



2005 CHANGED AMERICA.
**THERE'S NO
TURNING BACK.**

DMI YEAR IN REVIEW



2005

When 2005 began, President George W. Bush claimed a mandate after his victory over Senator John Kerry. As 2005 drew to a close, the President's job approval rating was in the mid 30s, the lowest since he moved to the White House.

What changed?

This was the year of the **Great Unveiling**, in which what many knew to be true was unavoidably evidenced to the rest of the world. 2005 revealed essential truths about America, both in its pain and in its promise.

The pain of the people of New Orleans, living in poverty so entrenched that they were unable to leave their city as it flooded, became the pain of America. The images of the aftermath of Katrina shocked the country and sparked a national conversation about poverty in America. What was not discussed was that New Orleans ranks not first or second of American cities in poverty, but 17th. The essential truth of America is that 37 million of its people live in poverty.

The pain of the working people of America was revealed as the labor movement, united under the umbrella of the AFL-CIO, split up, prompted by record-low union membership. We came to know Wal-Mart as more than a

big box store with small prices, but also as the employer of 1.2 million people whose average income hovers near the poverty line and whose refusal to provide health care pushes the tab onto the taxpayers who fund Medicaid. The essential truth is that working people are having a harder time than ever, with one in two behind schedule in saving for retirement, a median 401k account balance of less than \$20,000 and over 45 million Americans uninsured.

But there is promise: despite a concerted effort by the conservative right to present government as the enemy, Americans intuitively understand their relationship to their public institutions. We rely on government to maintain our infrastructure, from the roads of Colorado to the levees of Louisiana. We rely on government for effective leadership, not the kind of cronyism revealed by President Bush's choice of unqualified administrators like former FEMA head Michael Brown. We rely on government to provide insurance so we can grow old in dignity, as the President learned when Americans soundly rejected his 2005 attempt to privatize Social Security.

Between the Supreme Court nominees and the growing frustration of the American people with the Iraq War, the national landscape offered enough to keep everyone occupied. But a lot was happening on the local level. Illinois offered a plan to insure all of its children, while Florida offered a plan to undermine Medicaid. Philadelphia proposed opening up its borders by making the entire city wireless, while gun-toting vigilantes in Arizona patrolled their borders to take the immigration crisis into their own hands.

In this Year in Review, the Drum Major Institute for Public Policy offers: a look back at the best and worst in public policy this year, the six events that impacted the future of America, a report from the front lines in six states and from the blogosphere, our recommended reading list, a recap of what the think tanks of the conservative Right are up to, and, as always, the 2005 Injustice Index. **No matter how you slice it, 2005 changed America.**



INTERNET AS A PUBLIC UTILITY

Internet access is to the digital age what good roads have been since the dawn of civilization: critical public infrastructure for communication and growth. In 2005, Philadelphia laid down the groundwork to make low-cost, wireless internet service universally accessible throughout the city. Projects like Philadelphia's aim to reduce the "digital divide" that keeps disadvantaged communities from accessing online resources. Municipal broadband projects also aim to attract new businesses to the area and enable existing small businesses to sell online. Cities as diverse as Milwaukee, San Francisco and Huntsville, Alabama, are exploring municipal broadband initiatives, but a threatened telecommunications industry is fighting these efforts tooth and nail, pushing national legislation to ban cities from providing internet service. For extending the building of highways to the world of information, Philadelphia's municipal broadband policy is one of the best of 2005.

COVERING ALL KIDS

Nothing exemplifies the plight of the squeezed middle class like the health insurance dilemma. What if your income is too high to qualify for Medicaid or state programs but too low to buy family insurance on your own? In 2005, Illinois Governor Rod Blagojevich proposed a comprehensive solution for families in this predicament: a state-run health insurance plan called All Kids that would cover the 253,000 uninsured children in Illinois with affordable monthly premiums and co-payments. By providing preventive care, the program will reduce the costs of emergency room visits and serious illness. All Kids has won significant support from state legislative leaders. For boldness in tackling a problem that has inspired little vision or political will at the federal level, All Kids wins a spot on the "best of."

FAIR SHARE HEALTH CARE

Wal-Mart's business model makes the Walton family rich—but at great costs to the public. Wal-Mart gets a taxpayer subsidy, as millions of its uninsured, working-poor employees and their families turn to Medicaid and other state programs for health care. In 2005, Maryland passed legislation requiring companies with more than 10,000 employees in the state to spend at least eight percent of their payroll on employee health care or contribute to the state's health program for the poor. Governor Robert Ehrlich, Jr. vetoed the bill, but the legislature is expected to override him. The bill has already spurred similar efforts from Washington State to New York City. This common sense effort to stop profitable employers from pushing their health care costs onto the public earns it a place on our "best of" list.

GUN INDUSTRY RESPONSIBILITY

Selling guns to law-abiding citizens is legal, but shouldn't the industry be held responsible when its negligent business practices put the public at risk? In January 2005, the New York City Council passed a law holding gun manufacturers and dealers financially liable for allowing their products to wind up in the hands of criminals. Gun businesses can avoid liability if they follow sales practices—like maintaining records of all sales and selling only at fixed locations—designed to keep guns off the black market. Federal legislation blocking laws like this one also passed in 2005, but it is expected to face a challenge on constitutional grounds. For enabling ordinary citizens to hold companies accountable for their actions, this law is a welcome addition to the year's "best of."

CURBING POWER PLANT EMISSIONS

President Bush finally acknowledged the scientific consensus that human actions contribute to global warming, but he still failed to commit to any meaningful action to reverse course. Luckily, Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Vermont were more proactive. In August 2005, these nine states agreed to immediately freeze carbon dioxide emissions at the more than 600 power plants under their authority and reduce pollution by ten percent by 2020. The regional initiative includes a trading system that allows plants producing less pollution to sell their extra carbon emissions rights to other companies, fostering market efficiency as total greenhouse gas is reduced. For thinking globally and acting locally, the regional global warming initiative is one of this year's best.

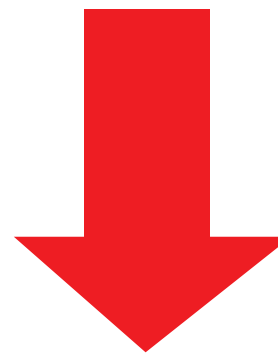
ENFORCING FAIR LENDING

Millions of Americans took advantage of record-low interest rates to buy a new home in 2005. But the mortgage marketplace was not equally friendly to everyone. The last few years have seen a boom in high-cost, "subprime" home loans aimed at borrowers with bad credit. The Prohibit Predatory Lending Act, introduced in Congress by Representatives Brad Miller (D-NC), Mel Watt (D-NC) and Barney Frank (D-MA), would crack down on these abuses. Based on North Carolina's successful state legislation, the Act would limit exorbitant fees and pre-payment penalties and end lenders' practice of "flipping" home loans with no tangible benefit to the borrower. For its effort to make the mortgage marketplace fairer for all Americans, this bill deserves a home on the "best of" list.

