

SOUTHERN EXPOSURE

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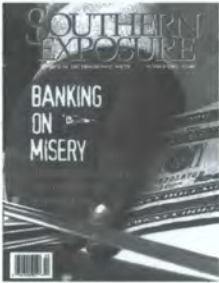
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SOUTHERN EXPOSURE

Southern Exposure has been published since 1973 by the Institute for Southern Studies. With its combination of investigative reporting, historical perspective, oral histories, photography, and literature, the magazine has earned a national reputation. The magazine has received a National Magazine Award; two George Polk Awards; the Sidney Hillman Award for courageous reporting on racial injustice; the John Hancock Award for excellence in business journalism; two Alternative Press Awards for best regional publication; and several Project Censored Awards.

The Institute for Southern Studies is a nonprofit center working for progressive change in the region. Since its founding in 1970, the Institute has sponsored research, education, and organizing programs to 1) build the capacity of grassroots organizations and communities with strong local leadership and well-informed strategies; 2) provide the information, ideas, and historical understanding of Southern social struggles necessary for long-term fundamental change; and 3) nourish communication, cooperation, and understanding among diverse groups.

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INVESTIGATIONS



16 Driven to Misery

by Michael Hudson

How Wall Street, major lenders, and "megadealer" chains fuel price gouging, racial discrimination, and fraud at your local car lot.

28 "They Try to Take You for What You Don't Have"

by Taylor Loyal and Michael Hudson

The fast-growing J.D. Byrider used-car chain faces allegations that the company manipulates and harasses customers with less-than-perfect credit.

FEATURES

34 Remembering the Saltville Massacre

by Tonia Moxley

Can the public acknowledgement of Civil War atrocities against African-American soldiers help heal racial divisions?

MAKING A KILLING

38 The New War Profiteers

by Chris Kromm

The venerable tradition of profiting off war, and what we can do about it.

40 Occupation, Inc.

by Pratap Chatterjee and
Herbert Docena

War profiteers in Iraq pursue quick fixes and high profits by overcharging for shoddy work, while Iraqis protest that they could do the work better and cheaper.

51 Concealed Weapons: Washington's Corporate War Lobby

by Jason Vest

Influence peddlers and defense contractors see dollar signs in military privatization and a bellicose foreign policy.

57 Five Ways to Stop War Profiteering

by the Campaign to Stop the War Profiteers
and End the Corporate Invasion of Iraq



DEPARTMENTS

2 Front Porch: Letter from the Publisher

4 Readers' Forum

6 Southern News Roundup

14 Statehouse Watch

59 Review: *Ella Baker and the Black Freedom Movement*, by Barbara Ransby

SOUTHERN EXPOSURE

WINTER 2003/2004

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FRONT PORCH

It's almost like a scene from a Vietnam war movie, but set in the 21st century. Three Humvees with soldiers covered from head to toe in camouflage, each facing a different direction, crawl along the highway behind a tank. These guys have their fingers on the trigger, you can almost see them scowl as we fly past them in our GMC Suburban near Fallujah, one of the deadliest places in Iraq to be an American soldier."

So began the first of several hair-raising email dispatches we received from Pratap Chatterjee and Herbert Docena, the enterprising journalists whose first-hand account of war contractors in Iraq is featured in this issue. They were just making their way to Baghdad, having successfully negotiated the always-dickey Iraq border, to see what Bechtel, Halliburton, and other military contractors were doing with billions of dollars of our money.

Southern Exposure has been following the business of war for years, especially as the South has become increasingly linked—economically, politically and culturally—to the nation's military establishment. When we heard that Pratap and Herbert were exploring a trip to investigate war profiteering on the ground, we jumped at the chance to support their effort and publish the findings.

I'm glad we did. Their report draws not only on the "official sources" so often quoted in the media, but also the people affected by the multi-billion dollar "reconstruction" business. The results are eye-opening and illuminating, a refreshing corrective to the cult of secrecy that has developed around our military adventures abroad.

Progressives are still debating whether or not 2003 was a good year. The case "against" is fairly compelling, what with the onset of a divisive, unprovoked war, an economic slide that has condemned millions to the unemployment lines, the roll-back of civil liberties and environmental standards, and so on.

Those with a more optimistic view point to a silver lining: with every affront to peace, democracy, and justice, hundreds of thousands of Southerners—and millions around the world—stood up in opposition, laying the groundwork for a new movement for change.

As we have noted in previous issues, 2003 began with the blossoming of a well-organized and broadly-based peace movement. It closed with two events that, although not given as much attention, give hope that the fire for change remains undiminished.

On November 19–21, thousands of union members, family farmers, human rights activists, and environmentalists descended on Miami to protest the Free

LETTER FROM THE PUBLISHER

Trade Area of the Americas, contending the new rules were rigged to favor corporate interests over people and the land. The demonstrators faced an astonishingly militarized police presence—a Miami judge declared that he witnessed police committing “hundreds” of felonies against protesters, and a city-wide review is underway.

But the upsurge was clear evidence that the anti-corporate globalization movement is still alive and well. The efforts of groups like the Miami Workers Center, the Coalition of Immokalee Workers, and Power U. to connect worldly economic issues with the local bread-and-butter realities of immigrants and other Miami residents was especially innovative.

Over the next two days, the stage shifted to Fort Benning, Georgia, where 10,000 people—including some protest-hoppers fresh from the Miami experience—gathered at the infamous School of the Americas (recently renamed the Western Hemisphere Institute for Security Cooperation). The school has drawn widespread opposition for, among other things, training military personnel who went on to gain infamy as dictators and death squad leaders in Latin America.

The protest has become something of an annual ritual, but in the divisive climate of 2003, when any criticism of U.S. foreign policy could be labeled “unpatriotic,” the spirited protests—which included *Southern Exposure* Associate Editor Rania Masri as a speaker—signaled that the peace movement, hand in hand with the economic justice movement, stood strong.

The year saw much more—countless campaigns for workers’ rights, against “lock-‘em-up” justice, for voting rights, against discriminatory anti-sodomy laws. There was the historic Immigrant Workers’ Freedom Ride, running three buses through the South and stopping in dozens of cities to stand with our country’s most exploited workers and communities.

As the 2004 elections approach and progressive politics-watchers gaze nervously southward, deciding whether it’s “worth it” to put time and energy into the South, they would do well to remember these upsurges of energy and passion. There’s no single, monolithic, conservative South—there are many Souths, in constant symbiosis and conflict, competing for the region’s future.

Our commitment to nurturing the progressive strains that are setting root—and growing each day—throughout the South will determine whether the spirit of peace, democracy and justice prevails.

The investigative articles in this issue of *Southern Exposure* are due in part to a new initiative we’ve launched: the Bob Hall Investigative Action Fund. Bob Hall was one of *SE*’s founding editors, and his life’s work has been dedicated to telling the untold stories, adding depth and understanding to the stories we’ve already heard, and most importantly, linking investigations to grassroots activism to help bring about change.

The Bob Hall Fund will continue Bob’s legacy of advocacy journalism in the public interest by sponsoring ground-breaking investigative projects, creating a Summer Investigative Internship program to train the next generation of investigative reporters, and increasing the reach and impact of *Southern Exposure* (for more information, see the ad on page 35).

Thank you to the Founding Members of the Bob Hall Investigative Action Fund, whose names you can find inside this issue. If you would like to join these pioneering souls and contribute to the future of investigative journalism with a gift to the Bob Hall Fund, please contact me at chris@southernstudies.org

CHRIS KROMM
Publisher and Editor

Nominee - 2003 Independent Press Award - Best Regional/Local Coverage

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READERS' FORUM

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As a Southern progressive reader of *SE* for more than 20 years, I was delighted to see the five-page feature (summer 2003) devoted to my recent biography of Anne Braden, *Subversive Southerner: Anne Braden and the Struggle for Racial Justice in the Cold War South*. But the review's content disturbed me so much that I feel compelled to reply. Will Jones seemed more interested in offering his own, differing interpretation of Anne Braden's life than in describing my book. That choice failed to give readers much of a feel for the book's oral history-based approach, which attempts to honor the agency of my very vital and still-active subject in a method different from standard biography—that is, by interspersing Anne's voice with my own and offering our respective interpretations of key passages in her life.

What bothers me more, however, is that Jones seems to have missed the point of the book and thus obscured some of Anne's significance in the Southern freedom movement. My book is not merely a biography; it is also a social history of the Cold War South that explores how the Southern variety of the hysterical anticommunism of about 1947 through 1967 (and later, in more muted fashion) limited and divided the civil rights movement by marginalizing its more radical voices—like those of Anne and her husband Carl—and the anti-capitalist, anti-imperialist messages they espoused. I used Anne's experiences as a case study to illustrate how segregationists hitched their star to anticommunism to legitimate their cause, prop up racial hierarchy, and transform themselves (they hoped) from racists into patriots. Jones is not alone in lamenting my decision to give the most attention to the years 1947–1967: many readers have urged me to follow this book with Volume Two. But

Jones owed it to Anne's legacy to at least explain why I might have made that choice, and this he did not do.

Contrary to Jones's claims, I in no way suggest that Anne's gaze ever swerved from racism. In fact, I state repeatedly throughout the book how central dismantling white supremacy has been to her over more than half a century's activism. But there was no way, given her politics and the culture in which they took shape, that Anne could work against white supremacy without confronting anticommunist hysteria. Because her 1954 sedition case had labeled her "red," she had to fight for the right to be part of the Southern freedom movement. Jones makes no mention of what pariahs she and Carl were in the post-WWII South—something my book explores in depth. Fighting anticommunism was a necessary ingredient of Anne's racial justice activism. The Cold-War South was a police state—as Anne has often called it—that had to be broken in order to enact racial reforms or any other moves toward justice. Anne is extraordinary in having named and denounced white privilege long before it was fashionable to do so, and she is more extraordinary for her perseverance. Yet she also became a unique and valuable mentor to younger activists partly through her ability to connect—as few did in the early 1960s, and Jones fails to do in the review—issues of civil rights and civil liberties; peace and freedom; racism at home and imperialism abroad; race, class, and gender. As Anne has reminded me repeatedly in our years working together, the Cold War was not simply another (white) "emphasis": its domestic hysteria so thoroughly cut off discussion of economic alternatives at a critical moment—post-WWII—that we will be living with its fruits for generations.

Jones's most factually inaccurate claim about my book concerns its alleged failure to "explore left-wing influences that shaped Braden's life and politics" (p. 77). It is mystifying to me that he could have overlooked the expansive discussions devoted to that subject, e.g., (1) her relation to the 1948 Progressive Party movement and to groups such as the Civil Rights Congress, and (2) the deep impressions made on the young Anne by African American Communists such as William Patterson and left-wing unionists like Sterling Neal.

As for Anne's influence on second-wave feminism, on that point Jones and I agree somewhat, and I have written in more depth of that relationship in a forthcoming anthology. But sadly—and unbeknownst to Jones, it seems—

Because [Anne Braden's] 1954 sedition case had labeled her "red," she had to fight for the right to be part of the Southern freedom movement.

