

The Political Forum

*A review of social and political trends and events
impacting the world's financial markets*

Mark L. Melcher
Publisher
melcher@thepoliticalforum.com

Stephen R. Soukup
Senior Editor
soukup@thepoliticalforum.com

Friday, February 27, 2004

A REPRINT FROM A PIECE PUBLISHED OCTOBER 20, 1999

Cheers All Around

Mark L. Melcher
Stephen R. Soukup

Wow! What a week politically. Among other things, in a story that should be featured in the *New England Journal of Medicine*, one of the GOP's most prominent invertebrates, Mississippi Senator Trent Lott, suddenly grew a backbone, and led the opposition to the nuclear test ban treaty. Two cheers for Trent.

From a defense point of view, the defeat of this treaty is likely, in my opinion, to have little if any impact on nuclear proliferation (third world thugs not being all that interested in photo op treaties), although the large volume of hot air it generated from left wing politicians around the world might contribute somewhat to global warming.

On the political front, however, it did act as a visible affirmation of my number two prediction in last December's "Fearless Forecast" issue (the first prediction being that "Bill Will Become The Second President To Be Impeached, Though The Effort Will Fail Quickly In The Senate"). Forecast #2 was as follows:

Blessed Gridlock Will Persist. Congress will be gripped throughout 1999 with what I began describing in 1992 as "blessed gridlock," a malady greatly favored by the financial markets.

As was the case this year, Republicans won't have the clout to cut taxes and the Democrats won't have the clout to boost spending by too much. The year may begin with a lot of talk about bipartisan cooperation "to solve America's problems," but it will, I believe, quickly turn into an exercise in partisan squabbling, as it becomes apparent that neither side has much to gain by compromising on the big issues, such as "saving Social Security" and improving public education.

Subscriptions to The Political Forum are available by contacting:
The Political Forum

8563 Senedo Rd., Mt. Jackson, Virginia 22842
Tel 540-477-9762, Fax 540-477-3359, Email melcher@thepoliticalforum.com,
or visit us at www.thepoliticalforum.com

Barring a hard-hitting recession, both parties will use 1999 and 2000 to test positions in preparation for the 2000 election, which everyone agrees will be the most important in decades, since the party that captures the White House is almost certain to win control of both houses of Congress.

Three cheers for me. No? Well, the day after the treaty vote, one of the *Washington Post's* senior political writers, John Harris, put it this way in a front page piece entitled "Stuck in the Middle of the Road," and subtitled, "Demise of Clinton's 'Vital Center' Threatens His Legacy."

On issues from entitlements to free trade, this year represents a repudiation of the centrist governing model in which Clinton once hoped to assemble majorities by challenging the orthodoxy's of both parties . . . the capital's atmosphere of confrontation is choking Clinton's hopes for ending his tenure with a string of large policy achievements . . . An overhaul of Social Security is not happening. Nor is a comprehensive repair of the other big entitlement program, Medicare. Clinton's plan to give prescription drug coverage to seniors has been abandoned on Capitol Hill, and White House aides have begun crafting a fallback position aimed at eking out incremental reforms.

Republicans, meanwhile, are eviscerating many of Clinton's signature spending proposals and snubbing his ideas for education reform, such as providing federal aid to reduce class sizes and targeting poorly performing schools for extra help. And it is unlikely they will act on multibillion-dollar proposals he has laid out for raising taxes on cigarettes and giving tax credits to help low- and middle-income families with child care.

As for overall spending levels, the best that can be said is that it would have been a lot worse if the two sides hadn't been feuding. Under the 1997 balanced budget agreement, Congress was supposed to limit spending to \$592 billion on the 13 appropriations bills that will fund the government's daily operations in the current fiscal year. It now looks as though they will end up appropriating \$640 billion, not including \$22 billion of new "emergency" spending, which comes on top of the \$21 billion of "emergency" spending approved last October.

Republicans have invented scores of creative accounting devices which allow them to argue that they have in fact not broken the spending caps imposed by the 1997 budget deal, and more importantly, that their spending levels won't require that the government dip into Social Security surpluses. This is, of course, pure nonsense designed to keep the dirty little secret that the GOP is today to smaller, less powerful government what mud wrestling is to the performing arts.