MAYBE IT ISN'T SO HARD BEING GREEN

In April 2005, Washington State became the first in the nation to require that new, large public buildings meet high standards for energy efficiency, waste management, water conservation and other ecological goals. The use of recycled and renewable building materials and natural light and ventilation makes the buildings better for the environment. Adopting the green building standards is also expected to lower energy costs by 20 percent or more, provide healthier air quality for building occupants and produce less waste. Some studies even suggest that worker productivity increases in "green buildings." For demonstrating the benefit of environmentally-conscious building for nature and our pocketbooks, this legislation wins a spot on this year's "best of."

2005 WORST OF PUBLIC POLICY



REAL ID IS A FAKE

Will increasing the numbers of uninsured and unlicensed drivers on our roads make America safer? Congress apparently believes it will, agreeing without meaningful debate to restrict immigrants' access to drivers' licenses, while also denying asylum to many people fleeing persecution and inhibiting the writ of habeas corpus for the first time since the Civil War. Add in a possibly unconstitutional provision permitting the deportation of any non-citizen for guilt by association, and you have a bill that scapegoats the immigrants who are an integral part of our nation while doing little to make the country more secure. Gratuitous immigrant-bashing identifies The Real ID Act as one of the year's "worst."

CAFTA'S UNFAIR TRADE

By a razor-thin margin, Congress ratified yet another trade deal that puts corporate profits above the interests of working people in the United States and the nations it trades with. The Central American Free Trade Agreement creates new rules for trading with five Central American countries and the Dominican Republic, but it fails to protect the rights of workers. While trade deals can stimulate economic growth, they can also create economic upheaval. In this case, the benefits of economic growth flow mainly to multinational corporations, while working people in the U.S. and abroad are thrown out of work, uprooted from their communities, see their small businesses go bust and their wages driven down. Opposition to CAFTA, from religious groups to labor unions, was fierce. We agree it belongs on this year's "worst of" list.

MORALLY BANKRUPT

The vast majority of Americans seeking personal bankruptcy protection have suddenly lost their jobs, confronted massive and unexpected medical bills or were left without resources when the family breadwinner left the household. At the behest of the credit card industry, Congress put new hurdles in the path of people struggling to rebuild their lives after such personal catastrophes, forcing many families into onerous repayment plans that put new burdens on debtors, making it harder for them to ever get back on their feet. When 2005's devastating hurricanes left thousands more homeless and jobless, they too fell under the bill's harsh provisions. We'll write this one off as one of the "worst."

PREVAILING WAGE SUSPENSION

In the ruinous aftermath of Hurricane Katrina, President Bush pledged to help damaged Gulf Coast communities rebuild and thrive. But the President pulled the rug out from under the very people doing the reconstruction, suspending the law requiring federal contractors to pay at least the (very modest) average wage in the region. For 74 years, the Davis-Bacon Act ensured that public dollars would support good jobs, not undermine the wages of hard-working Americans. But immediately after the storm, this guarantee didn't apply. Intense opposition eventually forced the president to back down and reinstate Davis-Bacon, but not before workers labored for two months with substandard pay. The federal pay cut for disaster victims earns a prominent place on the "worst of."

"PLAN B" STILL BY PRESCRIPTION

Back in 2003, the Food and Drug Administration's panel of medical and scientific experts announced that the emergency contraceptive known as "Plan B" was safe to sell over the counter. In 2005, swayed more by the religious right than the medical evidence, the FDA announced it would postpone approval "indefinitely." Available without prescription in Canada, Britain, France, Australia, Portugal and dozens of other countries, over-the-counter access to emergency contraception has the potential to prevent hundreds of thousands of unwanted pregnancies in the U.S. For allowing the religious dogma of a few to trump sound medicine, the policy of open-ended delay earns a spot on the "worst of."

ETHICALLY CHALLENGED

Just as the U.S. House was poised to begin a new investigation, probing whether then-House Majority Leader Tom DeLay (R-TX) accepted illegal gifts and trips from lobbyists, Republicans changed the rules. A range of modifications diluted the traditionally independent, bipartisan character of the House Ethics Committee, the most disturbing one being a proposal to enable one party to get any ethics complaint dismissed without investigation, just by stalling for 45 days. Declaring the need to "restore public confidence in the People's House," ten Republican former Congressmen called for the changes to be reversed. They're right: ethical conduct shouldn't be the domain of just one party. Even though House Republicans ultimately agreed to restore the ethics rules, the attempt to water them down deserves a place on the "worst of" list.





STATE OF THE STATES



★ OHIO 2005

CRONYISM MEETS WORKERS COMPENSATION

When making investment decisions, you might consider stocks, bonds or even real estate. The state of Ohio made a less traditional choice for millions of dollars from its workers' compensation fund: rare coins. But the problem with rare coins is that they're so darn small. In fact, in 2003, two irreplaceable state-owned coins worth \$300,000 were reportedly lost in the mail. And that's just the beginning.

Workers' compensation pays medical bills and provides needed income to people injured on the job. In 1996, Ohio relaxed rules about how the workers' comp funds could be invested and outsourced the management of investments to external money managers. Shortly after that, Thomas Noe, Toledo-based coin dealer, Pioneer-level Bush fundraiser and close personal friend of Ohio's Republican Governor, Bob Taft, arrived on the scene. Taft appointed the coin dealer as chairman of the state turnpike commission and gave him a seat on the Ohio Board of Regents.

Ohio soon invested \$50 million in workers' comp funds in rare coins controlled by Mr. Noe. This year the *Toledo Blade* broke the story that at least \$12 million of that money was unaccounted for and more than a hundred coins had gone missing. Noe, already under investigation by the Department of Justice and the FBI for allegedly laundering money for the Bush campaign, insisted he was guilty of no wrongdoing.

An aberration? No. It appears that most of the firms chosen to manage the state's \$18 billion workers' comp fund were led by major contributors to the governor and the Republican Party. This year Governor Taft pleaded no contest to charges he accepted golf outings and other illegal gifts from Noe and fellow Ohio businessmen. Columbus' culture of cronyism was revealed to the world.

The question now is whether Coin-gate will leave Ohio voters calling for "change."

★ CONNECTICUT 2005

CLEAN ELECTIONS

At the dawn of 2005, Connecticut was the last place anyone would look for clean government. The state went through four political scandals in five years. Governor John G. Rowland had recently resigned and pleaded guilty to charges that he accepted free vacations and renovation work on his lakeside cottage in exchange for state contracts. By April, the former state executive was serving a year-long sentence in federal prison.

