry:

* Congress finally enacted legislation aimed at curbing abuses of LIMITED PARTNERSHIPS that occurred in real estate, oil and gas, when partnership were bundled into stock companies called "roll-ups";
* Legislation to PROVIDE THE SEC WITH GREATER POWERS TO REGULATE THE INVESTMENT ADVISOR INDUSTRY passed both houses but was not enacted into law because of adjournment;
* CONGRESS ENACTED LEGISLATION TO STRENGTHEN REGULATION OF THE GOVERNMENT SECURITIES MARKET used to finance the federal debt. The measure finally responded to the Salomon Brothers bid-rigging scandal of 1991;
* Legislation TO REQUIRE ACCOUNTANTS TO REPORT FRAUD UNCOVERED IN THE COURSE OF ROUTINE AUDITS, which had passed the House in 1992, was approved by the House Energy and Commerce Committee. The bill sought to codify and go beyond existing standards in the accounting profession. It said that an accountant who uncovered fraud must immediately report it to company management and if management did nothing, report the criminal activity to the SEC;
* The House approved a bill aimed at BOOSTING THE BUDGET OF THE SEC AND MAKING IT A SELF-FUNDED AGENCY. The bill provided that SEC's fees be adjusted annually so that revenue would offset the agency's budget, aiming to give it the resources it needed to manage the growing workload due to expanding securities markets;

STOCK OPTIONS

One major reform that should have been adopted during that period was the requirement that STOCK OPTIONS be expensed on company financial reports. But that reform was blocked. Stock options are part of pay packages for corporate executives that tie pay to the future stock performance. With a future option on company stock, if the price rises you can cash in the option and get a big windfall; if the stock price drops the value of the option drops along with it. That has given executives a powerful incentive to puff up those stock prices.

In 1993, the Financial Accounting Standards Board (FASB) proposed closing the accounting loophole that allowed companies to avoid recording stock options on their books. The problem was that, while refusing to list options as an expense on their financial statements, companies were listing options on their tax returns and claiming huge deductions. The FASB proposal would not have done away with stock options; it simply required honest accounting of them so that corporate financial statements more accurately reflected the real value of the company. It said that if you failed to fully account for stock options as an expense on your balance sheet then you couldn't claim them as an expense on your taxes and claim a tax deduction.

According to Arthur Levitt, head of the SEC, failing to account for stock options distorts a company's earnings. "Those options represent a claim on the company and a claim that may very well, and has been exercised," he said. According to Sarah Teslik, Executive

Director of the Council of Institutional Investors, if FASB had followed through and required expensing of options "I think Enron and a number of the other companies that have tanked through fraudulent bookkeeping would have been held back considerably, because their schemes depended on postponing public revelation of the losses."

Unfortunately, the proposal encountered a Congress that was enthralled with Silicon Valley and the "magic" of stock options. According to Merrill Lynch, accounting for stock options would have shown profits 60 percent lower than those that were officially reported by leading high tech firms. But the practice of stock option accounting abuse was not just confined to Silicon Valley corporations.

According to Levitt, the nail in the coffin of the effort to have honest accounting for stock options came with the election of 1994.

> *"When I came to the SEC, this new FASB rule to expense stock options had galvanized the America business community and brought literally hundreds of CEOs to my office in Washington to urge me to prevent the FASB from going ahead with this proposal...*
>
> *"But what happened during the course of this fierce debate and dialogue, was that the Congress changed, and Newt Gingrich brought to power a group of congresspeople who were determined to keep FASB from enacting this rule proposal. My concern was that if Congress put through a law that muzzled FASB, that would kill independent accounting standard setting. So I went to FASB at that time, and I urged them not to go ahead with the rule proposal. It was probably the single biggest mistake I made in my years on the SEC..."*

STAGE II: GOP CONTROL = PAYOFF TO BIG BUSINESS

All these efforts to toughen regulation and promote more honesty and accountability came to a grinding halt, as Stage Two of the GOP assault on regulations kicked off in high gear with the elevation of Newt Gingrich to the Speakership and GOP majorities in both the House and Senate following the election of 1994. On March 12, 1995, the Washington Post reported the following:

> *"The day before the Republicans formally took control of Congress, Rep. Tom DeLay strolled to a meeting in the rear conference room of his spacious new leadership suite on the first floor of the Capitol.... [He] saw before him a group of lobbyists representing some of the biggest companies in America .... He could not wait to start on what he considered the central mission of his political career: the demise of the modern era of government regulation.... Since his arrival in Washington a decade earlier, DeLay ... had been seeking to eradicate federal safety and environmental rules that he felt placed excessive burdens on American businesses."*

The article then documents how, over the next few days, this collaboration of political and commercial interests launched a campaign that pushed through the House a 13-month moratorium on health and safety regulations. "As the measure progressed, the roles of legislator and lobbyist blurred." During floor debate "lobbyists hovered nearby tapping out talking points on a laptop computer for delivery to Republican floor leaders....Turning to business lobbyists to draft legislation makes sense, according to DeLay, because ‘they have the expertise’".