SUBVERSIVE SOUTHERNER, REVISITED

antiracism *was* only at the margins of that movement until women like Anne Braden and radical women of color repeatedly called it to white feminists' attention. My summary of the women's movement and Anne's other post-1960s activism in my book's Part Four certainly does not reduce her more recent work to a "retirement project." I would be the last person to try to pronounce Anne retired!

Finally, instead of informing readers of the substance of the dialogue between Anne and myself which concludes *Subversive Southerner*, Jones attributes to her a "dismay" with certain passages in the book. As the partner in that dialogue, I sensed no such dismay. She simply used the dialogue to amplify and expand upon her views. I hope people will read that dialogue themselves to learn more of her insights and of the process which yielded *Subversive Southerner*.

CATHERINE FOSL
Louisville, Ky.

WILL JONES REPLIES:

I thought I had written a positive review of Cate Fosl's Subversive Southerner, so I'm sorry that Fosl did not see it as such. As I stated before, this is a "rich and insightful" biography of "perhaps the most important white participant in the Southern civil rights movement." Fosl insists that it is more than that, but to have written a "social history of the Cold War South" or a "case study" of anti-communist attacks on radical civil rights activists would have required much more attention to the African-American activists and institutions that formed the front line of the struggle that Anne and Carl Braden devoted their lives to supporting. The fact is that the Bradens were significant because they were willing—as white Southerners—to take their leadership from African Americans.

My point about left-wing influence was to defend Fosl from those who charge her with evading the question of Braden's relationship to Communists in the 1940s and 1950s. It seems more interesting to me that she was very open about her relationships with black female Communists such as Angela Davis and Charlene Mitchell in the 1970s, and that those relationships seem to have brought her into dialogue with an anti-racist feminism articulated by these and other black radical feminists during that decade. Southern Patriot published Braden's first "Open Letter to Southern White Women" in 1972, two years before a group of black socialist feminists formed the Combabee River Collective in Boston. Her second "Open Letter to Southern White Women," which urged white feminists to examine the "interrelationships" between racism, sexism, poverty, and war sounds very similar to

the Combabee statement published that same year. We need to know why Braden arrived at these positions so much earlier than most of her northern and much younger white counterparts. Did her roots in the Old Left prepare her to see the "interrelationships," as Gerda Lerner claims they did for her, or did they make it more difficult—as recent biographies of Betty Freidan suggest—to embrace more radical forms of feminism? Why is it that Braden continues to insist that she is "not a feminist," even as she maintains that the label "Communist" is merely a distraction? I am happy to hear that Fosl will address some of these questions in forthcoming publications, but I hope that she does not treat them in isolation from the very important questions that she raised in Subversive Southerner.

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SOUTHERN NEWS ROUNDUP

QUEER EYE FOR THE STRAIGHT SCHOOL

Gay rights activists try new approaches to ensure every student is safe in the classroom

The high school's superintendent agreed to the Safe Schools NC panel as long as it was after school and teacher attendance was voluntary. But while the panel was in progress, a counselor from the school entered the room and informed the participants that the principal was canceling the event. The representatives of Safe Schools were escorted off the campus by school security.

Safe Schools NC is a non-profit organization that serves as a resource for North Carolina schools on problems faced by lesbian, gay, bisexual, and transgender (LGBT) students. The panel was to educate teachers on issues surrounding sexual orientation. A female student at the school had received harassing notes calling her a "faggot" and was pushed down a flight of stairs by classmates. The girl, her mother, and an executive director of Lambda Youth Network had met with the school's principal. The panel was agreed to and arranged, but someone apparently didn't want the issue addressed—flyers were placed on cars around campus and the media were alerted.

A TV reporter who had come to cover the event asked the principal why it was being canceled. The principal told the reporter she had received "calls from concerned parents." When asked how many calls had been received, the principal admitted only one. Melissa Siebert, executive director of Safe Schools NC, says it was understood the decision to cancel the panel came from the superintendent.

This incident happened six years ago, but Siebert wouldn't be surprised if it happened today. Over the past decade, the average coming-out age has dropped from 20 to around 16, which means the number of out students in high schools has increased. You might think this would make high schools substantially safer for LGBT students, but you'd be wrong.

Instead, Siebert says the increasing visibility of LGBT students has led to a backlash of criticism and harassment. A 2003 study by the Southeastern Network of Youth and Family Services found that 78 percent of LGBT youths surveyed in three Southern states (North Carolina, Kentucky, and Florida) report having been verbally harassed (called names or threatened). Significantly, 92 percent of that harassment occurred in school. Likewise, 13

I would have denied other clubs whose basis was sex. I would have denied a Bestiality Club. I would have denied a Gigolo Club. I would have denied a Prostitute Club."

percent of LGBT youths report having been physically assaulted (punched, kicked, or injured with a weapon), and 75 percent of those assaults occurred at school.

"These kids are being badly abused, and schools are doing nothing about it," Siebert says. Schools don't track reports of anti-LGBT harassment and assault, Siebert explains, because if they had evidence of the problem they could be held accountable. The same 2003 survey showed that 73 percent of students reporting verbal harassment and 60 percent of students reporting physical assaults to a school counselor, teacher, or other authority receive no support.

Only one school board in North Carolina (Chapel Hill-Carrboro) has an anti-discrimination policy protecting LGBT students. Without the weight of such policies, Siebert says many teachers and school staff hesitate to stand up for LGBT students because they fear a lack of support from superiors.

Siebert says anti-LGBT discrimination is especially hard to fight in Southern schools because board members and superintendents are often also members of conservative political and religious organizations like the Christian Coalition. It is these school officials, according to Siebert, who focus sex education on abstinence and try to keep all discussion of homosexuality out of the classroom.

Schools that lack anti-harassment policies also make it easier for personnel to do nothing when harassment occurs, Siebert says. She tells the story of a school security guard who did nothing to stop a group of students from harassing and physically attacking one gay student because, as Siebert paraphrased the guard, he "didn't care if gay kids got harassed."

Safe Schools advocates for LGBT students in two

ways: through awareness building panels and customized training for school administrators and staff, and through the Triangle Gay/Straight Alliance Network.

The awareness-building panels allow local LGBT students to share personal stories demonstrating how harassment and gender stereotyping affect their learning environment. The panels give students a chance to educate their educators about issues faced by LGBT students, and they give school staff a chance to learn from a student's perspective how they are succeeding and failing to help LGBT students feel safe. Siebert says the panels create a protected space in which personnel feel comfortable asking students about sexual orientation issues; and students, likewise, feel comfortable speaking truthfully.

Siebert says the impact of hearing directly from students is tremendous. Most teachers and administrators go into their profession because they care about students, so hearing students describe painful experiences affects them—no matter how they personally feel about the issue, Siebert says.

In their customized training for school personnel, Safe Schools presents specific strategies schools can use to enhance student safety: adoption and enforcement of anti-discrimination policies, setting standards of treatment in classrooms, training for staff on how to stop harassment that occurs in their presence, checking in with students who have been harassed, training for staff and students on issues faced by LGBT students, and encouraging the development of student gay/straight alliances (GSAs).

These kids are being badly abused, and schools are doing nothing about it.”

Safe Schools' other outreach effort is through the Triangle Gay/Straight Alliance Network, which provides a forum for student members of local GSAs. The vast majority of GSA members, Siebert says, are straight students who realize there is a problem with harassment in their schools.

GSAs try to educate their peers, teachers, and school

Anti-LGBT discrimination can especially hard to fight in Southern schools because board members and superintendents are often also members of conservative political and religious organizations like the Christian Coalition.

administrators about LGBT issues. Siebert says GSAs “have been a lifesaver” for many LGBT students. But for all the benefits GSAs can provide, they face resistance in some schools.

Even though school administrators cannot legally prevent GSAs from forming (in keeping with the Equal Access Act), Siebert says some administrators do what they can to discourage them. In a case currently in court, Lambda Legal is representing the Lubbock (Texas) High School GSA, which was refused official recognition as a student group by the Lubbock Independent School District. The district says its sex education policy permits discussion of the consequences of sex, but not sex itself. Lambda Legal's website quotes school superintendent Jack Clemmons as saying in an affidavit: “I would have denied other clubs whose basis was sex. I would have denied a Bestiality Club. I would have denied a Gigolo Club. I would have denied a Prostitute Club.”

Siebert says it's essential that principals educate their staff and students as to what GSAs do. After one Safe Schools panel, a teacher in attendance approached Siebert and nervously related the following story: A student had come out to her, but she hadn't felt comfortable sending the student to their school's GSA. What the teacher left unstated, Siebert realized, was that she thought the GSA was a group of students getting together to have sex.

Administrators can also refuse school sponsorship to GSAs. If a club is not school sponsored, its faculty advisor isn't allowed to advise the students or get involved in their activities like other club advisors do. The advisor merely sits in the room while the group meets.

The Triangle GSA Network's response to this type

of administration finagling is to advise GSAs to form their mission statements by taking text directly from their school's health curriculum, such as the negative effects of stress caused by harassment. If a club's mission is directly related to the school's curriculum, the administration has a hard time denying school sponsorship.

School officials focus sex education on abstinence and keep all discussion of homosexuality out of the classroom.

District-wide decisions about addressing LGBT issues are made by superintendents and school boards, who tend to be more conservative than teachers, Siebert says. The actions of these administrators are often directed by their fear of upsetting parents, she adds. Administrators rarely let Safe Schools address students, and Safe Schools has never been invited to address a parent group. Safe Schools is looking to overcome this obstacle by getting invited to PTA meetings and by getting the wider community, such as churches, involved. If schools hear from the community at large, as well as those directly affected by harassment, Siebert says, we stand a better chance at making our schools safer.

—DENISE PRICKETT

For more information, visit www.SafeSchoolsNC.org and www.lambdalegal.org.

OF FAITH AND SANCTIONS

A U.S. peace volunteer faces steep fines and possibly jail for going to Iraq. If only she had been working for Halliburton.

As 62-year-old Faith Fippinger dug into her makeshift station at Iraq's Daura oil refinery last March, bracing for a storm of U.S. bombs, the retired schoolteacher from Florida knew she was breaking the law.

She even realized she might die, although by painting "Human Shield" on her rooftop, Fippinger hoped to deter U.S. bombers from attacking the refinery. Killing an American peace volunteer, she reasoned, would be bad PR for the Bush Administration. In the process, she might spare the surrounding village of 400 homes with a nursery, a school and a clinic.

Most of the 200 "shields" in Iraq left after the U.S. invasion commenced, but Fippinger stayed—rocking babies to sleep through explosion-filled nights; piling up the amputated limbs of killed or injured civilians; comforting a man at the bedside of his dying wife, their six children already dead from a missile blast that killed 140 people.

So Fippinger was prepared for death; as she told reporters, "my life is no more important than the lives of all innocent civilians." What she wasn't ready for, she says, was the Bush administration's legal assault on her and other peace volunteers upon their return to the U.S.

When she got home, waiting in her Sarasota mailbox was a letter from the U.S. Treasury Department, demanding to know what she was doing in Iraq, including a complete list of all her economic transactions in the country.

The letter, like one sent to all U.S. peace activists who went to Iraq, also threatened Fippinger with up to a million dollars in fines. Also at risk, Treasury warned, was her pension and social security—a serious blow for a woman who spent 22 years teaching the blind and drives a 13-year-old Geo with no air conditioning. And if she doesn't comply, she could spend 12 years in jail.