Connecticut's General Assembly talked about getting the dirty money out of politics by reforming the state's campaign finance system, but it remained talk. On the last day of the legislative session, the majority Democratic state House and Senate passed different campaign finance bills and adjourned without reconciling them. Despite the intense efforts of clean elections advocates, it looked like more politics as usual.

In June, Connecticut's new Governor, M. Jodi Rell, surprised everyone. A veteran Republican legislator, Rell embraced a voluntary system of full public financing for all state campaigns, a Democratic priority. Combined with plans to ban contributions from lobbyists and state contractors and place new restrictions on political action committees, the Rell plan amounted to a sweeping new campaign finance system that would push the scandal-plagued state into the vanguard of clean money reform.

Telling members of the General Assembly that there was no more time for "delay, debate, or deliberate denial disguised as disagreement," Governor Rell called a special session of the state legislature, only to see the grandstanding and foot-dragging continue.

It will take political courage for long-time office-holders who have perfected the art of raising money and winning elections under the current system to cast a vote that forces them to wean themselves from comfortable relationships with lobbyists and campaign donors—only to run competitive races against newcomers. It may be tough, but it's called good, clean democracy.

★ ARIZONA 2005

VIGILANTES ON THE BORDER

It was April Fool's Day when the men with guns first showed up on the U.S. border with Mexico in Tombstone, Arizona. The stated aim of the Minuteman Project was to muster a thousand or more volunteers to "assist" the U.S. Border Patrol in stopping "the menace of tens of millions of invading illegal aliens."

In reality, more reporters and legal observers than gun-toting volunteers showed up that day in the desert. But the media circus focused attention on what nearly all observers now agree is the broken state of U.S. immigration policy.

The United States relies on the economic contributions of immigrants and is socially, culturally and politically enriched by their presence. Yet hundreds of immigrants die each year, trying to cross the same desolate border the Minutemen patrolled in April, for nothing more than the chance to make a decent living. Those who make it to the United States are forced to live in the shadows and face workplace exploitation that drives down standards for all working people in the country.

The civilian gunslingers patrolling the border aren't helping. The Tucson-based Border Action Network documented at least 60 incidents involving the abuse of 900 Mexican nationals by border vigilantes. They claim many more such incidents have gone undocumented.

But at least we have responsible elected officials at the national level to lead us to saner policy—like Rep. Tom Tancredo (R-CO) who said: "I would like to thank the Minutemen on behalf of the millions of Americans who can't be here with you today." Yes, thanks a lot.

★ PENNSYLVANIA 2005

NOT-SO-INTELLIGENT CURRICULUM

In October 2005, a National Academy of Science advisory panel expressed concern that American students were falling behind in the world's knowledge-based economy, especially in science and engineering. They pointed out that the U.S. granted fewer undergraduate science degrees than other nations and American 12th graders performed below the international average on general knowledge in math and science.

The panel had extensive recommendations both inside and outside the classroom, but one thing they didn't suggest was casting doubt on the basic tenets of biology. A school board near Harrisburg, Pennsylvania, took that on all by themselves.

School board members had previously tried to insert creationism into the curriculum. Failing that, they succeeded in passing new rules that mandated reference to intelligence design. Superficially more scientifically-relevant than creationism, intelligent design holds that life is too irreducibly complex to have evolved through natural selection alone. Rather, there must be an intelligent being guiding the process.

Still sound more religious than scientific? The nation's scientific authorities agree. As do eleven parents in the school district who would prefer that their children study science in science class. In September of 2005 they sued, arguing that the school board's policy violated the constitutional separation of church and state.

The case could go all the way to the Supreme Court. In the meantime, all eight of the school board members who advocated the intelligent design curriculum were voted out of office in November, replaced by a slate of more scientifically-oriented candidates. That's what we call intelligent.

★ FLORIDA 2005

CONSTRICTING MEDICAID

Florida's new Medicaid plan can be summed up in three words: don't get sick.

The state's low-income, elderly population is growing at eight times the national rate, so it's not surprising that Medicaid expenses have also been rising. What is a nasty shock is the unprecedented way the Sunshine State plans to deal with the increased cost of caring for its most vulnerable citizens.

In October 2005, Florida received federal approval to cap the benefits of each Medicaid recipient, transforming the program from one that provides the very poor with the health care they need to one where the state will only pay for a pre-determined amount of care. Instead of reimbursing doctors and hospitals directly, the state will pay a fixed amount to private HMOs for each person's coverage. The HMOs will then decide how much care the sick patient receives.

Studies suggest that Florida's Medicaid program is already more cost-effective than private insurance, casting doubt on Governor Jeb Bush's claim that market competition among HMOs will hold down costs. The real problem isn't that Medicaid is wasteful; it's just that providing adequate health care to the sick, elderly and disabled is expensive. Advocates for the state's poor are afraid that cutting costs will mean cutting back on needed care. And, other states are already eyeing Florida's example.

One of Florida's major goals is to achieve "predictability" in Medicaid costs. But if Governor Bush were in the shoes of one of the state's 2.2 million Medicaid recipients, he might realize that a medical crisis is seldom predictable.

Symptoms: privatization for privatization's sake, forcing individuals to accept more risk and fewer benefits. Diagnosis: consistent with national trends. Prognosis: potentially fatal if left untreated.

★ COLORADO 2005

PUBLIC SECTOR CRASH DIET ENDED

Anti-tax zealot Grover Norquist is mad. Really mad.

Back in 1992, Colorado voters adopted the nation's only "Taxpayer Bill of Rights" (TABOR), a measure designed to restrict the growth of state budgets to inflation plus the annual change in population. Any revenue collected above this amount would be refunded to taxpayers.

It amounted to a starvation diet for the public sector. And the results have been catastrophic.

Colorado was once near the middle among U.S. states in measures like children getting all their vaccinations, pregnant women receiving prenatal care and low-income adults accessing health insurance. Today it ranks near the bottom on all these indicators of public health, falling dead last in the percentage of poor children with health insurance.

The restrictive budget formula left Colorado particularly ill-equipped to deal with the national recession. To comply with TABOR, funding for higher education was slashed by \$149 million in the last three years. Financial aid plummeted \$9.1 million while tuition soared 21 percent. Funding for libraries diminished 79 percent. Courthouses reduced their hours. The state parks and artistic venues, always big draws for tourists, saw their state funding shrivel up. Roads and bridges fell into disrepair.

So Colorado's business community and Republican Governor Bill Owens turned against TABOR, urging suspension of its provisions for five years. Voters agreed, rejecting the radical anti-tax vision of Norquist and his cronies.

Now Norquist is working feverishly to introduce measures in Kansas, Michigan, Nevada, Ohio, Wisconsin and other states that would de-fund public services and put a straightjacket on state budgets. Too bad the people of Colorado, the flagship and model par excellence for restraining state spending, exercised their rights—to throw TABOR to the dogs.