But, as I said, it could be worse. For political reasons, the White House has chosen to present Democrats as fiscally responsible protectors of the Social Security trust fund, which has served to put spending constraints on congressional leaders in both parties. This is remarkable given the surplus, which is to politicians what candy is to a baby. Motives aside, two cheers for the White House. And when all is said and done, Republicans at least didn't add drugs to Medicare in exchange for a small tax cut, which is what I feared they would do, and they did, as John Harris pointed out, nix some of Clinton's most expansive new spending proposals. So, one grudging cheer for them.

On another front in the political wars, Microsoft announced last week that it has launched a major lobbying effort to cut funding for the Justice Department's antitrust division by \$9 million. In explaining this unusual move, the firm's chief lobbyist, Jack Krumholz, said the following: "It's no secret we really have some serious concerns about some of the Department of Justice's conduct during the course of this litigation."

Everyone acknowledges that even if Microsoft were successful in this campaign, it would have no impact on Justice's suit against it. But it could keep the agency from filing too many more such suits, and this would, in my opinion, be a good thing. As Florida Republican Congressman Dan Miller put it: "It would be a devastating blow to the high-tech industry and to our overall economy if the federal government succeeds in its efforts to regulate this industry through litigation."

I have been of the opinion for a long time now that the Assistant Attorney General Joel Kline's antitrust division is, like the rest of the Justice Department, "politiced up," so to speak, acting as little more than a fundraising arm for the Clinton administration. I put it this way a year and a half ago in a piece dated July 15, 1998 and entitled "The Man In The Cement Shoes."

So . . . why pick on Microsoft? I think that a reasonable person could be forgiven for concluding that the answer to this question may well be a phenomenon much older even than America's antiquated antitrust laws, namely something called extortion.

So three cheers for Microsoft for fighting back. As I said earlier, it won't keep the Justice Department plug-uglies from continuing to pursue their action against the company. But it signals the opening of an aggressive political campaign against the Clinton-Gore administration by a company that has a lot of executives with a lot of money and that also has a lot of clout with a number of what the *Washington Post* described as "influential Washington-based policy organizations," in a big political year when money and clout are likely to be important.

Speaking of Al, he received the endorsement last week of John Sweeney's AFL-CIO. This was a very big deal for him, and a major lose for Bill Bradley, who had been lobbying hard for the nod from Sweeney. It means a lot of money and a lot of grass roots organizing support for Al. But it also opens numerous cans of worms that could be damaging to him in the long run. So one cheer for Sweeney.

The endorsement appeared to surprise some observers, who noted the opposition among several of the 68 unions that make up the AFL-CIO, including the United Auto Workers and Jimmy Hoffa's Teamsters. The latter have vowed to actively fight the endorsement. Several reporters speculated that Sweeney was rewarding Bill and Al for the lack of zeal the Clinton administration's Justice Department has shown in its pursuit of corruption at AFL-CIO headquarters and in several of its constituent unions.

I think this is just part of the explanation. I think the driving force behind the move was pure, unadulterated fear on Sweeney's part that many of his senior associates and some of his top union bosses will be making little rocks out of big ones in a federal prison somewhere if anyone except Al Gore takes over the Justice Department in 2001 and begins looking into the sleazy

dealings between the department's highly politicized criminal division and some of the AFL-CIO's senior officials and its mobbed-up unions.

Among the latter are Arthur Coia's Laborers International Union of North America (LIUNA). You see, in November of 1994, after a three year investigation, the Justice Department notified Coia that it intended to oust him and take over the union. In a 212-page Racketeering and Corrupt Organizations Act (RICO) complaint, Justice concluded, among other things, that Coia was "tied to members of a New England Crime family and used 'force, violence and fear of physical and economic injury to create a climate of intimidation and fear' within the union." In a consent decree filed in 1995, the union itself admitted that "many of its locals operated under the influence of organized crime." Roughly 80 LIUNA officials have been convicted of defrauding the union's own education and training funds.

But Coia is a "Friend of Bill," a "Friend of Hillary," and a big contributor to the Democratic party. He was also recently described in a *Washington Post* article on him as "kingmaker within the AFL-CIO." According to the *Washington Times*, another description of him was contained in a January 1994 memo from Paul Coffey, then head of the Justice Department's organized crime division, warning the Clintons to avoid "any direct contact with Coia, if possible, inasmuch as we intend to portray him as a mob puppet."