Fippinger's crime? Hate-mailers have accused her of "treason" and "aiding the enemy," but the U.S. Treasury charges are more specific. By spending money in Iraq—Fippinger says she brought no more than \$300—Fippinger and the peace activists violated U.S. sanctions, which Treasury claims ban "virtually all direct or indirect commercial, financial or trade transactions" with Iraq.

The government's sudden interest in strictly enforcing Iraq sanctions may come as surprise, considering that it was not long ago that a key member of the Bush administration faced charges of illegally doing business in Iraq.

In one of the biggest election-year stories that wasn't, the *Financial Times* revealed in the summer of 2000 that Vice Presidential candidate Dick Cheney, while CEO of Texas-based Halliburton Co., oversaw nearly \$24 million worth of business contracts with Iraq. The deals included the sale of oil-industry equipment and services to Saddam Hussein's government through two European Halliburton subsidiaries, Dresser Rand and Ingersoll-Dresser Pump.

Charges that Cheney had authorized business with a sworn enemy of the United States, in violation of international sanctions, made big headlines in the European press. But the story was dropped in the U.S. after Cheney, in a July 2000 appearance on ABC's "This Week," vehemently declared that Halliburton had a "firm policy" against dealing with Iraq under his leadership. Cheney admitted to deals with Libya and Iran—also official U.S. adversaries—but flatly stated "we've not done any business in Iraq since U.N. sanctions were imposed on Iraq in 1990."

But just a year later, confidential U.N. documents surfaced which revealed that not only had Halliburton subsidiaries done business in Iraq, the deals were much more extensive than previously thought. Drawing on the U.N. information and interviews with oil executives, the *Washington Post* reported in June 2001 that Halliburton subsidiaries "signed contracts to sell more than \$73 million in oil production equipment and spare parts to Iraq" while Cheney was in charge.

The revelations were hardly surprising. Cheney had made no secret of Halliburton's desire to do business in oil-rich Iraq, or his belief that sanctions were an annoying obstacle to profit growth for U.S. energy companies. Indeed, a year after taking the helm at Halliburton, Cheney complained to an April 1996 meeting of energy executives that "we seem to be sanction-happy as a government."

But that hasn't stopped the administration from using sanctions policy to go after Faith Fippinger and the Iraq peace activists. Last fall, Treasury Department spokesman Taylor Griffin confirmed the agency intends to fully prosecute Fippinger's case. While acknowledging Fippinger's "freedom to protest and disagree," a statement from Griffin went on to argue that "free speech does not constitute a license to break U.S. or international sanctions."

Fippinger's case has ignited international outrage, including a letter-writing campaign to the U.S. Treasury Department to drop her case. Friends in Sarasota have started a fund for Fippinger's legal expenses, and also to prepare for the worst. As fund coordinator Elsie Gilmour

notes, "The government has threatened to seize all her assets, her retirement benefits, everything."

As for Fippinger, the crackdown has left her saddened and quietly enraged. But she's not backing down. Thanks to activist pressure, the Treasury Department offered to settle her case for \$10,000.

Fippinger declined, saying she'd rather go to jail than give the government more money to buy weapons.

—CHRIS KROMM

The Faith Fippinger Fund can be reached at P.O. Box 1137, Nokomis, FL 34274-1137. www.faithinamerica.org

DEMOCRACY TANKS IN FLORIDA



"The thanks we offer this holiday is that our democracy is strong enough to survive this debacle, that there are no tanks in the streets, that we have a legal, if chaotic, process in place for a peaceful transfer of power."

— *Cincinnati Post*, November 23, 2000, on the Florida presidential ballot-counting controversy.

"By Wednesday, police were dressed in riot gear and had brought out armed tanks, in preparation for the largest march by anti-FTAA protesters."

— *Naples (Fla.) Daily News*, November 23, 2003, on protests at Free Trade Agreement of the Americas (FTAA) talks in Miami.

Photo: Stefan Wray



THE OTHER SCHOOL OF THE AMERICAS

A lesser-known cousin of the infamous military training center begins to draw attention

While 10,000 gathered outside the gates of Georgia's Fort Benning last November to demand the closure of the Army's School of the Americas (SOA)—now officially renamed the Western Hemisphere Institute for Security Cooperation—people joined in solidarity protests across the United States and in Nicaragua.

On November 23, small demonstrations and vigils drawing between 15 and 50 participants took place on November 23 in New York, California, and Texas. In Managua, 300 marched to the U.S. Embassy.

Possibly the most significant of these, not because of its size but because of location, was the demonstration in San Antonio, Texas, at Lackland Air Force Base, which attracted 45 protesters, some from as far as Houston and El Paso.

Lackland Air Force Base is home to the Inter-American Air Forces Academy (IAAFA), a relatively unknown yet important U.S. Air Force training program that serves foreign military and police from Latin America and the Caribbean.

The Air Force school developed in parallel with the SOA, as both were founded in Panama in the 1940s and both remained in that country until the 1980s.

A key difference between the two programs is that SOA graduates have been known to be involved in human rights abuses and political assassinations in Latin America, a pattern of behavior not documented among IAAFA graduates.

Nevertheless, in the 1980s IAAFA graduates were pilots and mechanics in the Salvadoran Air Force during a time when thousands of civilians were killed in aerial bombing campaigns during that country's civil war.

Today, as Colombia tops the list in the Western Hemisphere as a recipient of U.S. military aid, it's no surprise that Colombians have participated in U.S. military training programs—both in Colombia and at U.S. military installations—more so than militaries from any other country in the region.

Yet it may be a surprise to some that among the U.S. military installations involved with training Colombians, Fort Benning's SOA is not where most Colombians have enrolled.

In fact, according to State Department records, in 2002 the Colombian military and police enrolled in more courses at Lackland than at Fort Benning.

Despite a claim from Lackland's Public Affairs office that IAAFA training is just for jet mechanics, the same records show that Colombians have enrolled in training courses for Air Intelligence, Ground Defense Skills, Search and Rescue, Special Communications, and Special Reaction Team.

The Air Force has been reluctant to divulge the exact number of Colombians or students from other Latin American countries benefiting from IAAFA training.

The fact that any Colombians at all are trained there is not lost on opponents to U.S. policy toward Colombia, which has become a focal point for SOA Watch and other organizations that closely monitor Latin America.

Val Liveoak, a Quaker and resident of San Antonio, has been to Colombia and works with Christian Peacemaker Teams. She spoke at the Lackland demonstration and pointed out that aerial surveillance provided by the Colombian Air Force helps both regular and irregular ground forces locate their targets, which many times include civilians.

The demonstration at Lackland Air Force Base, with its focus on the Inter-American Air Forces Academy, was a first. Wider knowledge of its existence and continued probing into its affairs by researchers and activists may lead those concerned about U.S. training of foreign militaries to expand their activities beyond the scope of Fort Benning, Georgia.

—STEFAN WRAY



In Fayetteville, North Carolina—home of Fort Bragg, one of the largest military bases in the world—the local Peace with Justice organization has been paying for this billboard. The group and the local Friends Society have received hundreds of calls from local soldiers concerned about the Iraq war since hostilities began last spring. Photo courtesy of Chip Smith.

POISON AND SLAVERY IN THE SUNSHINE STATE

Florida farmworkers struggle for protection against exploitation, pesticides

For years, Florida farmworkers have been battling poisonous pesticides on the job and exploitive growers who pay workers less than they're legally due (or manage to avoid paying them altogether)—a situation that critics compare to slavery.

In the spring of 2003, it appeared that farmworker groups may be able to translate activism into policy victories when progressive state legislators filed two key pro-farmworker bills. Powerful interests were able to beat back both measures, but the stage is set for another round in the

struggle over farm labor this March, when the legislature will consider the bills again.

Both bills, if passed, would constitute major gains for farmworkers. One, nicknamed the "Right to Know" bill, would have reinstated a guarantee that farmworkers be told what pesticides they handle in the fields and the possible effects of such poisons. The second, called the "Anti-Slavery" bill, would hold farmers and growers culpable if labor contractors shortchange workers on wages.

"When I found out that people work in the fields around all these dangerous chemicals without knowing the potential hazards, it's a no-brainer," said Rep. Frank Peterman (D-St. Petersburg), sponsor of the House version of the Right to Know bill. "It seems like the right thing to do for human beings."

An earlier version of the Right to Know law was passed

I hope the people of Florida get behind the farmworkers. Many of them live in practically subhuman conditions. If we really are the great nation we say we are, then we have to work for all of the people, not just some."

in 1994. Farmworker advocates considered it a hard-won victory: for the first time, Florida law required growers to publicize exactly what chemicals they were using on crops. But when the law went out of effect four years later due to a sunset provision, efforts to introduce a new bill stalled.

Like the earlier law, the current bill would impose penalties on growers for failing to make required information about pesticides available and prevent employers from taking retaliatory action against workers who exercise their right to know what they are handling.

Farmworker advocates say big agriculture opposes the bill because they fear litigation from workers who could have mishaps with the toxic chemicals. Carl Loop, Jr., president of the Florida Farm Bureau Federation Association, argues that the new statute would duplicate what is already in place under the federal Worker Protection Act, which already requires workers to be notified when pesticides are sprayed.

"We support the law and the EPA," he says. "All the farmers have a handbook put out by the state that has both federal and state guidelines."

"Anyone who handles pesticides must be trained as a handler," adds Kevin Morgan, also of the Farm Bureau. "If I'm licensed and I want you to spray the back 40, I'd have to make sure you were trained."

Karen Woodall, the only Florida lobbyist for farmworker issues, says the state proposal goes further than the federal statute.

"It includes elements of prevention," says Woodall. "The federal law is not as specific about informing workers of the possible effects of a chemical before it is applied. It states recently treated fields must be posted, but doesn't specify where. The sign might be out in the middle of the field. Our Florida statute would require posting at the entrance."

Opponents claim the new Right to Know bill would cost the department over \$400,000 to supply safety information sheets to the growers and farmworker organizations to distribute. Woodall disagrees. "Remember, this law was on the books from 1994 to 1998, so there

was a history," he says. "The safety information sheets have already been developed, in fact the Department of Agriculture has them."

The "Anti-Slavery" bill also faces stringent opposition. Though provisions are in place to protect workers from exploitation, advocates say enforcement is lax. Only the contractors who hire the farmworkers bear the responsibility if workers don't receive full pay.

"Though it is mostly undocumented workers that become enslaved by the crew bosses or contractors, it can happen to anyone," says Woodall. "It's outrageous that we have this problem going on today."

Several high-profile cases of workers being held in virtual slavery have been publicized in the last few years. Woodall says even though the crew bosses were prosecuted and sentenced to prison, the farmer was not responsible under current law. In one case, according to Woodall, some 700 workers received no compensation from unscrupulous contractors, the Ramos family, who were convicted in U.S. District Court in Fort Pierce in 2002.

"The workers were just out the money," she says. "The (proposed) law would make sure the minimum wage is paid, and the farmer will have to pay double if it's not."