2005 INJUSTICE INDEX

Number of pounds lost by President Bush in the first 7 months of 2005:
8

Increase in the number of hungry households since 1999:
43%

Income level at which a family of three qualifies for food stamps:
\$20,376

Average annual wage of Wal-Mart sales associates:
\$14,787

Number of Wal-Mart employees in the United States:
1.2 million

Net worth of five Walton family heirs to the Wal-Mart fortune:
\$77.9 billion

Percentage of Americans who believe they are behind schedule in saving for retirement:
55%

Estimated number of households that plan to draw on their retirement savings to send their children to college:
900,000

Percentage increase in tuition and fees at the typical state university between 2002 and 2005:
36%

Median 401(k) account balance at the end of 2004:
\$19,926

Minimum annual pension for which President Bush will be eligible upon retirement:
\$180,100

Deficit of the federal Pension Benefit Guarantee Corp., which insures that retirees continue to receive some pension money if their employer defaults:
\$23.1 billion

Proportion of current retirees who get half or more of their current income from Social Security:
2 out of 3

Weeks after his second inauguration that President Bush began touring the country to promote the privatization of Social Security:

2

Number of days after the cross-country tour began that the president finally unveiled the specifics of the plan:

84

Amount of additional federal borrowing this plan would have required:

\$4.9 trillion

Percentage by which President Bush's Social Security plan would have reduced guaranteed benefits to the average worker now in his twenties:

16%

Percentage of young workers not participating in any retirement plan at work:

80

Percentage of Americans who approved of the way President Bush was handling Social Security in June 2005 after they had learned more about his plan:

25%

Length of time it took the Department of Health and Human Services to draft the United States' pandemic flu plan:

14 years

Amount by which the Bush Administration proposes to cut funding for public health preparedness in its 2006 budget:

\$130 million

Minimum amount Defense Secretary Donald Rumsfeld has invested in Gilead Sciences, the company that owns the rights to Tamiflu:

\$5 million

Number of uninsured Americans:
45.8 million

Increase this represents from 2000:

7 million

Number of states that reduced Medicaid benefits in 2005:

7

States that plan to do so in 2006:

16

Percentage of personal bankruptcies that can be traced back to a serious illness or other medical cause:

54.5%

Percentage of these medical debtors who went without food before declaring bankruptcy:

19.4%

Number of Senate Democrats who voted in favor of the Bankruptcy Abuse Prevention and Consumer Protection Act:

18

Percentage of Louisiana's and Mississippi's congressional delegation that voted for the law:

93%

Percentage of evacuees in Houston who say they will never fully recover from the effects of the hurricane:

38%

Date on which former First Lady Barbara Bush said of hurricane survivors who fled their homes "this is working out very well for them.":

09/05/05

Rank of New Orleans among the American cities with the highest rate of poverty:

17

Date on which then-Federal Emergency Management Agency Director Michael Brown told CNN that hurricane victims who failed to evacuate bear some responsibility for their fates:

09/01/05

Date on which President Bush praised the efforts of FEMA Director Michael Brown, saying "Brownie, you're doing a heck of a job.":

09/02/05

Difference between the funding requested by the Army Corps of Engineers in 2005 for projects protecting residents of New Orleans and surrounding areas from hurricane-related flooding and the amount that was ultimately budgeted:

-\$17 million

Number of Americans who died in 2003:
2.4 million

Percentage of them whose heirs paid any estate taxes:
1.3%

Change in inflation-adjusted wages between September 2004 and September 2005:
-2.3%

Change in the salary of members of Congress between 2004 and 2005:
+2.5%

Amount New Hampshire Senator Judd Gregg won playing the Powerball lottery in October 2005:
\$853,492

Senator Gregg's minimum net worth before winning the lottery:
\$1.5 million

Number of Americans living in poverty:

37 million



MANHATTAN INSTITUTE

Established in 1978, the Manhattan Institute boasts of its capacity for “turning intellect into influence.” Nowhere is this influence greater than in the racially-tinged debate over social welfare policy. In the 1980s, the Manhattan Institute backed the writings of then-unknown Charles Murray, launching his career with a book that blamed overly-generous public assistance programs for increasing poverty and was widely regarded as the intellectual underpinning of today’s punitive welfare policies. Murray went on to argue that blacks genetically have a lower IQ than whites. Today, with annual expenditures in excess of \$8 million, the Manhattan Institute continues the tradition, with fellow Kay Hynowitz arguing that the main reason poor black children have less success in school than white children is because “poor black parents... have their own culture of child rearing, and—not to mince words—that culture is a recipe for more poverty...” Of course, if it’s all about parents with bad culture, there’s no point in committing to improve the public education systems that educate those children. We never said they weren’t smart.

THE HUDSON INSTITUTE

These aren’t good times for American workers. The value of wages adjusted for inflation is down, and fewer people get health insurance through their jobs than even a few years ago. Union workers typically have higher wages and are more likely to get employer-provided health insurance, but even though 57 million non-union workers say they’d like to be represented by a union, the percentage of Americans who are is shrinking. This might have something to do with the fact that 75 percent of employers hire anti-union consultants to fight union organizing drives or that one in four companies actually fires people illegally for union activity. Or maybe it has nothing to do with that at all. The Hudson Institute, which in 2003 took in \$9.3 million from some of the nation’s largest employers, including the Walton Family Foundation, established by the heirs of rabidly anti-union Wal-Mart, is using its resources to tell the world that: “Unions are shrinking because workers are choosing not to unionize... In today’s tight labor markets, with unemployment rates around five percent, workers find they can manage equally well without unions.”

COMPETITIVE ENTERPRISE INSTITUTE

Considering its message, there’s little surprise that the Washington D.C.-based Competitive Enterprise Institute is generously funded by the oil industry, particularly Exxon-Mobil corporation. For years, CEI successfully muddied the waters around issues of global warming, funding scientists to argue against the strong evidence that human activity is changing the earth’s climate. Typical of the views CEI spent \$3 million last year to publicize is this commentary from adjunct analyst Steven Milloy: “The Green movement is blocking efforts to harness our accustomed energy sources while leading us down the primrose path of so-called ‘renewable energy.’ First, we’re not running out of oil... environmentalists are hindering efforts to obtain that oil—witness, for example, their fight against drilling in the Alaska National Wildlife Refuge (ANWR)... Coal is a cheap and abundant source of energy, but environmentalists are making its use more difficult with hysterical claims that coal burning releases ‘poisons’ like mercury into the air... The energy crisis has arisen not because there’s a lack of sufficiently clean and affordable energy supplies—our problem is that we’ve allowed the Greens to have too much power.”