Serving as DeLay’s deputy was Congressman David M. McIntosh, from Indiana, who ran the regulation-cutting Council on Competitiveness in the Bush Administration under Dan Quayle." DeLay ensured that McIntosh was also installed as Chairman of the Regulatory Affairs Subcommittee.

STAGE II: THE RECORD

WEAKENING INVESTOR PROTECTION

In 1995, Congress enacted, over the President's veto, limits on class action lawsuits by shareholders whose stocks performed below expectations. Leading the way for the bill was Harvey Pitt and the accounting firms which said they were targeted for lawsuits because of their financial ability to pay even when audits were fine. In 1998, the measure was made even worse. That version of the bill prevented state courts from hearing any lawsuits involving 51 or more plaintiffs, increased the amount of information a plaintiff had to file, and made it harder to prove fraud. In the teeth of that kind of pressure, knowing he was licked, Clinton signed the bill even though it had expanded a law enacted over his veto three years previously. Lynn Turner, chief accountant at the SEC from 1998 to 2001 said on Frontline:

> *"I think we ... made it much too tough for investors to ... pursue their claims in court when they were wronged .... [E]ven if a professional aided and abetted the fraud that went on -- not necessarily because they did it directly themselves, but stood by and watched it happen and could have done something -- it is now unlawful to be able to go after people in those situations."*

CHAINING THE WATCHDOG

The assault on securities regulations went beyond blocking investors from filing lawsuits. The assault also took direct aim at the regulators, the SEC itself, which was already suffering from increased workloads. The need for more cops on the regulatory beat was obvious, but the SEC didn't get them.

- EXPLOSIVE GROWTH: In 2000, the volume of shares traded in U.S. stock markets was about 15 times higher than in 1990. The value of Initial Public Offerings (IPOs) in 2000 was 50 times higher than in 1980. In 1994, about 1/5 of U.S. households were invested in mutual funds; by 2000, nearly half were. Those figures exclude money market funds. Total household investment in mutual funds grew from $46 billion to $3.3 trillion!
- CORPORATE RESTATEMENTS: In 1996, there were only 58 restatements; in 1999, there were 207 restatements. In the last month alone, three companies -- Rite-Aid, Xerox and Worldcom — each erased more that $1.2 billion in profits in their restatements.
- GLOBALIZATION: The globalization of securities markets in the 1990's also put new strains on SEC resources. In 1991, U.S. investors traded $949 billion in foreign securities; by 2000, that number had grown by 478%, to $5.484 trillion. Just last year (2001), about 1,300 foreign companies from 59 countries filed periodic reports for the SEC to review.

Yet, despite this explosive growth in financial transactions, SEC staff and resources did not grow to match the increased workload!

GOP CUTS SEC BUDGETS

In each year since 1995, House Republicans voted to pass appropriations bills that cut the SEC budget below the President's request. In most of those years, Democrats worked to restore some of the funds, but it was a losing battle. So while the workload was exploding, the ability of the SEC staff to keep up with that workload was undermined. The percent of all corporate filings that were reviewed declined dramatically, from 21% in 1991 to about 8% in 2000. In the early 1980's, the SEC could still complete full reviews of every annual report filed. By 2001, the SEC completed only 16%, or 2,280 of the 14,000 annual reports filed. Complaints and enforcement at SEC tell the same story. The number of complaints received by SEC increased by 100% from 1991 to 2000 and the number of enforcement cases opened increased by 65%. Yet, the enforcement staff increased by merely 16%.

As a consequence, many fewer enforcement cases were closed in each year over the decade. The number of cases pending at the end of a year increased by 77%, from 1,264 in 1991 to 2,240 in 2000. The problem has been compounded by the relative decline in pay compared to other federal financial regulators. In 2000 alone, 58 of the most experienced Enforcement Division staff left the SEC citing the lack of pay parity as the reason for their departure.

ACCOUNTING STANDARDS

In Spring 2000, then SEC Chair Arthur Levitt proposed new standards to eliminate conflicts of interests when an accounting firm is paid both to provide consulting and auditing services to the same corporation. Enron, for example had paid Arthur Andersen $27 million for consulting services and then an additional $25 million to audit Enron after it implemented the Andersen consult recommendations. But powerful people in Congress turned on the watchdog rather than the burglar.