Juan and Ramiro Ramos and their cousin Jose were indicted on charges of conspiracy to hold migrant farm laborers in involuntary servitude and supply those laborers to citrus industry growers. The two Ramos brothers were sentenced to 12 years in prison, and must forfeit \$3 million in property. Jose received a three-month sentence. Farmworker advocates say the Ramos family, who trafficked in workers for more than 12 years, is just the tip of the iceberg.

In the spring session, Peterman brought this bill to the floor of the House and Senators Les Miller, D-Tampa, and Mandy Dawson, D-Fort Lauderdale, sponsored it in the Senate.

"We were starting to get on the same page toward the end of the session about the pesticide bill, but the anti-slavery is a whole different issue," says Peterman. "It has a lot of potential for a frontal assault...It's a perennial wage issue, and a lot of big money will come out of the woodwork to oppose that bill."

Kevin Morgan of the Florida Farm Bureau has a different opinion.

"In the first place, everyone is against any kind of slavery. . . . There are laws in place about keeping people in servitude," he says.

However the defeat of the two bills didn't dampen the spirits of Woodall and other advocates. They publicized the bills over the summer, and presented them again to legislators this fall.

"Our plan is get all of the members of the Hispanic and Black caucuses to co-sponsor both bills," says Woodall.

Peterman remains positive.

"I hope the people of Florida get behind the farmworkers," he says. "Many of them live in practically sub-human conditions. If we really are the great nation we say we are, then we have to work for all of the people, not just some."

—NANO RILEY

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He finally serves in the military.



BLACK STRUGGLE RED SCARE

Segregation and Anti-Communism
in the South, 1948–1968

JEFF WOODS

BLACK STRUGGLE
RED SCARE

"Woods has written a graceful, tempered, and provocative account of the southern red scare and its effect on the civil rights movement. In the process, he illuminates the motives and tactics of Dixie's red-baiters, probes the resurgent southern nationalism that underlay their quest for racial security, and demonstrates the critical cooperation among local, state, and national agencies making the case for alleged Communist activities."—Joseph A. Fry, author of *Dixie Looks Abroad*

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Minding the South

John Shelton Reed

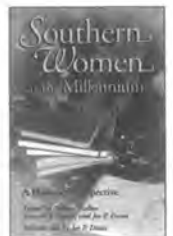
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STATEHOUSE WATCH

A new section covering political trends and developments at the state level

**One activist puts
a human face on
the issue of ex-
felons' rights**

By Tara Purohit

THE RUNNING MAN

David Sadler played football as an undergraduate at Edinboro University in Pennsylvania, and he planned to earn a master's degree at the University of Central Florida. After graduating from Edinboro, however, Sadler found out that, because he is an ex-felon, he is not eligible to receive financial aid to continue his education in Florida.

In 1992, at the age of 18, Sadler pled guilty to charges of possession and delivery of crack cocaine in Pennsylvania. In exchange for pleading guilty, he did not serve jail time, but the plea did not erase the conviction from his record, or the consequences of that conviction from his future.

Although his conviction is in Pennsylvania and he is eligible to vote there, Florida law disenfranchises all ex-felons, regardless of where they committed their crimes. Federal law allows states to determine when and if ex-felons are eligible to have their voting rights restored. Florida, one of the most restrictive states, never restores the voting rights of ex-felons, unless the governor pardons them. But even in those states where ex-felons do regain the right to vote, poor notification procedures often effectively disenfranchise them.

Florida law, therefore, will not allow Sadler to vote until he receives clemency from the governor of Pennsylvania. Sadler decided he needed to speak out, to "put a face on what a felon is." In a bid to draw public attention to the issue, Sadler decided to run from Orlando, Fla., to Harrisburg, Pa., to deliver his clemency papers to the governor of Pennsylvania. It took him a month, from August 15 to September 16, 2002.

State laws vary on voting rights for those convicted of a felony. Most states strip felons of their rights while they are in prison. Some states never restore basic civil rights such as voting, even after the completion of all the terms of a sentence. In the United States, an estimated 4.65 million people are denied the right to vote because of state laws that disenfranchise persons with felony convictions. These laws disproportionately affect black men, for whom the average rate of disenfranchisement is five times that of non-blacks. Nationally, 13 percent of black men are not eligible to vote due to past criminal convictions, making up 36 percent of the total disenfranchised population.

The disenfranchisement of black men is not a side effect of these laws; it was the original intention. A delegate at the Virginia constitutional convention in 1906 said of a scheme to restrict felon's rights: "This plan will eliminate the darkey as a political factor in this state in less than five years, so that in no single county . . . will there be the least concern felt for the complete supremacy of the white race in the affairs of government." As early as 1896, states established a narrow range of offenses that resulted in the loss of voting rights, offenses that were more likely to be committed by ex-slaves. These racist laws were successful. Historians have found that by 1903 Alabama's felony disenfranchisement

laws had excluded 10 times more blacks than whites from voting. (See "The Right to Vote in the South: A Brief History," *SE* Winter 2002/2003).

Sadler has taken his message to Alabama, where 7.5 percent of the population is unable to vote and where, as in Florida, ex-felons can only regain their voting rights through a pardon from the governor. There he worked with a coalition, Restore the Vote, to pass a bill through the legislature that would have automatically restored ex-felons' right to vote after completion of all terms of their sentences. Republican Gov. Bob Riley, however, vetoed the bill. Then, in a surprising turn of events, the governor changed his mind, and had the bill reintroduced during a special session in the fall. He placed it before the state's controversial budget and taxation debate, so that the legislature had to deal with restoration of voting rights first. Again, the legislature passed the bill, and this time, on September 25, 2003, Gov. Riley signed it into law.

Observers are cautiously optimistic. Several other Southern states have recently re-examined their felony disenfranchisement laws, as in Virginia, where the governor signed a bill giving the General Assembly the ability to enact legislation regarding restoration of voting rights for non-violent felons.

The disenfranchisement of ex-felons speaks to the larger issue of how we regard those who have served their sentences and are supposed to reintegrate into society, but are often denied resources to help them do so. Activists note that while voting is an important issue, the negative impact of felony convictions also affects job and housing opportunities. "Everyone needs to work and live" somewhere, says Sadler, but he points out how difficult this can be: "It's the infamous question on housing and job applications," where admitting ex-felon status can cause automatic elimination from the pool of applicants.

Ex-felons are routinely denied the right to vote, the opportunity to live in government subsidized housing, and access to jobs because of their criminal record. We will not be able to ignore this issue much longer, however. Mandatory minimum sentencing laws have increased the prison population four-fold since 1987, and the Sentencing Project found that, as of the end of 2002, one out of every 143 U. S. residents was in federal, state, or local jail.

David Sadler says he is "not an academic giving statistics from a book," and adds, "I'm actually a statistic [myself]." Because of his efforts, a hearing on his case has been set for December 18, 2003, before the Pennsylvania pardons and parole board. He is optimistic about his chances of receiving a pardon, but says it will not change much in his life. He plans to keep fighting and, he says, to "continue to tell folks that I am an ex-felon."

Tara Purohit is director of the Southern Voting Rights Project at the Institute for Southern Studies.

The disenfranchisement of black men is not a side effect of these laws; it was the original intention.

DRIVEN TO



Photo: Hart Matthews

Bad credit? Bankruptcy? No down payment? No problem. It was easy for the boys in “special finance” to qualify down-on-their-luck customers for loans that would put them behind the wheel of a car. Kenny Burgess and Jeffrey Preece, friends and co-workers at Crown Pontiac-Buick-GMC in Nitro, W.Va., knew the drill well. All they needed, they say, were some basic tools: a photocopier, scissors or a razor blade, Scotch tape, a fax machine . . . and a willingness to follow the system that their counterparts at AmeriCredit Financial Services had laid out for them.

Burgess and Preece say they were just doing what they’d been trained to do by their dealership and by AmeriCredit—create fake pay stubs and false down payments that would secure customers high-priced financing from AmeriCredit.

MISERY

by Michael Hudson

They had all sorts of names for the fictitious down payments: funny money, Crown rebates, Kenny Burgess Cash (KBC for short). Burgess and Preece would fax a financing package to AmeriCredit's Charleston office and then haggle over the details with the auto financier's representatives. Sometimes, Burgess said, AmeriCredit would zip back the documents with a question, just for clarification's sake: "Is it KBC or is it real?"

Other times, Burgess said, AmeriCredit representatives would let them know the doctored pay stubs were unacceptable—not because they'd been faked, but because the fakes weren't good enough, and the inflated customer income numbers looked a bit, well, askew. Once, Burgess said, an AmeriCredit employee called and told them, laughing, to do it over: "Damn, guys, get the thing straight. It ain't straight."

AmeriCredit and Crown Pontiac weren't doing customers any favors by playing games with the paperwork, according to a lawsuit filed in U.S. District Court in Charleston. In fact, the suit charged, they were confederates in an ongoing scheme that enriched AmeriCredit and a cluster of West Virginia car dealers by slapping customers with hidden costs and preying on their lack of financial acumen.

Addie Coleman had some blemishes on her credit history when she went in to buy a car from Beaman Pontiac in Nashville.

The dealership faxed her loan application to General Motors Acceptance Corp. GMAC weighed the information and came back with a decision: Coleman qualified for an annual percentage rate of 18.25.

But that's not the APR the dealership wrote into the contract it presented to her. Instead, it boosted the already steep rate approved by GMAC by another 2.5 points, to 20.75.

It was, according to Coleman's attorneys, a secret markup that over the life of the loan would cost her an extra \$809 in finance charges—money that she says could have been used to pay for her daughter's school but instead, her attorneys say, was divvied up among Beaman Pontiac employees and managers and used to fatten the dealership's bottom line.

Coleman's experience wasn't an isolated one. According to a federal class-action lawsuit, other GMAC customers around Nashville were secretly assessed finance-charge markups of \$5,501, \$6,018, even \$8,600.

The lawsuit claimed these borrowers and many thousands like them were victims of a shady, lucrative arrangement between GMAC and dealers that soaks African American and Hispanic borrowers with covert costs that have nothing to do with their creditworthiness.

PROFITS AND INGENUITY

Most people understand that buying a car is an enterprise fraught with perils: a hazard-filled task where consumers must tread carefully lest they fall victim to outrageous rates, hidden charges, and other abuses. But few realize that the all-too-common traps and rip-offs of the car business are no longer simply the folk-

How Wall Street, major lenders, and "megadealer" chains fuel price gouging, racial discrimination, and fraud at your local car lot.

The second in a two-part investigation of predatory lending in the South. The first part, "Banking on Misery: Citigroup, Wall Street, and the Fleecing of the South," appeared in the Summer 2003 issue.

ways of a decentralized assortment of local or fly-by-night operators. The industry's unwholesome habits have become, instead, institutionalized practices fueled by top-down market forces and corporate ingenuity.

Addie Coleman's lender, GMAC, is one of a growing number of name-brand financiers that have been accused of gouging millions of minority car buyers. Others include units of Nissan, Toyota, Ford and Honda.

AmeriCredit, meanwhile, is the nation's biggest lender to car buyers with patchy credit, claiming more than 1 million customers and a loan portfolio surpassing \$15 billion. The Fort Worth-based company has also been distinguished by a history of allegations of securities fraud, predatory lending and, recently, insider trading. In November, AmeriCredit and its co-defendant, Crown Pontiac, agreed to pay a settlement of as much as \$75,000 to end a federal lawsuit involving about 60 West Virginia customers.