THE HERITAGE FOUNDATION

It would be difficult to overstate the Heritage Foundation’s influence in Washington. Founded in 1973, Heritage pioneered the idea of linking policy analysts, elected officials, conservative scholars and grassroots constituencies. Heritage’s “Mandate for Leadership” is often cited as the intellectual blueprint for the Reagan administration, advancing trickle-down economics, reductions in social programs and dramatically expanded military spending. In 2004, the Heritage Foundation declared total assets in excess of \$150 million and spent \$36.4 million promoting its policy agenda, not to mention the Heritage-owned dorm, housing half of the organization’s 64 paid summer interns. But Heritage is not content to rest on its laurels: it continuously advocates new policies to push the nation still further to the right. Where will Heritage try to take America next? Fellow Tim Kane writes this year that: “The goal of price controls like the minimum wage is essentially to repeal the law of supply and demand, but senators might as well try to repeal the law of gravity... It is time to fight for an end to the federal minimum wage altogether.”

AMERICAN ENTERPRISE INSTITUTE

Vice President Dick Cheney was a fellow in the 1990s, former Enron CEO Ken Lay sat on the board, Antonin Scalia worked there before he joined the Supreme Court. The current list of personnel includes everyone from former House Speaker Newt Gingrich to former Pentagon senior policy advisor Richard Perle. It’s the neoconservative American Enterprise Institute, which sent dozens more former staffers into the ranks of the Bush administration. With this much influence in the highest halls of government, there seems to be little left for the AEI to leverage its \$48.2 million in assets to fight against. But some pesky state attorneys general still expect AEI’s corporate backers to obey the law. AEI scholar Michael Greve complains: “The full enforcement of any law, from speed limits to environmental regulations, would shut the country down in an instant.” Greve is upset by things like the 1998 tobacco settlement and New York Attorney General Eliot Spitzer’s crackdown on insurance industry fraud, but mostly he sees the campaign against state attorneys general as a continuation of AEI’s war on the New Deal: “The Reagan administration... heralded the beginning of federal deregulation and, more broadly and lastingly, the end of the liberal, pro-regulatory New Deal coalition... AG activism is a response to that state of affairs. When the national government reduced the supply of regulation, the demand migrated to the states... Effective resistance... can only materialize under a very broad corporate umbrella.”

FAMILY RESEARCH COUNCIL

“Children are being subjected to pro-homosexual brainwashing... by placing children under the influence of homosexual teachers, mentors, and even adoptive parents, society not only undermines the traditional family values that promote healthy child development, but it also increases the chances that children will end up adopting the destructive homosexual lifestyle themselves.” So says the Family Research Council, the \$10.2 million organization that provides intellectual ammunition and lobbying power to the radical religious right. In addition to attacking gay rights, the FRC fights against sex education, reproductive rights and the separation of church and state. This year, Family Research Council President Tony Perkins played a central role in the exploitative drama surrounding Florida resident Michael Schiavo’s decision to take his vegetative wife off life support after 15 years. Perkins was instrumental in pressuring Congress to pass a law intervening specifically in the Schiavo’s personal family matter, ultimately leveraging the family’s private misfortune into a full-scale attack on the judiciary.

CATO INSTITUTE

Since its earliest days in the 1970s, the libertarian Cato Institute has doggedly advocated privatizing Social Security. After decades in the wilderness, it finally saw its cause backed by the Bush administration, only to see it fail once again in the face of massive public opposition. But Cato can’t be discouraged so easily. With a budget of \$15.6 million in 2003, Cato has lots of other ideas about what to privatize, including elementary school education. Going far beyond vouchers, Cato education analyst Neal McCluskey argues: “Leaving education entirely to the market would likely provide the best, most efficient educational system possible... To the extent that government scholarships defray the cost of tuition, they dispense with parental financial responsibility... [So] to optimize supply-and-demand-driven accountability, even the poor should pay something for their children’s [elementary and secondary school] education.”

THE HOOVER INSTITUTION

Give them points for consistency: the Hoover Institution is still promoting essentially the same economic ideas they advocated when President-to-be Herbert Hoover founded the think tank in 1919. Hoover is best known for its highly influential hard right policies on defense—Defense Secretary Donald Rumsfeld once sat on the board, while Secretary of State Condoleezza Rice remains a fellow “on leave”—but its outmoded economic policies also continue to carry weight. In classic starve-the-beast fashion, fellow John Cogan argues that Bush’s Social Security plan is a good idea, precisely because its cost will deprive the public sector of resources: “Failure to enact the president’s plan would mean that payroll tax surpluses will be frittered away on a myriad of wasteful government programs... it would raise the government’s annual deficit... [But] this liability will have a salutary fiscal impact, forcing Congress to discipline itself by curtailing federal spending growth. Having less money available and initially facing higher deficits, Congress... will exercise greater spending restraint.” Hoover is affiliated with Stanford University and enjoys a \$32.4 million budget.

EYE ON THE RIGHT

THE YEAR IN THE BLOGOSPHERE

UNITE TO WIN BLOG AND EDWIZE: FROM THE PICKETLINE TO ONLINE

The schism in the AFL-CIO was one of the landmarks of 2005. The journey up to that point was also historic because of the transparency brought to the process by the Unite To Win Blog. Created by Andrew Stern, President of the Service Employees International Union, the blog was an unprecedented opportunity for those with a stake in the union movement to discuss the future of labor with each other and the union's top officials.

Union blogs aren't just about communicating with the top brass—they can also be a means of building union democracy. The United Federation of Teachers' blog, Edwize.com, is a shining example. Since its inception in August, Edwize has been a hotbed of member debate over everything from the new contracts to charter schools, enabling teachers to express their thoughts on the union's direction and know they have an audience with the union's leadership. The UFT blog works because most teachers are comfortable writing and working online. But until more union members acquire the computer skills and access to participate, blogs will be unable to achieve their full potential to advance union democracy.

DOWNING STREET MEMO AND DAILY KOS: THE SMOKING GUN THAT ALMOST WASN'T

What if Deep Throat had come forward but the press refused to cover it? On April 30th, Britain's *London Times* released what became known as The Downing Street Memo, notes leaked from a 2002 meeting of top British officials suggesting that the U.S. and Britain fixed intelligence to justify invading Iraq.

Few in the American press paid attention to the bombshell until blogs took matters into their own hands. Through liberal meta-blog Dailykos.com, readers who had only met online began organizing to inform the public, creating a Web site called *downingstreetmemo.com*. By late May, a progressive coalition was demanding an official inquiry into the memo and pre-war intelligence and planning.

Meanwhile, Dailykos.com reader Congressman John Conyers wrote a letter signed by 89 fellow members of Congress, demanding that President Bush address the memo's "serious ramifications for the integrity of the United States government." Publicizing the letter on his own blog and others, Congressman Conyers gathered over 540,000 signatures in support.