GOP Chairman Oxley called the Levitt proposal "a Draconian solution to a perceived problem" (Business Week, 9/25/00). In July of 2000, 20 GOP members joined GOP Chairman Tauzin in a letter accusing Levitt of trying to rush the proposal just before a new Administration would take over. The House Republican chairmen of the relevant committees and subcommittees (Reps. Bliley, Tauzin and Oxley) in "a not very veiled threat" asked Levitt "to estimate the number of violations that would exist if the stock restrictions applicable to the accounting profession were to be applied to the SEC and its staff." (New Republic, 2/1/02) Senator Phil Gramm, then chair of Senate Banking Committee, also wrote in opposition, threatening to go after the SEC budget if the proposal went forward. In total, 48 members of Congress wrote to Levitt in opposition. With the real threat of even further reduced resources for an already starved SEC enforcement budget, Chairman Levitt could not pass the proposal. As SEC Chairman, Bush appointed Harvey Pitt, one of the leading spokesmen against the proposal on behalf of Andersen and other accounting firms.

Just as the Gingrich Revolution made life much riskier for investors in the stock market while shielding accountants and securities dealers from lawsuits, life was becoming riskier for investors in the commodities markets as well.

In 2000, at the instruction of the House GOP Leadership, a wide-ranging rewrite of the commodities laws was attached to the fiscal 2001 Omnibus spending bill (a bill that Congress had to pass to keep the government functioning) at the end of the session after negotiators reached agreement with Senator Gramm who wanted the bill to spell out more clearly the legal status of a category of unregulated, privately negotiated investments known as swaps. The bill was reworked to limit oversight of such investments by the CFTC.

The measure also lifted the ban on trading potentially volatile single stock futures, a ban that had been in place since 1982 because the SEC and CFTC could not agree on how to regulate them. Until then, the only stock-based futures contracts traded in the US were based on broad indices such as the S&P 500. The SEC was opposed to lifting the ban, arguing the contracts should be treated like securities which offer more protection to small investors.

The measure reflected concerns that the commodity exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange, were losing business to overseas futures markets that trade unregulated derivatives.

Gramm opposed the SEC having jurisdiction over the market. It's passage was greased by a Agriculture Subcommittee Chairman, Tom Ewing of Illinois and Speaker Hastert of Illinois.

SQUEEZING FOOD, HEALTH, AND SAFETY INSPECTIONS

In the '90s, House Republicans also defeated attempts to exempt from a regulatory freeze regulations that strengthened MEAT AND POULTRY INSPECTIONS, DRINKING WATER STANDARDS -- CRYPTOSPORIDIUM, THE IMPORTATION OF FOOD IN LEAD CANS AND MINE SAFETY.

PUBLIC HEALTH AND ENVIRONMENT

One area where the Gingrich Revolution was less successful (not for lack of trying) was in undermining our basic clean air and clean water protections. Democrats were able to block GOP efforts to gut key environmental regulations with help from some moderate Republicans. During committee action on the VA-HUD Appropriations bill for 1996, the GOP had added 17 anti-environmental riders prohibiting EPA from regulating key aspects of air and water pollution laws, including emissions from industrial facilities and oil and gas refineries, raw sewage overflows, arsenic and radon in drinking water, and traces of cancer-causing substances in food.

It took three votes, but we finally succeeded in winning over enough "moderate" Republicans:

* On July 28, 1995 THE HOUSE VOTED 212-206 FOR THE OBEY-STOKES AMENDMENT to delete those restrictions.
* On July, 31, with the right-wingers in revolt, the House leadership called for a REVOTE OF THE AMENDMENT, WHICH THIS TIME FAILED on a 212-212 tie.
* On November 2, on a motion to instruct conferees, after much public exposure, THE HOUSE VOTED BY A 33-VOTE MARGIN TO AGAIN DELETE THE SPECIAL INTERESTS RESTRICTIONS on the EPA.

UNLEASHING ENERGY COMPANIES

It was at this time that Enron and its buddies in Government launched a major effort to deregulate the electric industry and repeal the 1935 PUBLIC UTILITIES HOLDING COMPANY ACT which for 60 years had prevented US power supply being concentrated in a few hands. Legislation was introduced in Congress to eliminate federal impediments to deregulation, retail competition and clarify federal regulatory authority, with Tom DeLay at the head of the effort, working with subcommittee chairman Dan Schaefer. The DeLay-Schaefer provisions would REQUIRE ALL STATES TO OFFER RETAIL COMPETITION within a few years, forcing states, such as Wisconsin, which was taking a more cautious approach, to immediately deregulate. Meanwhile, in the Senate in both 1996 and 1997, the Banking Committee approved legislation REPEALING THE PUBLIC UTILITY HOLDING COMPANY ACT and freeing utilities to enter new markets while maintaining their monopoly over electricity consumers. However, the bill never came to the Senate floor in the face of a threatened filibuster.

