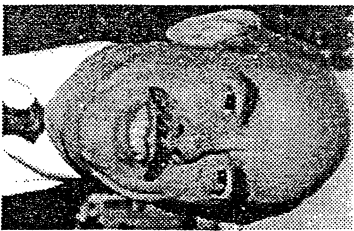


guest column



Government vs. Business

While condemning the WorldCom fraud, The Bush Administration is proposing a fraud of its own.

By Henry A. Waxman

The Republicans are making good on their campaign promise to make government run like a business. Unfortunately, that business is WorldCom.

Everyone is rushing to condemn the WorldCom fraud. President Bush called it "outrageous." One Republican committee chairman said it looked "like a good old-fashioned fraud." But no one is noting that the Bush Administration is proposing a fraud of its own that uses the same tricks, is directly parallel, and is much worse. It would result in multi-trillion dollar losses that would make

WorldCom look like a rounding error.

The gimmick is pretty simple. WorldCom spread its expenses out over years, making them appear artificially low. Lower expenses make profits look bigger and losses look smaller. The headline in the *New York Times* called the scandal, "Stunning, Vast, and Simple."

Likewise, President Bush and the Republican members of Congress are proposing to make last year's tax cuts permanent through manipulating what the accountants look at and when they

look at it. Within its own bookkeeping system, the Federal budget process is supposed to estimate the cost of any proposed legislation for an accounting period of ten years.

Using that process, the estimated direct cost to the U.S. Treasury of making the Bush tax cut permanent (not counting interest) is \$400 billion for the decade that the budget analysts review (2003 through 2012). That is, in itself, a lot of revenue to lose. It would represent double the amount of the Medicare drug proposal that recently passed the House.

What the tax proposal's supporters don't tell you is that their con game understates the real expenses not just for a few years, like WorldCom, but forever. All the major costs of this proposal are hidden off the books, outside the accounting period. The estimated cost of the tax cut in the second decade (2012-2021) is ten times that in the first, or \$4 trillion (not counting interest). And then there's the third decade, the fourth, etc.

And like all the recently revealed corporate frauds, the people who will win from the tax cut are the big guys with lots and lots of money already. In just one part of the Bush proposal--making the estate tax permanent--Ken Lay, Jeffrey Skilling, and the other top three

Enron executives alone will get almost \$400 million. The windfall to these five people is equal to the Social Security taxes on 200,000 average American workers.

And like WorldCom (and Enron and all the others), the people left holding the bag will be the workers and the retirees who depend on their investments. The hidden \$4 trillion in Federal revenue losses will be kicking in just at the time that the baby boomers are retiring and looking for their Social Security, Medicare, and Medicaid.

It is more stunning, vaster, and just as simple.

The hue and cry about the multiplying corporate abuses should mean that the Administration and its tax cut supporters will look at their own balance sheets and come to their senses. The newfound indignation about accounting tricks should apply not only to the private sector, but also to the government. If it's a con game at WorldCom, it's a con game in the tax code. Stop them before they con again. ■

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