A second class action is still pending in state court in Lincoln County, W.Va.; that lawsuit accuses AmeriCredit of directing a "credit financing scam" at a Charleston dealership. Among the victims, the suit claims, was a woman who depends on Social Security disability income and cannot read or write. The suit alleges that the dealership promised to give Diana Woodrum the lowest possi-

ble rate because of her son's heart transplant, then socked her with a 16.95 annual percentage rate and a hidden charge of \$3,000. When she and her husband protested, the suit says, they were told, "It's done—you signed your name and you have to pay."

AmeriCredit spokesman John Hoffmann said the lender could not respond to specific customer complaints. But, he said, "The company doesn't condone or accept abusive treatment of its customers. . . . I would encourage any customer who feels that they have been treated inappropriately to contact the company and let us know."

None of AmeriCredit's legal problems has prevented it from becoming a leader in the burgeoning "subprime" auto-loan market, which charges high rates to consumers with damaged credit or humble incomes. Subprime auto lending has grown rapidly, thanks in part to Citigroup, Capital One, Household, and other big-name financial institutions that have pushed their way into the market. The Federal Reserve estimates the market for subprime auto loans has more than quadrupled in just a decade, swelling to \$65 billion a year. Some industry leaders believe the market is even bigger than the Fed reckons—\$125 billion or more a year.

Given the car industry's predilections, all consumers—rich or poor, black or white, good credit or



Photo: Michael Hudson

bad—should be wary when they step onto an automobile lot. But an examination of lawsuits and academic studies from around the country provides evidence that the worst abuses are most frequently targeted at African American, Hispanic, elderly, working class, or credit-impaired customers. Many dealers and lenders perceive these consumers as having fewer options, less financial experience, and a diminished sense of marketplace entitlement, thus making them more likely to be desperate or susceptible when it comes time to close the deal.

And the deals that are being closed on many car lots are not pretty ones. Subprime borrowers often pay interest rates between 17 and 25 percent on auto loans, compared to single-digit rates for borrowers with good credit and strong bargaining skills. This is no small matter: the difference between paying a competitive rate or a subprime one can mean \$3,000, \$4,000 or more in extra finance charges on a five-year, \$10,000 used-car loan. Disadvantaged customers are also more likely to be targeted by dealers and lenders for an array of overpriced extras: credit insurance, roadside assistance plans, extended warranties, service contracts.

In step with the Wall Street-fueled growth of the subprime market has come the dominance of what *Ward's Dealer Business* magazine calls "megadealer" groups—vast, often publicly traded chains of dealerships that sway market trends and help set the tone for ground-level sales practices. The nation's three largest megachains—AutoNation, United Auto Group and Sonic Automotive—posted \$34 billion in sales last year, almost one-third of combined sales for *Ward's* top 100 dealer list. The big three's growth and profits have been accompanied by lawsuits, government investigations, even criminal prosecutions. AutoNation, United Auto, and Sonic have been dogged by allegations that they use deceptive practices to overcharge customers on financing, insurance, and other items.

For their part, dealers and lenders say any abuses are isolated incidents, not symptoms of systematic misbehavior. GMAC and other auto lenders, for example, have vigorously denied that they take advantage of minority borrowers. GMAC says it "adheres to a zero-tolerance policy on racial discrimination."

Although GMAC has agreed to a tentative settlement of the nationwide class action over its loan-markup policies, it has denied wrongdoing in the case and says it "adheres to a zero-tolerance policy on racial discrimination."

SECURING ABUSE

AmeriCredit and other auto financiers have had a bumpy ride as the recent economic downturn has depressed used-car values, and as too-rapid growth in sub-

CHAIN GANG

A NEW BREED OF CORPORATE ENTREPRENEURS IS CHANGING THE USED-CAR BUSINESS

The used-car marketplace now includes publicly traded companies such as Bentonville, Ark.-based America's Car-Mart. Like its hometown neighbor, Wal-Mart, it focuses mainly on small cities and rural locales. The logic, its chief executive says, is simple: "If there's a default, it's a lot easier to find collateral in Conway, Ark., than in Dallas, Texas." By charging a typical interest rate of 19 percent, America's Car-Mart and its 65-plus franchises do well enough that *Investor's Business Daily* lauded the company's stock as the top performer among 28 auto sales and auto parts stocks ranked by the business publication.

Another used-car chain, Drive Time, was launched under the name Ugly Duckling in 1991 by Ernest Garcia II, a Phoenix developer who had been convicted of fraud for his part in Charles Keating's Lincoln Savings & Loan scandal. By 2000, the chain's sales approached a half billion dollars. Now it claims 76 locations across the Sun Belt, including 32 in Texas, Georgia, Florida, and Virginia.

prime lending has forced inevitable market corrections. After posting after-tax profits of \$314.5 million in fiscal 2002, AmeriCredit's net income plummeted to \$21.2 million in fiscal 2003.

Still, many companies are finding the business profitable, and subprime auto financing continues to attract investor interest and support from the highest echelons of American commerce. Over the past decade, Wall Street has claimed a piece of the action—and fueled the market's growth—by trading securities backed

by income streams from humble and sometimes fraudulent used-car loans.

The lenders assemble these loans into pools, and investors buy securities tied to the pools' performance. AmeriCredit "securitized" more than \$15 billion worth of loan-backed securities in 2001-2002, number one by far among subprime lenders and number three overall behind Ford Credit and GMAC.

All this market power makes a difference. The flow of money up and down the financial food chain influences conduct at the bottom. It is now the lenders and their Wall Street backers who drive many of the dubious practices at local car lots. The lenders use financial incentives, computerized underwriting, and well-crafted training programs to teach dealers and salespeople how to do things their way.

Tom Domonoske, a former Duke law professor who is now a consumer attorney in Harrisonburg, Va., says lenders tutor dealer finance managers how to write contracts that pack in as much plunder as possible while ap-

pearing on their face to be above-board—and thus safe gambles for pension-fund managers and other investors who buy loan-backed securities.

"The securitization is determining what's happening between the customer and the finance manager, because the loans are being made to look a certain way so they can be sold and packaged," Domonoske says. "Each individual car transaction is really part of a process of manufacturing a credit contract, and the credit contract is a step in the process of producing a pool of credit contracts" that are sold as securities.

John Anglim, a securities expert with Standard & Poor's, counters that there's a strong incentive for lenders to make sure loan originations are above-board—if borrowers don't pay their loans, the loan pools suffer, and the lenders will in turn suffer financially. "If there are shady things going on," Anglim says, "I would argue that it's at the dealership level."

Domonoske says lenders often hide the pools' shaky origins by convincing customers with good credit that



Photo: Michael Hudson



Photo: Michael Hudson

they have bad credit and should pay higher rates—and by putting the screws to less-well-off customers who are struggling to keep up. “The pool will do well enough if the customer can be coerced to pay,” he says. “What we’re seeing is a tremendous rise in debt collection abuses. People are being squeezed to pay debts they cannot pay for loans that in many cases should never have been made.”

Jo Anne Wilson, an AmeriCredit customer in Kentucky, wrote the state attorney general’s office claiming the company had violated her trust and her rights, first by gouging her on her loan and then by haranguing her when she fell behind. Her \$10,145 car loan came with a 19.95 annual percentage rate and an \$895 service contract. Later, she said, AmeriCredit’s collectors harassed her, along with her parents, her soon-to-be ex-brother-in-law, even an elderly neighbor who is sick and disabled. She told AmeriCredit to contact her lawyer, Wilson said, but “they told me I had no right to an attorney.”

“If you go through your records, you will find we have already paid one vehicle off through you,” Wilson wrote the lender. “You need to take that into consideration as well. But all you all know to do is sit behind a desk where it’s comfortable and harass people.”

AmeriCredit replied that it had reviewed Wilson’s complaint and determined it had handled her account properly. “Please be assured,” the company wrote the at-

torney general, “it is not the policy of AmeriCredit to ‘harass’ its customers or contacts.”

HUMAN NATURE

Salesman, wholesaler, used-car manager, sales manager, finance manager: Duane Overholt had done it all in 24 years in the business. In that time, he says, he’d also done things he hadn’t been proud of, thanks to financial incentives that encouraged him “to use unethical and sometimes illegal practices to scam consumers out of hundreds of thousands of dollars.” Overholt claims that at Clearwater Mitsubishi, one of Sonic Automotive’s Florida stores, his boss exhorted him to “crush” customers by packing overpriced extras into their deals.

He’d had enough. “You simply make a decision to stand up and tell the truth—it was wrong and I was wrong,” he told Tampa’s WFLA-TV. He also laid out his claims in statements to state and federal authorities and in a wrongful dismissal lawsuit against Sonic.

His inside information helped fuel a Florida attorney general’s probe and an onslaught of litigation targeted at Sonic, the Charlotte-based auto behemoth that vies each year with United Auto Group for the No. 2 spot on *Ward’s* megadealer list. Lawsuits alleged Sonic executives supervised a scheme to falsify credit applications, sell overpriced warranties, and forge customers’ signatures. One customer, Mac Williams Jr., told WFLA,

Photo: Michael Hudson



“On one of the documents they had even misspelled my name, which sort of upset me. If you’re gonna forge my name, at least spell it right.”

A class action lawsuit involving as many as 10,000 customers alleges that overcharges and other misdeeds were standard procedures—a pattern of conduct perpetrated by local salespeople and managers but choreographed by high-level corporate officials. The suit claims that executives controlled lower-level employees with top-down specificity, fostering predatory conduct through a system of bonuses and kickbacks coupled with the threat of firing, demotion, or transfer for managers who didn’t comply.

The suit says executives demanded weekly “penetration reports” on sales of insurance add-ons, and set a goal that finance managers pack on \$800 of “back-end” products such as anti-theft insurance onto each sale—a benchmark the lawsuit says Sonic executives knew “could only be achieved through fraudulent sales practices.”

When Enrique and Virginia Galura purchased a new Toyota Spyder, the suits says, Sonic’s Clearwater Toyota charged them \$562 for an anti-theft insurance policy whose real price was \$30. The \$562 was not disclosed on the insurance form, the suit says, but was handwritten in

after the couple drove off the lot. Another Sonic customer, Ana Diaz-Albertini of Palm Harbor, Fla., was charged \$1,140 for the insurance—which paid only \$1,000 in the event of theft and damage and \$2,500 in the event of theft and total loss.

A lawyer for the company says Sonic is “steadfastly committed to treating its customers fairly and honestly.” Sonic officials said they investigated allegations of misconduct at Clearwater Mitsubishi and found just one infraction, which they responded to by firing the employee in question.

The complaints against Sonic aren’t unique among the nation’s largest auto chains. The number one megadealer, Fort Lauderdale, Fla.-headquartered AutoNation, agreed to pay more than \$5 million to settle a private class action and a California Department of Motor Vehicles lawsuit accusing its El Monte, Calif., Chevrolet location of defrauding more than 1,500 customers through a variety of sharp practices, such as selling used cars as new, forging customer signatures, and charging for security systems that were never installed. Seven employees were convicted of crimes in the case.