And the beat goes on.

There is much more to the story of the Republican drive to unleash big business from oversight restraints that protect this economy and the average citizen. But to list it all would take forever.

STAGE III: THE NEW BUSH ADMINISTRATION

When George Bush, Jr. was elected, he brought into his Administration a veritable Who's Who from the giants of the energy industry. Newsweek identified eleven new Administration energy decision-makers with direct links to the energy industry, starting at the very top:

* **President George Bush** — Founder of Bush Oil Exploration, former board member of several oil exploration companies.
* **Vice President Dick Cheney** — Former CEO of Halliburton, the world's largest oil services company.
* **National Security Advisor Condoleeza Rice** — Served on Chevron's board of directors for ten years, and even had an oil taker named for her.
* **Interior Secretary Gale Norton** — Started her career at a think tank funded by energy companies.
* **Commerce Secretary Don Evans** — Former President and CEO of a Texas oil company.
* **Deputy Interior Secretary J. Steven Griles** — Former lobbyist for the oil, chemical, and mining industries.
* **Deputy Energy Secretary Francis Blake** — Senior Vice President at General Electric.
* **Commerce Undersecretary for Economic Affairs Kathleen Cooper** — Chief economist and manager of Exxon-Mobil's economics and energy division.
* **Army Secretary Thomas E. White** — Vice Chairman of Enron Energy Services for more than ten years.
* **Assistant Attorney General Thomas Sansonetti** — Leads the Justice Department's environmental division, and was a partner in a law firm specializing in helping oil, gas, and mining companies deal with state and federal regulations.
* **Assistant Energy Secretary for Congressional and Intergovernmental Affairs Dan Brouillette** — Former energy lobbyist and partner in lobbying firm that worked for energy companies.

During the transition, the Bush Administration, under the leadership of Vice President Cheney, assembled a **63-member Energy Transition Team:**

* **50** members were from big energy companies
* **One** was from a public interest group
* **One** was an energy efficiency expert
* **None** were renewable energy experts

Long odds for John Q. Citizen to get his views known and to have his interests represented. The Bush Administration's new plans in the field of energy included 23 recommendations to help big oil and gas companies do business around the world. But it didn't have even one to protect their U.S. customers from price gouging.

STAGE III: THE RECORD

MORE TAX FAVORS TO CORPORATE BIGGIES

And the Bush Administration gifts to the giants of big business did not stop with its energy policy. Its tax cuts shoveled the lion's share of tax cut dollars into the already bulging pockets of the most economically privileged 2 percent of all Americans. And corporations such as Enron, which often had already escaped all taxation were given even larger tax breaks. For awhile the public didn't notice. But now with the collapse of the stock market and the collapse of a number of industrial giants, they are becoming aware because we are witnessing the bitter fruits of the 20-year drive to weaken the oversight of big business.

THE BITTER FRUITS OF CRIPPLED OVERSIGHT

The first and most spectacular example was the collapse of the energy giant ENRON. Rosy corporate financial reports were followed by collapsing stock prices, evaporation of even paper profits, bankruptcy, and the vaporization of the life savings of thousands of investors and employees. Yet, among the carnage, corporate big shots and insiders walked away with almost a billion dollars.

Next came the collapse of Enron's accountant, ARTHUR ANDERSEN. Years of looking the other way at phony balance sheets finally took their toll on Andersen and on public confidence in the honesty of corporate balance sheets and the integrity of the entire accounting industry.

Incredibly, during that carnage, the Republican controlled House of Representatives still avoided facing the truth. After earlier passing a CASPER MILQUETOAST version of corporate financial conduct reform, it was finally dragged, kicking and screaming, into grudgingly adopting the Sarbanes' bill to give the SEC a new set of sharp teeth to insure honest corporate accounting and honest numbers crunching by the accounting industry.

Its earlier sham bill had refused to end accounting firms conflict of interest in providing lucrative consulting services to a company at the same time it is supposed to be conducting an arms length independent audit. It had refused to require that an audit report go to the audit committee of a company 's board rather than to its insider management. It had refused to require CEOs and CFOs to take responsibility for the accuracy of corporate financial statements. Even after the Merrill Lynch scandal, it had failed to require the needed separation between stock analysts and investment bankers within the same Wall Street firms.