Needless to say the Clintons ignored the warning. The aforementioned memo was drafted, in part, to deter Mrs. Clinton from agreeing to give the keynote address at the LIUNA annual meeting in February, 1995. She proceeded to give the address anyway. And records show that Mr. Coia visited the First Family at the White House 24 times in the next three and a half years. In an August 20, 1997 article, entitled, "It Invites Anarchy," I described the relationship as follows.

In January 1995, the DNC sent a memo to the White House that helps explain, in part, why a man so notorious as Coia is held in such high regard by team-Clinton. Apparently, the DNC had identified Mr. Coia as one of the "top ten" donors to the Democratic party and, according to the *Washington Times*, had thus "touted [him] for access to President Clinton."

The *Times* also indicates that roughly one month after the DNC sent the "top-ten" memo to the White House, the "proposed racketeering charges against the union," mentioned earlier in this piece, "were dropped." Instead, the Justice Department actually put Coia, in their words a "mob-puppet," in charge of cleaning up the union himself.

As if all of the above weren't egregious enough, Kenneth Weinstein and August Stofferahn of the Heritage Foundation's Government Reform Project, have documented that LIUNA, the union so flush with cash that it could give well over a \$1 million to the DNC last election cycle, was also the recipient of \$30 million in federal grants in fiscal 1994 and 1995. Surprisingly (or not surprisingly, depending on your viewpoint) at least \$15 million worth of these grants were awarded after LIUNA filed the consent decree admitting its mob connections.

More recently, Coia has been threatened with further legal action. The October 3, 1999

Washington Post reported:

Now union and government officials say Coia could face new legal charges—perhaps this week—arising from his lease of a vintage Ferrari from a union vendor. Under the terms of a 1994 agreement that staved off a federal takeover of the Laborers, Coia faces suspension if he's indicted.

Thus, it should come as no surprise to anyone that Coia and his union joined the chorus on October 13, at the AFL-CIO biennial meeting, and pledged their support for Bill's would-be successor, Al Gore.

The decision on the part of Hoffa's Teamsters, the federation's largest union, to oppose the endorsement should also come as no surprise to anyone who has paid attention to recent union corruption stories. As I pointed out in the above-mentioned piece, "It Invites Anarchy," the relationship between Hoffa and the White House has an interesting history also.

In 1991, Ron Carey, the little known boss of a New York UPS Local won the presidency of the [Teamsters] national union on a platform of ridding the organization of corruption. Now the Teamsters union has a long history of being mobbed up. Indeed, three of the union's last four presidents have ended up in prison. So Carey's promise was a welcome one.

It turned out, however, that Carey's pledge was little more than campaign rhetoric. In fact, within two years of assuming the presidency, the union's Central Conference was demanding an investigation into accusations that Carey had ties to known organized-crime figures.

Following his victory, Carey, through the good offices of Harold Ickes, a former lawyer for the New York Teamsters Local 560 and a friend of both Clintons, quickly made friends with Bill, who was on the campaign trail himself at the time. A short time later, Carey threw his union's support to the Clinton effort. This was a major coup for Bill, especially given that the Teamsters had endorsed the Republican candidate in each of the prior three presidential elections. The rest, as they say, is history.

In 1996, Carey was challenged for the union presidency by James P. Hoffa, Jimmy Hoffa's son. Carey won a very narrow victory in a race that, at the behest of the Justice Department, was monitored by the federal government at the cost of \$22 million of the taxpayer's money.

One would assume that such a "whopping sum" (in the words of the *Wall Street Journal*), would go a long way towards ensuring a fair, uncorrupted election. But one would be wrong. Why this is the case is an open question. But as I indicated earlier, a person could be forgiven for thinking that the election watchdogs might have been more diligent had they not been watching one of Bill's friends. But, of course, that is debatable.

In any case, the feds apparently missed a few things, as evidenced by the fact that the Carey campaign for reelection has, to date, been forced to return over \$200,000 in

questionable donations, \$95,000 of which *The Washington Times* says "seems to have been embezzled from [the] union's treasury." Carey's campaign manager, Jere Nash, who recently appeared before a federal appeals court panel, invoked the Fifth Amendment when questioned about the information he gave federal investigators during last year's campaign.

Michael Ansara, the owner of a Massachusetts telemarketing company and former 60's radical, has, according to the *Wall Street Journal*, admitted to "laundering money for the Carey campaign," by serving as a funnel through which Citizen Action, "a liberal, holier-than-thou consumer group" and recipient of \$475,000 from the Teamsters for "issue advocacy," inappropriately (if not illegally) donated money to Carey's re-election effort.