In Florida, lawsuits have accused the chain of still more abuses, such as engaging in a “spot delivery” scheme, in which customers drive new purchases home thinking their deals are done, only to be informed that their financing wasn’t approved and they must redo the deals on less-advantageous terms.

AutoNation has denied wrongdoing, blaming any violations on a handful of unprincipled employees. “You’ve got human beings who are going to act like human beings act,” a spokesman said after the California DMV sued. “Some guys break the rules and these guys did.”

United Auto Group, meanwhile, has had legal problems of its own. In Little Rock, Ark., consumer attorneys have accused UAG of charging illegal “document preparation fees”; the attorneys hope to expand the case to include tens of thousands of transactions. In Memphis, Tenn., a lawsuit accuses UAG’s Covington Pike Toyota of preying on women and minorities by secretly marking up their finance charges beyond the interest rates quoted by lenders. In May, a state judge approved class action status for the case, writing that the so-called “dealer-reserve fee” results “in higher interest rates, higher monthly payments, and higher total finance charges to the customer and is not disclosed to the customer at any time.”

TARGET PRACTICE

The dealer-reserve scam works this way: The dealer takes the customer’s application, submits it to a lender, and the lender comes back with its “buy rate.” For some-

one with a mediocre credit history, the lender's rate might be, for example, 9 percent. But the dealership doesn't tell the customer that. Instead, it quotes a much higher rate—say 12 percent.

The difference is the finance “markup.” On a \$14,000 used-car loan, hiking the rate from 9 to 12 could cost the consumer more than \$1,200. Critics call this a kickback, the lenders' way of enticing dealers to steer loans in their direction. As many as 20 class actions over the markup issue, involving millions of borrowers, are percolating around the country.

Michael Terry, a Nashville attorney who has helped lead the legal attack, says white consumers get fleeced, too, but it is Latinos and African Americans who are most likely to be gouged. Victims include black lawyers and doctors. “When they get out of the car with a black face . . . they become a target,” Terry says. “We've talked to dealers and they tell us it's true. They joke about them having a target on their backs.”

A study by one of Terry's expert witnesses looked at 1.5 million GMAC loan transactions and found 53.4 percent of blacks paid markups, compared to just over 28 percent of whites. The disparity couldn't be explained by differences in creditworthiness. On average, African Americans paid more than two times the markup whites paid—with a markup of \$656 for blacks and \$242 for whites. The largest spread was in Tennessee, where whites paid an average markup of \$317 and blacks paid \$929.

Terry's experts found similar patterns in a study of 300,000-plus Nissan Motor Acceptance Corporation loans. Black Nissan borrowers paid an average markup of \$970, compared to \$462 for whites. Nissan called that statistical analysis “junk science.” In February, however, the company agreed to pay a modest \$7.6 million settlement covering attorneys' fees, contributions to consumer education, and \$60,000 divided among 10 main plaintiffs. It also promised to make 675,000 no-markup loans to Latino and African-American car buyers.

The settlement isn't the end of Nissan's legal tribulations, however. In July a new class action filed in California accuses the company of engaging in an elaborate scheme that targets low-income car buyers for overpriced deals and quick repossessions.

Consumer attorneys say the practice—called “churning”—is not uncommon. TranSouth Financial Corp., a Citigroup subsidiary, and Charlie Falk Auto, a chain of used-car dealers in Virginia, agreed to pay nearly \$17 million to settle a class action accusing them of working hand-in-hand on a churning scheme.

The California lawsuit claims Nissan makes loans to vulnerable customers knowing most can't keep up the

CAR TALK

Here's a glossary of some of the secret lingo—sometimes vulgar, often instructive—that many car dealerships use to describe how they conduct business.

GRAPES easy marks; customers readily persuaded to pay more than they should. A salesperson will “squeeze the juice” out of them by selling them cheaper cars at prices usually attached to more expensive cars.

LAY-DOWNS same as “grapes”; customers who will “lay down” for whatever the dealership offers.

ROACHES customers with bad credit; typically said to “come out at night” because they're embarrassed—and are thus likely to be easily manipulated.

ETHER “natural” high a customer gets when inhaling a new car's interior; a term originating from rumors the chemical was used in treating the carpets, as a way of making the customer lightheaded.

STEP-SELL a softening-up approach; the salesperson purposely pushes a car the customer won't want, in order to get rid of the customer's “No's.” The rationale is that most people want to feel they've shopped around before they say “Yes.”

DROP YOUR PANTS salespeople who show the customer the invoice are said to have “dropped their pants.”

BACK-END the point in the deal when the dealership sells high-priced add-ons, such as alarms, CD players, spoilers, paint protectants, and underbody sealants. The excess profit they produce is called “gravy.”

USED CAR FACTORY mythical place the customer thinks exists to produce the exact color, quality, and features they want in a used car. A frustrated salesman will say, “Sorry, the used car factory is closed.”

TAIL-LIGHT WARRANTY a warranty that's worthless once the customer's tail lights are out of sight.

THE PRICE OF CONFESSION

By Stephanie Mencimer

When Don Foss opened his first used-car lot in 1967, he became famous in Detroit for wearing a clown suit on late night TV ads. But Foss was no ordinary car dealer. He quickly realized that easy financing was the ticket to getting people on to his lot, and the system of dealer financing he subsequently developed helped revolutionize the used-car market by finding lucrative revenue streams in areas traditional banks had avoided—people with bad credit and old cars.

Foss immortalized his sales genius in copyrighted training videos developed for Credit Acceptance Corporation-affiliated dealers. The low-budget productions feature a CAC executive standing in a classroom full of car dealers, exhorting them, “People who have bad credit are just good people who had something bad happen to them.”

The videos preach psychotherapy as much as smart sales techniques. To reassure customers wary of yet another credit rejection, the videos and training manuals suggest using the “CAR” system: Confession, Absolution, Redemption. Play the confessor, the tapes say: “Listen. Let the customer get their problems off their chest.” Dealers are encouraged to nod and coo while customers pour forth tales of woe about bankruptcy, divorce, and unemployment. Once the customer has “confessed” his bad-credit sins, the dealer gives him “absolution”—the good news that he can in fact buy a car. “Redemption” comes when the car is delivered. Central to the success of the program is the dealers’ understanding that these customers have no other options. “They will buy just because you have something they can get,” the tapes say.

The technique has helped turn the old used-car dealer into a finance salesman. Indeed, many independent used-car dealers don’t really sell cars anymore. “The worst thing you can do is sell cars,” CAC teaches dealers in its videos. “We don’t sell cars. We sell financing.”

Step into one of these dealerships and you won’t hear about state-of-the-art fuel injection or the safety benefits of an SUV. Test drives are rarely offered. Pressure for the down payment can be intense, and often comes with instructions that a down payment is needed before a credit application can be processed to prove a borrower “legit.” That’s because CAC training materials advise dealers to get money from people before they even test-drive a car. “Simply hold out your hand and ask for it,” the tapes say. “Usually, the customer will give you the money the first time.”

The test drive, according to CAC training materials, is mainly to protect the dealer against lawsuits. When offering a test drive, CAC trainers remind, “It is important to keep in mind we sell financing, not cars. Present the car by showing the customer where things are, but don’t get involved in selling the features. The customer will likely have questions about the car. Return to the financing answer when responding to the questions.”

Hooking a customer on a sweet Jeep Cherokee or another top-shelf vehicle is a risky proposition for a finance salesman, according to CAC training tapes, because in all likelihood, the customer will only qualify for a Geo Metro. “Selling the car will make it harder to re-select [a less expensive car],” the tapes explain. If the customer is disappointed with the Metro, CAC urges dealers to remind him that financing will help “re-establish” his credit, at which point he can come back and get a better car. “Always come back to the financing,” the tapes exhort.

Stephanie Mencimer is an investigative reporter based in Washington, D.C.



Photo: Michael Hudson

payments, then repossesses the vehicles and leaves the buyers stuck with no car, huge bills, and ruined credit. To make matters worse, the suit claims, Nissan dealers buy the cars cheap at auctions illegally closed to the public, then restart the process by selling them again.

Nissan calls the class action “a frivolous suit” and promises to mount a vigorous defense.

The named plaintiff in the case, Sonia Barrera of Los Angeles, owned her 2002 Sentra for less than a year before it was repossessed. Nissan sent her a bill for almost \$13,000—a figure that represented the \$19,120 purchase price minus the \$6,400 Nissan had pocketed for the car at auction. “Sonia Barrera has a \$13,000 bill for a car she no longer has,” her attorney, Henry Bushkin, told the *Los Angeles Times*. Even “if she could pay this, it would take her the rest of her life.”

IMAGE AND REALITY

Back when Mercury Finance was riding high, CEO John Brincat explained how his company was helping to clean up the car business’s image—and doing so well it was reporting a stunning 9 percent return on assets. “There’s this image of a gravel lot on the wrong side of town where you drive by in the morning and see five cars, three with their hoods up and battery charges on and one getting its tires pumped up,” Brincat said. “We do most of our business with franchised new-car dealers. These aren’t skid row types.”

It’s an effective business model: Buy into an industry plagued with a spotty reputation, consolidate its fragmented parts and polish its image with sophisticated marketing and a gloss of corporate respectability. Disney did it with the carnival business. Texas-based Cash America did it with pawnshops.

Subprime auto financiers and megadealers such as AutoNation have been trying to do the same with the car

DEALER SCAMS

Examples of "Top 10 Car Dealer Scams," an annual listing from CarBuyingTips.com

The "VIN# Window Etching" Scam.

How it works: Dealers charge hundreds of dollars for etching your new car's window with the vehicle identification number (often even when they say it's "free").

How to avoid getting ripped-off:

Demand it be removed from the contract. If they say it's free, ask them to put it in writing. If they say it's already on the car, don't buy the car. If you do want the etching, you can buy kits to do it yourself, much cheaper, at such sites as CarEtch.com.

The "Spot Delivery" Scam.

How it works: You trade in your old vehicle. The finance manager tells you that you got a good interest rate. You drive home with your new car. Then the dealership calls and says your loan fell through. They demand more cash and higher monthly payments.

How to avoid getting ripped-off:

Don't finance through a dealer if you have bad credit.

The "Lie To The Customer About Their Credit Score" Scam.

How it works: The finance manager displays a "concerned" look, telling you there's a problem with your credit report and you don't qualify for a low rate.

How to avoid getting ripped-off:

No salesperson should know more about your credit than you do. Know your score coming in.

business. They've tried to change the industry's image from a hindrance to an asset. The well-capitalized new guard plays off the old reputation by selling the public on the idea that it's a different breed: well-organized, well-scrubbed, reputable.

As Mercury Finance was making its climb, other companies were following similar scripts in an effort to tap into the subprime market. Executives at Cash America decided it was time for a new wrinkle in American commerce: a publicly traded chain of used-car lots. In 1989, their brainchild, Urcarco, raised \$43 million in startup funds. The company parodied its unwashed competitors with a TV spot featuring a cowboy-hatted salesman named "Bubba." When he slapped the hood of a car, the fender fell off. Urcarco's sales soon hit \$38 million a year.