But the story still hadn't gotten the traction it needed in the press. On June 1st, online activists launched a campaign to "awaken the mainstream media." Each day their sites listed contact information for news outlets so readers could demand better coverage of the memo. Eventually the memo got exposure from NPR to *The Washington Post*. Together bloggers, advocates and a maverick Congressman forced a buried story into the headlines and the halls of power. The forces that united to demand accountability are still working together, pushing for truth in a post-investigative journalism Washington.

GROW OHIO AND SWING STATE PROJECT: MR. SMITH GOES TO THE BLOGOSPHERE

It was supposed to be a foregone conclusion: the next congressperson from Ohio's district 2 would be a Republican. So how did Democratic political novice and Iraq War veteran Paul Hackett end up with 48 percent of the vote in a deep red district, doing 33.5 points better than John Kerry performed in the presidential election?

An activist on Dailykos.com suggested an experiment to see if a concentrated effort from online activists could impact a campaign that the Democratic Party wasn't dedicating resources to. Tim Tagaris of *SwingStateProject.org* and *GrowOhio.com*—a blog created by Congressman Sherrod Brown to foster grassroots activism in the Ohio Democratic Party—began writing about Hackett after the primary election, contrasting Hackett's war heroism to opponent Jean Schmidt's night on the town with lobbyists. Inspired by the blogs, progressive groups endorsed Hackett's race and raised \$450,000 online. All this despite the fact that the Democratic Congressional Campaign Committee had initially rejected Hackett's request for funds because they didn't view him as a viable candidate.

By election night, the blogosphere demonstrated its ability to turn a long-shot into a national figure by propelling Hackett's campaign for Congress all the way to CNN and front pages nationwide. While Hackett ultimately lost, the Republican Party was forced to spend resources on a race they thought was a sure bet. Now Hackett and Brown are both running for the U.S. Senate, and bloggers on *Swing State Project* are working towards "a blog in every congressional district."

To many, 2005 was the year of the blog. Read by ordinary people, journalists, politicians and their staff, blogs are shaping the public dialogue around breaking news and providing a forum for people to air opinions on the issues they care about. Blogs can be a megaphone enabling regular people—citizen journalists—to sound off among the "experts." But blogs can also transform the one-way message machine by enabling grassroots activists to leverage their collective power to pressure the traditional media to cover developments relevant to the public interest.

HUFFINGTON POST: A SAVVY JUGGERNAUT ENTERS THE RING

Arianna Huffington doesn't do anything the small way. 2005 saw the launch of The Huffington Post, the 800 pound star-studded gorilla of the liberal blogosphere. Who else could bring Harry Shearer (Spinal Tap) and Walter Cronkite (CBS Evening News) to the same blog?

Launched in May and amply financed by Ms. Huffington and a network of supporters, including former AOL Time Warner VP Kenneth Lerer, the Huffington Post combines an AP newswire service with a roster of bloggers 200+ deep, offering news, commentary and culture. With a sharp eye for strategy, Huffington developed a deal with Tribune Media Services to syndicate parts of the blog to newspapers and their Web sites.

By bringing so many prominent and high-profile names to a blog, The Huffington Post's arrival indicates a new recognition of the power of blogs and blogging's increased acceptability among people from traditional communications media. For example, when respected columnist Robert Scheer was fired by the *Los Angeles Times*—he claims because of his investigative work on the President's motivation for the Iraq war—The Huffington Post scooped him up.

Though still new, the sheer size and brainpower of the Huffington Post team has changed the blogosphere as we know it.

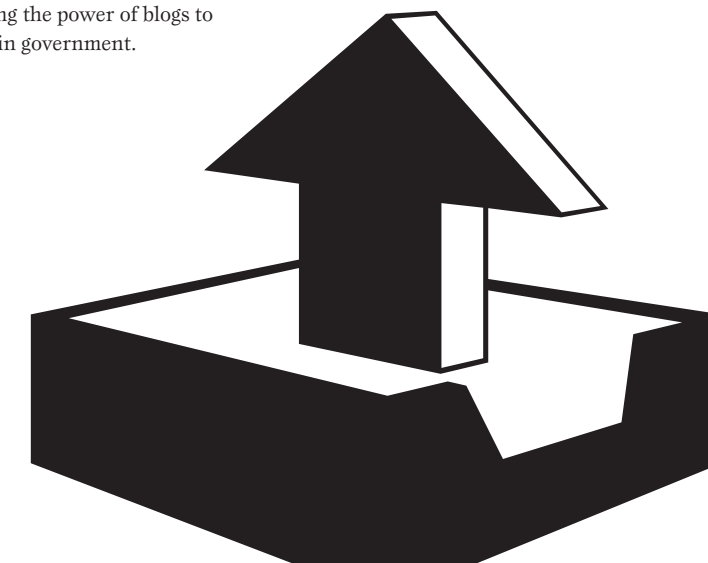
TALKING POINTS MEMO: NAMING NAMES ON SOCIAL SECURITY

Joshua Micah Marshall's blog, Talking Points Memo, may very well have prevented the privatization of Social Security. Marshall worked relentlessly, hammering away on the issue day in and day out for nearly a year, exposing the logical holes in the President's privatization plan and attacking Republican talking points.

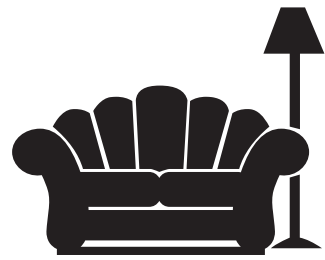
Through the power of his investigative blogging, Marshall tracked the vacillations of House and Senate members before a vote ever took place, monitoring their every Social Security-related statement. Before an audience of 700,000 online visitors a month, Marshall named names on his constantly updated lists, calling Democratic defectors the "Fainthearted Faction" and Republicans who stood up to Bush "The Conscience Caucus." By forcing a public stand on elected officials who would have preferred to keep their positions on the controversy ambiguous until the last moment, Talking Points Memo not only highlighted the issue but provided readers with the information they needed to hold their elected officials accountable, powerfully illustrating the power of blogs to create transparency in government.

DMIBLOG: BRINGING THE GRASSROOTS TO THE FOREFRONT

Who gets to blog? For a real view on what is happening at the frontline of social change, the Drum Major Institute for Public Policy launched DMIBlog in October. With a focus on "politics, policy and the American Dream," the DMIBloggers are its Fellows, all grassroots activists and organizers whose opinions on social and economic policy are formulated by their experience of what works, and what doesn't, on the ground. The innovative group blog format, with activist guest voices, including the publisher of *Color Lines* magazine and the creator of the first Senate Web site, facilitates a virtual conversation instead of a "punditocracy." Unlike more traditional political blogs offering up-to-the-minute updates on the horseshoes of politics, DMIBlog offers a policy discussion that isn't driven by politics, but also isn't naive to it. Instead it is a laboratory for ideas and a place for reading perspectives too often written out of policy debates. Ultimately, you change the conversation by changing who participates in it – from the boardroom to the Internet.