The most damaging and far-reaching allegations of wrongdoing against the Carey campaign, however, involve a scam allegedly masterminded by Martin Davis, Carey's top campaign consultant and generally regarded as the man responsible for elevating Carey from a virtual unknown, to one of the most powerful union positions in America.

The scam appears to have involved the donation of union funds to Democratic candidates in a number of states in exchange for commitments from the Democratic National Committee to the Carey campaign. *The Wall Street Journal* summed it up this way.

"A 1996 memo from a former top Democratic official calls for the distribution of nearly \$1 million in Teamsters political-action-committee contributions to affiliates of the DNC nationwide. A separate note, refers to an 'unspecified' commitment' by the DNC to help the Teamsters in return. The authenticity of the DNC memo has been confirmed by a former DNC official, who says the commitment was that the DNC would encourage some of its donors to contribute to the Carey campaign."

Since this story ran, Carey's 1996 re-election was voided, Carey was barred from the Union, Jimmy Hoffa, Jr., the "victim" of the above scam, was elected president of the union, and U.S. Attorney Mary Jo White indicted a number of the principals involved, including William Hamilton, the former governmental affairs director of the Teamsters.

In a piece published earlier this year ("Once Upon A Time in a Banana Republic," January 13, 1999) we recounted a story that originally appeared in *Time*, in which Hoffa, still markedly upset with those who illegally sealed his fate in 1996, threatened to sue administration-connected individuals, including Terry McAuliffe, a big shot Democratic fund raiser who will be key witness in Ms. White's case and who, by some strange coincidence, was the guy who, a few months ago, was going to help finance Bill and Hillary's new house in New York. What a guy. Who can resist giving one cheer for Terry?

The latest twist in this saga occurred last week, when Ms. White postponed the trial of Hamilton, which was scheduled to open last Tuesday. *The Washington Times*, commenting on this development, said the following.

As the trial was set to begin, Messrs. [Richard] Trumka [AFL-CIO Secretary-Treasurer,

who has asserted his Fifth Amendment rights rather than answer questions about his role in the affair, but who still is an officer in the AFL-CIO, despite union rules that say that individuals who take the fifth can't be officers anymore] and [Gerald] McEntee [head of the nation's largest public employees union] were feverishly lobbying their AFL-CIO colleagues to endorse the presidential candidacy of Mr. Gore at their Los Angeles convention this week. And thanks to the timely assists from Miss Reno's Justice Department, Mr. Gore was saved the embarrassment of celebrating his desperately coveted AFL-CIO endorsement while one of the biggest labor corruption trials in history--a corruption in which several Big Labor bosses and former chief fund raisers [including McAuliffe] of the Democratic Party were implicated--was taking place in New York City.

So, you see, it is understandable why Sweeney would not want anyone but Al in charge of the Justice Department when Bill leaves town. In fact, I believe a good deal of Bill's own enthusiasm for Al Gore's presidential bid is related to his concern about turning the Justice Department over to an honest Bill Bradley, or worse, a George W. Bush, who, for a variety of reasons, some personal, would like nothing more than to have his own political operatives take a look into department files on the many investigations into everything from Chinese espionage and campaign contribution scandals to the death of Vince Foster.

Speaking of "W", the big news on his front last week was that he has agreed to debate other Republican candidates on December 2 in New Hampshire. This is important for two reasons. The first is that he had earlier said that he would not enter any candidate debates until January in Iowa. More importantly, Republicans might now get a chance to find out what he thinks about a variety of issues, if anything.

Like virtually everyone else, I am in the dark about what exactly "W" believes, stands for, or wants to do if he becomes president, which is a big deal considering the fact that he is very likely going to be the next President of the United States. So, one cheer for "W". He doesn't get more than one cheer because he has declined an opportunity to join Republican debates in New Hampshire scheduled for the last two Fridays in October.

THE POLITICAL FORUM

Copyright 2003. The Political Forum. 8563 Senedo Road, Mt. Jackson, Virginia 22842, tel. 540-477-9762, fax 540-477-3359. All rights reserved. Information contained herein is based on data obtained from recognized services, issuer reports or communications, or other sources believed to be reliable. However, such information has not been verified by us, and we do not make any representations as to its accuracy or completeness, and we are not responsible for typographical errors. Any statements nonfactual in nature constitute only current opinions which are subject to change without notice.