Michigan-based Credit Acceptance Corp., meanwhile, was helping to remake the auto-loan market by showing there was money to be made financing older, low-end cars. The company flourished because of its aggressive collections program and because it offered its partners, the dealers, detailed instructions on how to sell to folks in financial straits—including the recommendation that salespeople demand a down payment even before the customer gets a chance to test-drive the car (see "The Price of Confession," page 26). After it went public in 1992, Credit Acceptance's stock zoomed so high its founder, Donald Foss, found himself on *Forbes Magazine's* list of the country's richest men, with his stake in the company valued at over half a billion dollars.

All three of these companies—Urcarco, Mercury Finance, and Credit Acceptance—reveled in the investor buzz that accompanied their dizzying stock climbs. But as with many success stories, there were darker chapters. Investors would learn what many borrowers were already discovering first-hand: combining used-car sales and subprime financing can produce a combustible mixture.

In the early 1990s Urcarco's loan defaults suddenly skyrocketed, its repossession rate hit 50 percent, and profits turned into red ink. Company officials blamed overexpansion and recession, but there was evidence other problems also contributed to the customer revolt. A class action accused the company of gouging consumers with hidden charges. One ex-employee told the *Dallas Morning News*: "I did a lot of deals where I was told, 'I don't care what you do, but make it look like that guy can afford the car.' They try to act totally professional, but if you sit behind closed doors at the lot, you find out it's not."

A jury in Alabama slammed Mercury with a \$50 million verdict after hearing testimony that the company had slipped a \$1,000 hidden charge into the financing package for a \$3,000 used car. In 1997, the FBI raided

Mercury's headquarters and Brincat resigned amid revelations that the company had inflated its profit statements.

Credit Acceptance came under attack from lawsuits accusing the company of abusing late-paying borrowers, squeezing out questionable fees and interest, and piling on steep charges once customers fell behind. A group of shareholders filed a securities-fraud suit, accusing Credit Acceptance and one of its affiliate dealers, Larry Lee's Auto Centers, of selling junk cars and soliciting down payments that exceeded what the dealer paid for the vehicles. Before the suit was settled, the former president of the dealership chain testified he'd warned Credit Acceptance about the quality of cars they were selling and financing: "You sell cars that have bad transmissions, people ain't going to pay for them," and loan defaults will start piling up.

Mercury Finance emerged from bankruptcy protection under the name MFN Financial Corp. Credit Acceptance has weathered stock declines and hard times in the used-car business to reemerge as a profitable company, posting revenues of \$154.3 million and after-tax profits of \$29.7 million last year.

And Urcarco? It survived its troubles, too, by abandoning its car lots and mutating into a different sort of animal: a subprime auto financier. It sold off its inventory and announced a new name for a new direction: AmeriCredit.

WALKED INTO IT

AmeriCredit has become, along with Household Finance, a dominating force in the subprime auto market. *Forbes* praised the company's turn-around strategy, which saved it from near-extinction after the Urcarco debacle. *Fortune* named it one of the best companies to work for in America. AmeriCredit says it has grown by honoring a commitment to "deliver what we promise with loyalty to execution." AmeriCredit's Web site quotes two customers who say: "I don't know why we never thought of doing this before because it made everything so much easier! Thank you for helping us to make this so painless!"

The ease of the loan process—how painlessly customers are persuaded to sign up for AmeriCredit loans—was at issue in the lawsuit against the company in West Virginia. Jeffrey Preece, the former special finance manager at Crown Pontiac, said it was easy for him and his co-worker, Kenny Burgess, to get customers to sign up for dicey loan deals, using old-fashioned salesmanship and the system designed by AmeriCredit's Charleston office: "We walked them right into it. . . . Most of the people you don't have to persuade. They're desperate. We took advantage of that."

In pre-trial testimony the manager of AmeriCredit's Charleston office insisted that fake down payments weren't a regular item in loan deals, and were never tolerated by AmeriCredit. "If a contract shows a down payment, I assume there's a down payment there," the manager, Bob Bumpus, testified. As for the moniker "Kenny Burgess Cash," Bumpus said it was a comment "made in jest" after a single instance in which a Burgess deal had turned out to include a nonexistent down payment.

AmeriCredit's attorneys suggested no customers were hurt, even if there'd been some creative use of down payments; customers got what they wanted—a car. And besides, the attorneys said, they had ample opportunity to grasp the details of the contracts.

As one attorney prodded Preece during a deposition: "The information was there, available to them to see what was going on, correct?"

"Not really," Preece replied. "Because, I mean, if you showed me an engineer's design of the Space Shuttle, it's right there in front of me, but I don't know what that means. I'm not an engineer. Well, these people weren't finance people and they weren't car people."

The people who understood how it worked, Preece said, were the car and finance people; the scheme couldn't have worked without the participation of multiple players at the dealership and at AmeriCredit.

In the brave new world of car financing, it's less and less possible for individual dealers and salespeople to act on their own. Top-down economics and management are paving over gravel lots and splashing paint and fresh logos onto showrooms—and showing how to put a new and profitable spin on the business's age-old rituals of artifice and exploitation.

"Everybody is trying to say: 'It wasn't me. It wasn't me,'" Preece said. "Yes it was. It was all of us. Collectively as a group, we all knew. We all did it and we're all guilty."

Michael Hudson was project editor for Southern Exposure's award-winning investigation of predatory lending, "Banking on Misery" (Summer 2003). He edited Merchants of Misery: How Corporate America Profits from Poverty, and has written about the finance industry for The New York Times and other publications.

"THEY TRY TO TAKE YOU FOR WHAT YOU DON'T HAVE"

**A used-car chain
stirs up the
market — and
its customers**

**By Taylor Loyal &
Michael Hudson**

The phone rang. Another call from J.D. Byrider Sales, the used-car dealership in Louisville where Kenneth Duncan had gone to buy himself some cheap, dependable transportation.

Duncan, a low-paid nursing assistant and hospital secretary, says the woman told him: "If you don't pay, we'll come and get your car."

"Come and get it?" Duncan said. "You've already *got* it."

Duncan was already vehicle-less, he explains in a lawsuit, because the dealership had taken his trade-in, signed him to loan of almost \$10,000, and then put him in not one but two clunkers: first a '93 Grand Am, which wouldn't start because its engine was shot, then a '92 Oldsmobile Achieva, a replacement car that drooled a "brown, sticky substance" from under its motor and stalled so often the dealer sent a tow truck to haul it away at 11:30 at night.

According to his lawsuit, Duncan spent about three months in limbo, fending off the dealership's collectors and fruitlessly calling to see when he could get his car back.

Finally, the suit says, the Achieva was returned to him, but the car was still a mess—it wouldn't start, bolts were missing, oil and antifreeze were leaking, its onboard computer was lying on the passenger-side floor.

Once again, the dealership had the car hauled away. Duncan decided to fight back. He's pushing a lawsuit that accuses J.D. Byrider of a "pattern and practice" of selling overpriced lemons and then refusing to fix them when customers invoke their service contracts.

"People like me, we don't have a lot to begin with—if we did, we wouldn't have to go to those car lots," he says. "They try to take you for what you don't have."

Duncan's adversary in his legal battle is no mom-and-pop gravel sales lot. It claims 90 employees, sells 300 cars a month, and is a member of the burgeoning J.D. Byrider network, which bills itself as North America's largest used-car franchise. The national chain says it has grown to some 130 locations and sold more than 300,000 vehicles by serving the fastest-growing segment of the used-car industry—"people with less-than-perfect credit who need good cars to get on with their lives."

NOT SO LONG AGO, corporate America dismissed the used-car industry as a gritty hodgepodge of small-time operators tucked away amid pawnshops and liquor stores. But over the past decade, the industry has begun to win a place in the financial mainstream—and commenced, slowly but inevitably, to embrace the American economy's "Bigger is Better" imperative of centralized ownership and chain-driven conformity.

Market consolidation hasn't necessarily translated into changes in the way people get treated when they go to buy a used car. J.D. Byrider, for example, has

been the target of class-action lawsuits in Ohio and Kentucky, a citizens group protest in Arizona (see "Fighting back," p 34) and, in Louisville, a flurry of complaints to the Kentucky attorney general's office.

One class action alleged that a cluster of J.D. Byrider franchises in Kentucky, Ohio, and Indiana hid exorbitant interest rates by charging higher base prices for automobiles sold on credit than for ones sold for cash. The lawsuit, which involved nearly 5,000 customers, was eventually settled for a modest sum, \$180,000. J.D. Byrider denied any improper practices.

Kenneth Duncan's attorney, Ellen Friedman, says she's handled a handful of cases against the Louisville Byrider franchise, but she's turned away many more. "Over the last three years, it's in the hundreds," she says. "The number of calls that I get from people with complaints is overwhelming."

J.D. Byrider's corporate spokesman did not return repeated calls from *Southern Exposure* seeking comment. In public statements, the company says it sells quality vehicles and that it treats its customers with respect. Its salespeople, it says, are "skilled at satisfying the needs of our customers."

The costs are high—as much as 25 percent interest to finance a J.D. Byrider car or truck—but the company says that's the price that people must pay in order to make a new start.

When a new J.D. Byrider announced its opening in Kanawha City, W.Va., this spring, franchise co-owner Bill Minsker told the *Charleston Gazette*: "Will people pay more? Probably. Will people have higher interest rates? Probably. But at least they'll get something to drive."

Minsker said J.D. Byrider helps customers clean up their credit and "get back on track establishing their freedom."

Marc Maguire, spokesman for the Louisville J.D. Byrider franchise, declined to comment on Duncan's lawsuit. But he says he's willing to listen to customers' complaints "and do what's right."

Maguire notes that 40 percent of his customers are return buyers or referrals from other buyers—evidence, he says, that "believe it or not, we've got a lot of happy customers."

Not everyone's happy, though. Complaints on file with the Kentucky attorney general's office allege that the Louisville franchise and Byrider's captive finance company, CarNow Acceptance Corp. (CNAC), engage in a variety of unseemly practices, such as selling overpriced cars that quickly break down, slipping in hidden charges, and harassing late payers with abusive collection calls.

One Louisville customer, Pamela Rankins, sent the attorney general's office a copy of a letter she wrote to CNAC, pleading for an end to collection calls that she said were threatening and, in one instance, profane. "I'm well aware of my debt to you," she said, "but I also have rights."

Another complaint came in from a 19-year-old ex-employee, Wesley Hopper, who bought a 1995 Ford Thunderbird while he was still working at the Louisville dealership. He told the attorney general that Byrider gouged him by hiking the price of his car well above its true value, and selling him a \$1,095 repair warranty that he claimed was "slipped onto the papers without my authorization."

The total cost of the deal: \$8,295.



Kenneth Duncan's lawsuit claims J.D. Byrider has a "pattern and practice" of selling overpriced lemons and then refusing to fix problems when customers complain.
Photo courtesy of Ann Friedman.

ARBITRATION ROAD BLOCK

Ann Brown of Sandusky, Ohio, sued J.D. Byrider, claiming that a wheel and axle fell off her car as her teen-age daughter was driving down the road. She claimed her contract—which included 25-percent interest and a \$895 warranty fee—violated federal truth-in-lending rules and other laws forbidding fraud and unfair sales practices.