REPORT READING RECOMMENDATIONS



LOOK WHO'S NOT COMING TO WASHINGTON: QUALIFIED CANDIDATES SHUT OUT BY BIG MONEY

DANA MASON & ADAM LIOZ / U.S. PUBLIC
INTEREST RESEARCH GROUP JANUARY 2005

Just when you thought you could no longer be shocked by the influence of money on politics, a study like this one comes along. In the 2004 Congressional elections, a whopping 91 percent of the primary candidates who hauled in the most cash won their races. And the gap is widening: winning congressional candidates raised almost 50 percent more in the 2004 cycle than during the 2002 election. The report also profiles the losing candidates, concluding that while many are credible and qualified, they lack the personal wealth and access to networks of rich donors. More evidence for the golden rule of politics: whoever has the gold gets elected to make the rules.

SHIFTING RISK: WORKERS TODAY NEAR RETIREMENT MORE VULNERABLE AND WITH LOWER PENSIONS

LEE PRICE / ECONOMIC POLICY INSTITUTE
JULY 2005

Ah, retirement after a lifetime of hard work. It's a well-earned chance to relax, take up hobbies, maybe do some traveling. Or not. The decline of traditional pension plans means that the typical American nearing retirement has 13 percent less pension money and is significantly more dependent on the strength of the market than someone who retired just ten or twenty years ago. While those at the top see big gains in pension wealth, middle-income earners lose money in the riskier new pension schemes being promoted by the White House. Gotta' love that Ownership Society.

FALLING CLAIMS AND RISING PREMIUMS IN THE MEDICAL MALPRACTICE INSURANCE INDUSTRY

JAY ANGOFF / CENTER FOR JUSTICE AND
DEMOCRACY JULY 2005

The insurance industry would like us to believe that America's health care crisis is entirely attributable to "frivolous lawsuits." The truth is, the costs associated with malpractice lawsuits account for only a tiny fraction of health care spending. And while doctors are paying a lot more for malpractice insurance these days, this report reveals that it has nothing to do with how much insurance companies are actually paying out in claims. Instead, as premiums are paid in, malpractice insurers are accumulating record surpluses. This should help anyone who pays for insurance wise up and realize who's really gouging them.

CLOSING THE GAP: SOLUTIONS TO RACE-BASED HEALTH DISPARITIES

APPLIED RESEARCH CENTER & NORTHWEST
FEDERATION OF COMMUNITY ORGANIZATIONS
JULY 2005

People of color are more likely than whites to get sick and die of illnesses like asthma, diabetes, cancer and heart disease, but the cause can't be attributed solely to socio-economic status or to genetics. This report finds institutional racism behind the health disparity, from bias by individual health care providers to the unavailability of care in a language patients can understand—and even decisions about whether to close a hospital. Since health is impacted by where we live, what we eat, the air we breathe and the kind of work we do, addressing racial inequalities in these areas is also critical to reducing health disparities. The report ends with an invaluable survey of best practices for reducing inequity and creating a healthier society.

FREE AND FAIR? HOW LABOR LAW FAILS U.S. DEMOCRATIC ELECTION STANDARDS

GORDON LAFER / AMERICAN RIGHTS AT WORK
JUNE 2005

There's something fishy about an election in which one side has monopoly control of the media, the voters lack freedom of speech and veiled threats are the order of the day. If you can't even be sure when the folks you elected will start representing you, the whole thing sounds downright undemocratic. That's what this report concludes about the election process set up by U.S. labor law for employees to vote on whether or not they want union representation. Reforming the law could get us closer to "Union, Yes!"

LATINO LABOR REPORT, 2004: MORE JOBS FOR NEW IMMIGRANTS BUT AT LOWER WAGES

RAKESH KOCHHAR / PEW HISPANIC CENTER
MAY 2005

It was the best of times, it was the worst of times... Latino workers, especially recent immigrants, enjoyed substantial gains in employment last year, but they also experienced a decline in wages over the past two years, unparalleled by any other demographic. The Pew Hispanic Center finds that Latino immigrants are concentrated in particular industries where they have begun to compete with each other to their own disadvantage. Filled with provocative data, the Latino Labor Report can inform the nation's intense debate over immigration, the Latino struggle for equality, and questions about where the nation's economy is taking all working people.

GANGING UP ON COMMUNITIES? PUTTING GANG CRIME IN CONTEXT

JUSTICE POLICY INSTITUTE JULY 2005

Crime has been decreasing steadily for a number of years, but some people are too alarmed by baggy pants to let the good news sink in. Sensationalized accounts of a "national gang crisis" have gripped the media and provoked short-sighted legislation to deport non-citizens, enhance penalties and send more youth to adult prisons—approaches the Justice Policy Institute shows are expensive and largely ineffective. In communities that experience unacceptable levels of violence, the report advises that community-based economic programs are likely to be more effective than mass incarceration.

PAYDAY LENDERS TARGET THE MILITARY

OZLEM TANIK / CENTER FOR RESPONSIBLE
LENDING SEPTEMBER 2005

Payday loans are marketed as cash advances to help borrowers meet an emergency need before the next paycheck. But most of the time, the next paycheck doesn't have enough left over for full repayment, so borrowers are forced to renew their loans repeatedly for high fees while the lenders cash in. It's an ugly business, made even uglier when it targets inexperienced young people who've signed up to serve their country. According to this study, one in five active-duty military personnel took out a payday loan in 2004, a rate far exceeding the civilian population. Privates start at just \$17,000 a year, and payday lending costs military families more than \$80 million in fees annually. So much for supporting our troops.

MEDICAL DEBT AND ACCESS TO HEALTH CARE

CATHERINE HOFFMAN, DIANE ROWLAND &
ELIZABETH C. HAMEL / THE KAISER
COMMISSION ON MEDICAID AND THE
UNINSURED SEPTEMBER 2005

Having health insurance is no longer enough to keep you "covered." The Kaiser Foundation reports that one in six adults with private health insurance still has considerable difficulty paying his or her medical bills. Most are middle class people with full-time jobs who are struggling as employers pay a diminishing proportion of their health care costs. The big bills have medical consequences: those with trouble paying medical bills were more likely to skip treatments, leave prescriptions unfilled and postpone care. For those who thought 45 million uninsured Americans were the sum total of the nation's health care crisis, this study is a wake-up call.