And the House demonstrated that same fecklessness by its refusal to pass a PENSION PROTECTION BILL with real teeth.

PASSING A SHAM PENSION PROTECTION BILL

The bill that did pass the House was clearly a sham:

* It blocked requirements that would notify workers when executives pull out large amounts of their money from the same company in which workers' pension are invested.

* It refused to require pension boards to be notified if executives sell off a large quantity of their stock — or to require that workers have a representative on the Pension Board.

* It also refused to say that "What's good for the Private, should be good for the General" by guaranteeing and insuring workers' pensions in the case of bankruptcy — even though executive pensions enjoy these protections.

* It refused to cut back on pension advisor conflicts of interest — leaving workers exposed to tainted advice from a pension advisor who has a vested interest in conning them to put their money where it is at most risk.

On the last day of the congressional session before the August recess, Republican resistance to the Sarbanes' reforms of the financial industry finally collapsed the same week the Dow Jones index fell below 8,000 and the NASDAQ index had lost over 70 percent of its value. And George Bush, that well known champion of big business reform, in an act that defines hypocrisy, rushed to Capitol Hill to stage a media event, pretending to be enthusiastically for the reforms which his Administration had testified AGAINST only weeks earlier. Why the change? Because the White House felt the white heat of public anger with a government that was more comfortable being the enabler of outrageous corporate conduct than it was in being an honest umpire to keep the playing field level.

CONCLUSION: WHAT DROVE WASHINGTON TO TAKE AWAY THE ECONOMIC WATCHDOGS?

This is a sorry story about a 20-year Republican drive that was hellbent on eliminating protections that had been built up over almost a century.

Why did it happen? Why had the Republican Party, that in almost a century ago, had faced up to the need to keep the big boys honest? Why had they taken an almost century long walk away from that proud history?

Two thoughtful American writers have answered that question. Walter Russell Meed has written that Newt Gingrich's real goal was to get the ghost of Teddy Roosevelt out of the Republican Party. E.J. Dionne has said the same thing in a slightly different way in analyzing the Republican agenda after taking control of the House in 1994.

Dionne said, "The radicalism of Gingrich's agenda lies in its effort to overturn the fundamental achievements of Teddy Roosevelt's Square Deal, Woodrow Wilson's New Freedom, Franklin Roosevelt's New Deal, and Harry Truman's Fair Deal." As Dionne put it, "Gingrich is consciously echoing the Republican gambit of William McKinley in 1896...to organize the emerging captains of industry as his party's financial arm" by returning his party and his country to the pre-Teddy Roosevelt entrepreneurial Darwinist era of McKinley and Mark Hanna, two of the enablers of our last Gilded Age.

Their job was made easier by a split in the Democratic Party. Roosevelt, Johnson, and Kennedy Democrats tried to keep the country true to its progressive course, but they were handicapped by other Democrats who were too timid to resist the siren calls of the big business elite for deregulation at any price.

That is the permissive mindset that produced the S&L scandals of the '80s and the Enron scandals of today.

BRING BACK THE WATCHDOGS

Future Enrons will not be prevented until today's "me first, winner take all" mind set is replaced by a "winning for all" mind set. We must put a higher value on honest accounting, on truth telling to stockholders, and on fair treatment for workers ' pensions than we put on helping the top dogs in our society make an even quicker buck than they can make today.

Government must return to being a watchdog for every working family, instead of being a lapdog for the most powerful in this society. That doesn't mean it needs to regulate everything under the sun. It does mean that it has to be aggressive enough to protect consumers, workers, investors, and honest business competitors alike from the excesses and the abuses of those whose greed knows no restraint. To achieve that we must have renewed alertness on the part of the American people.

Congressman Henry Reuss, one of the finest public servants Wisconsin or the nation has produced, said a few years ago at a commencement speech at the University of Wisconsin-Milwaukee, "*Pericles was right when he told the Athenians that the citizen who takes no part in public affairs is not merely unambitious but useless. If you will combine the private aim of getting ahead in life with the public pursuit of justice, you will help restore the essence of democracy — informed and lively participation by its citizens. And that can produce a government which feels compelled neither to do everything nor to do nothing.*"

To make our capitalist system work for EVERYBODY, not just the favored and well-connected few, we must again achieve that balance described by Reuss. For over 20 years our entire system has become more and more unbalanced in favor of those whose ambition and greed knew no limits. The balance wheel needs to begin turning the other way. It has a long way to go!