MIDDLE CLASS 2004: HOW CONGRESS VOTED

DRUM MAJOR INSTITUTE FOR PUBLIC POLICY
APRIL 2005

2004 was a challenging year for America's middle-class families. Inflation grew faster than wages, so that the same middle-class paychecks bought fewer daily necessities. But the middle-class squeeze was no coincidence: it resulted from decisions made by our nation's policymakers. This report examines some of those decisions, awarding a grade to each member of Congress based on his or her support for policies strengthening and expanding the middle class. Overall, Congress failed to rise to the occasion.

HOW 2005

CHANGED AMERICA

HURRICANE KATRINA

The damage caused by 140 mph winds was just the beginning. The real disaster was revealed after Hurricane Katrina hit the Gulf Coast on August 29th, and there was nothing natural about it. The storm exposed the very real consequences of official negligence and ineptitude, of economic policies that fostered wide disparities and allowed entrenched poverty to fester, of a lack of will to address persistent racial inequality and of skimping on prevention. Despite ample warning, authorities did little to help impoverished and immobilized Gulf Coast residents evacuate before the storm. Afterwards, as citizens languished without food or water, the White House dithered, praising the incompetent efforts of the patronage appointee they had put in charge of saving lives. The nation watched scenes of such devastation, turmoil and official neglect unfold in places like the New Orleans Superdome that it was difficult to believe this was America. No number of post-catastrophe visits by the President could erase these images. Though fashionable rhetoric about individual responsibility and the ownership society had gained currency in recent years, 2005's Katrina reminded Americans that we rely on effective public institutions and their capable leadership.

SPLIT IN THE AFL-CIO

You don't have to be an unemployed auto worker to realize that the American labor movement is in trouble. In the 1970s, one in four private sector employees belonged to a union—last year the number was less than one in twelve. Meanwhile, working people's ability to negotiate a good deal in the labor market has declined: over the past few years real wages have stagnated, traditional pensions are disappearing and fewer employers provide health coverage. 2005 witnessed the most significant shift in the labor movement since the 1930s: the break-up of America's umbrella labor association, AFL-CIO, created in 1955 to unite the labor movement after twenty years of rivalry between the American Federation of Labor and the Congress of Industrial Organizations. Frustrated by the sluggish pace of change in the AFL-CIO, the nation's fastest growing union and six of its peers broke away to form an independent federation, Change to Win, that would more aggressively focus on the strategic organizing of new members by dedicating three-quarters of its resources to the task. Splitting up an already weakened labor movement was risky, and it's not yet clear that the gamble will pay off. But 2005 marked a turning point in the conversation about how to best advocate for America's workers.

CHANGES IN THE SUPREME COURT

It's not just about abortion. The two Supreme Court vacancies—caused by the death of Chief Justice William Rehnquist and the retirement of Justice Sandra O'Connor—have significant implications for issues as diverse as employment discrimination, antitrust enforcement, government searches and free speech. While the confirmation of Chief Justice John Roberts to replace the conservative Rehnquist may not push the Court further to the right, the real battle brewed over a replacement for moderate Justice O'Connor, known for casting decisive swing votes. After his first nominee, Harriet Miers, was torpedoed by his own base for lacking an unambiguously conservative record, President Bush handed the radical right a Halloween treat by nominating Judge Samuel Alito on October 31st, demonstrating the extent to which nothing—not even the Supreme Court—is immune from partisan maneuvering. One thing is clear: 2005 has the potential to fundamentally alter the direction of not only the Supreme Court but of the country.

IRAQ WAR RATIONALE UNDERMINED

More than two years, \$200 billion and 2,000 American deaths after the United States' invasion of Iraq, unrest grew on the homefront in 2005. Cindy Sheehan, whose son was killed in Iraq, galvanized opposition to the war in August when she camped outside President Bush's Texas ranch during his extended vacation, demanding unsuccessfully that the President meet with her to explain what her son died for and why the rationale for the war kept changing. Meanwhile, the rationale for war was under attack on another front. In 2003, former Ambassador Joseph Wilson revealed that Iraq never purchased uranium from Niger, undermining the administration's case that Iraq posed a nuclear threat. In apparent retaliation, someone leaked the fact that Wilson's wife was a covert CIA agent. A federal investigation probed senior White House officials as the source of the leak, and in October 2005 the Vice President's chief advisor, I. Lewis Libby, was indicted on perjury and obstruction of justice charges for attempting to hinder the investigation. Between the mainstream acceptance of anti-war protest, the indictments of Libby—plus calls for withdrawal on the halls of Congress—2005 marked a turning point in the Iraq conflict: By the end of the year, 57 percent of Americans believed President Bush “deliberately misled” the nation into war.

HOUSING BOOM

Housing was the engine of the American economy in 2005, but our disproportionate reliance on this sector may have set the nation up for a dangerous economic situation. This year construction surged, real estate profits swelled and cities reaped a property tax windfall. Fueled by low mortgage rates, housing prices nationwide soared 13 percent in the 12 months preceding June 2005, near the peak of the real estate boom that had seen inflation-adjusted home prices increase 55 percent since 1997. Even Alan Greenspan warned of “froth” in housing markets. As prices soared, a growing number of Americans found they could not afford a home unless they assumed risky adjustable-rate and interest-only mortgages. Those who already owned homes led a surge in refinancing as millions of households, squeezed by higher prices and stagnant wages, borrowed against their equity to meet basic living expenses. As the year wrapped up, mortgage rates inched higher, construction slowed and housing sales cooled. If the boom was actually a bubble beginning to burst, the steep drop in housing prices would leave many homeowners owing more on their mortgages than their homes were worth. This would put families at risk of losing their biggest asset and lenders at risk of mass default. Meanwhile a dramatic drop in construction, housing finance and real estate sales could push the economy into recession, throwing millions out of work. What a way to wake up from the American Dream.

SOCIAL SECURITY

The 2005 Social Security fight didn't so much change America as it confirmed how America was still the same. Although it was known as the “third rail of American politics” for its political inviolability, President Bush decided he had earned enough political capital in the 2004 election to push through an overhaul of Social Security. In doing so, he took on a system that benefits 47 million Americans, lifts 13 million seniors out of poverty, supports 5.3 million children with deceased or disabled parents and represents the only source of income for nearly ten million people. In a highly-disputed line of reasoning, President Bush made the argument that a decades-away budgetary shortfall constituted an immediate crisis requiring a new approach: borrowing billions to establish privatized accounts invested in the stock market. (The President later admitted privatization would have no impact on the long-term solvency of Social Security.) While the accounts themselves would be voluntary, the plan also called for steep benefit cuts that would increase over time for all but the very poorest. The nation was having none of it. President Bush and prominent members of the administration crisscrossed the country, promoting the plan to turn an insurance program into an investment opportunity, but the more Americans heard about privatization and benefit cuts the less they liked it. It soon fell off of the radar completely. 2005 showed the White House that even in a market-driven world, Americans still want a modicum of economic security after a lifetime of hard work.