Brown never got her day in court. A judge ruled she was bound by a clause in her contract that required she seek private arbitration instead. Joan Claybrook, president of the advocacy group Public Citizen, says Brown was deprived of a shot at justice because the costs of arbitration exceeded the value of her claim. Claybrook charges J.D. Byrider and other car dealers use arbitration to insulate themselves from the legal consequences of illicit practices. Industry officials argue that arbitration is an efficient and fair way for handling complaints.

But in comments submitted to the Federal Trade Commission, Claybrook noted that J.D. Byrider retained the right to sue Brown even if she couldn't sue the company, and said that Brown's attorneys "have received inquiries from over 40 consumers" with complaints about the company. "Unfortunately, no matter how many of J.D. Byrider's former customers are defrauded, they cannot file a class action because the mandatory arbitration clauses in their contracts waive their right to maintain class actions."

It didn't take long, he said, before he realized the car was worth much less. "I have had the car appraised twice," Hopper wrote. "It is worth no more than \$1,200, if it is in good condition."

But its condition was anything but good, he said. It wouldn't start for two weeks, and he had it hauled to a garage for repairs—none of which was covered by the \$1,000-plus warranty. When he told Byrider the transmission was about to go, he said, he was told he'd have to pay a \$200 deductible before it could be fixed.

All he wanted, Hopper wrote, was to return the car and get back what he'd put into the deal—including his \$700 down payment.

"Every phone call or conversation I have had with anyone at either J.D. Byrider or their finance company (CNAC)," Hopper wrote, "is filled with rudeness, sarcasm, and a direct unwillingness to help in any way."

In response, CNAC wrote the attorney general's office that it "would like to apologize for any inconvenience that we have caused," but added that the case was now a "legal matter" and Hopper should contact its attorney.

CNAC's attorney, Joe Chanda, didn't return a phone call from *Southern Exposure*. After an initial telephone interview with the magazine, franchise spokesman Maguire passed word through an employee that he didn't want to discuss the topic further.

Taylor Loyal is a staff writer at the Bowling Green (Ky.) Daily News.

ARM YOURSELF WITH INFORMATION

How to avoid scams and overcharges when you buy a car.

CAR PRICES

Check the CONSUMER REPORTS website, at www.consumerreports.org. Or go to a bookstore or library and look at *Consumer Reports Car Buying Guide*.

Ask your bank, credit union, or library to show you the KELLY BLUE BOOK, or go to www.kbb.com. COMPARISON SHOP by checking prices in newspaper classified ads.

FINANCING

KNOW YOUR CREDIT SCORE GOING IN. Ask about your credit score at your bank or credit union, or go online at www.e-loan.com.

LINE UP FINANCING BEFORE YOU BUY A CAR. Ask an online lender, bank or credit union to pre-qualify you for a loan. You can usually get a better deal from a credit union or bank than a dealership. Or go online at www.e-loan.com.

If you must finance through the dealer, **ASK FOR A COPY OF THE "TRUTH-IN-LENDING" STATEMENT.** By federal law, dealerships and financiers are required to give you a copy, even before you sign. If they won't give you a copy to take home and study, that's a sign they're hiding something.

SHOP AROUND at banks and tell them you're comparing where you can get the best deal. When one lender quotes a rate, call others and see if they can beat it.

ADD-ONS

Dealers want to sell you all kinds of extras: credit insurance, undercoating, security systems, etc. These are almost always overpriced—and often virtually worthless. If you really need these items, you can usually get them much cheaper elsewhere.

PROTECT YOURSELF

DON'T JUST NEGOTIATE THE MONTHLY PAYMENTS. If salespeople or loan officers can get you locked into a monthly payment, it allows them to steer you into a deal with high interest and lots of add-ons. Negotiate everything: interest rate, extras, total amount financed, etc.

READ EVERY DOCUMENT THOROUGHLY. Don't sign anything until you've had a chance to think about things overnight or longer.

DON'T BE RUSHED INTO ANYTHING. If a dealership is trying to rush you, that's a sign the deal's a rip-off.

Even if you have weak credit or little money, you have a right to be treated honestly and fairly. **PROTECT YOURSELF, STAND UP FOR YOUR RIGHTS, AND BE PREPARED TO WALK OUT THE DOOR IF A DEAL DOESN'T SMELL RIGHT.**

For more information about car rip-offs, go to:

carconsumers.com

carbuyingtips.com

ripoffreport.com

FIGHTING BACK

This spring in Mesa, Ariz., a small knot of protesters stood on a sidewalk outside the local J.D. Byrider store, handing out fliers to passersby and chanting “Lemon lot!” and “Deathtrap vehicles sold here!”

Dealership representatives met briefly with two customers and an organizer from the Association of Communities Organized for Reform Now. But general sales manager Rob Bartolini told the *East Valley Tribune*, “I believe their organization is irresponsible for just coming here and making a lot of noise when they don’t have the facts or the stories of both sides.”

It was a rare public confrontation. The well-oiled corruption of the car industry has prompted a steady flow of complaints and lawsuits, but little attention from media, politicians, or activists. The media take a timid approach to covering car dealers and financiers, partly out of fear the dealers will punish them with advertising boycotts. And state and federal legislators and many regulators have been similarly squeamish about taking on this well-moneyed industry.

“A long time ago they had agencies that looked out for the consumers,” says Delores McGee, an Upper Marlboro, Md., consumer who says she’s had legal run-ins with two of the nation’s leading “subprime” auto financiers, AmeriCredit and Credit Acceptance Corp. “Those agencies don’t exist anymore. The ones that do, you have to go through so many twists and turns just to get to them—and you wait it out, hoping they can help.”

Two years ago, U.S. Rep. Harold Ford, a Tennessee Democrat, requested hearings on discriminatory auto-financing practices, but the Republican-controlled House of Representatives has yet to take Ford up on his call.

“There’s no way representatives who get so much money from the automobile dealers and the financial industry are going to shed light on these practices,” says Rosemary Shahan, president of Consumers for Auto Safety and Reliability. “This is a source of campaign contributions for them—it comes from consumers, many of whom are getting ripped off. It means all these struggling families are donating megabucks to the Republican Party though the car dealers and the financial institutions—against their will.”

In California, consumers won a modest but hopeful victory in July with the signing into a law of a measure aimed at reining in finance-charge markups on auto loans. The new law doesn’t forbid markups, but requires dealers to keep records that allow regulators to track patterns of rate discrimination.

For consumer advocates, the wish list for reform includes laws cracking down on price gouging and fraud, more aggressive law enforcement at both the state and federal level, and a surge in activism similar to the grass-roots efforts that transformed predatory mortgage lending from a dirty secret into a national issue.

“I think what’s needed is more leadership on this,” Shahan says. “Civil rights groups should be up in arms. . . . We need to get organized. What if we say: ‘We’re really sick and tired of how you’re ripping off people. One day, when you have your huge sales, we’re not coming.’? The only language they understand is withholding money.”

SOUTHERN EXPOSURE

Invest in the Future of Investigative Journalism

THE BOB HALL INVESTIGATIVE ACTION FUND

THE LEGACY OF BOB HALL

In 1972, Bob Hall—civil rights veteran and staff member at the fledgling Institute for Southern Studies—issued a memo calling for a bold new “Southern journal” dedicated to honestly examining key issues facing the South. *Southern Exposure* was soon born, and over the next 20 years, Bob would leave an unmistakable imprint on *SE* and pioneer a new kind of advocacy journalism, which he continues to this day.

Bob’s approach to social change reporting has insisted on taking readers into the halls of power; searching for underlying trends and root causes behind current issues; allowing grassroots “change makers” to speak in their own voice; and linking investigations to the people who can use the information and ideas for fundamental change.

Bob’s path-breaking investigations not only garnered dozens of awards for Bob and *Southern Exposure*, they changed the debate about the South and spurred countless people to action, changing laws and changing lives.

THE BOB HALL INVESTIGATIVE ACTION FUND

To carry forward Bob’s legacy and nourish the next generation of advocacy journalists, in January 2004 the Institute and *Southern Exposure* will launch the Bob Hall Investigative Action Fund with three core programs:

- Funding the South’s best investigative journalists to conduct thoughtful, in-depth investigations into important social issues for *Southern Exposure* and other print and broadcast media;
- Training a new generation of advocacy journalists through an Investigative Internship Program;
- Translating investigative reporting into action through targeted outreach of Fund investigations to activists, policy-makers, the media, and other “change makers.”

INVESTING IN THE LEGACY

The Bob Hall Investigative Action Fund was unveiled on November 1, at “A Celebration of Free Voices for Democracy”—a special event featuring tributes to Bob by best-selling author Jim Hightower and other special guests.

Over the next five years, the Institute and *SE* aim to raise \$500,000 for the Bob Hall Investigative Action Fund through individual gifts and foundation support. These funds will support critical investigative projects and related Fund programs over the next 10 years.

We invite you to invest in Bob’s legacy and nourish the next generation of investigative journalists in the South. If you contribute now, the Z. Smith Reynolds Foundation has agreed to match all contributions to the Fund in 2004 dollar for dollar, up to \$15,000.

Gifts to the Bob Hall Investigative Action Fund can be made out to the Institute and are fully tax-deductible. To discuss a contribution to the Fund, please contact Chris Kromm at (919) 4198311 x 26 or chris@southernstudies.org.

THANK YOU!

Thank you to those who have supported the Bob Hall Investigative Action Fund so far:

Founding Members: David Bellin; Katherine Mountcastle; Ken Mountcastle; Grace Nordhoff; Lao Rubert and Steve Schewel; Peter Wood; Anonymous.

Contributors: Laura Benedict; Janet Irons; Susan Lupton and Bob Schall; Marc Miller; Ed Sebesta.

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Thank you also to the **Fund for Constitutional Government** and the **Fund for Investigative Journalism** for support of Hall Fund investigative projects.

REMEMBERING THE SALTVILLE MASSACRE



**Can acknowledging
atrocities help heal
racial divisions?**

By Tonia Moxley

They gather just before dusk on the old Saunders Hill in Saltville, a small town in southwestern Virginia. More than a dozen teenagers, members of the Scott Street Baptist Church youth group, file out of a bus onto the field where they set to work with paper bags, sand, and candles. They make these homemade luminaries every Oct. 2 just before 7 p.m. to honor the sacrifice, some say the massacre, of more than 40 black Civil War soldiers who died on this preserved battlefield, where no monument to their sacrifice stands.

Just over 2,000 people call Saltville home. Out of that number, the 2000 census counted only nine black people in the town limits. Yet the annual memorial service is usually an integrated affair, bringing people from several states and differing backgrounds and politics together to help heal the wounds of a nation still torn by the legacies of civil war and slavery. There they sing hymns, pray, and read aloud the names of those still listed as missing by military records.

There was virtually no interest in the story of black soldiers and their fight for freedom until the 1989 release of the movie *Glory*, which chronicled the formation and battle experiences of the all-black 54th Massachusetts Volunteer Infantry Company, says Frank Smith of the African American Civil War Memorial in Washington, D.C. Reclaiming sites such as Saltville and the stories around them “is important as the United States presents itself to the world as a beacon of freedom and democracy.”

David Brown grew up with a photo of his great-great-grandfather, Samuel Truehart, hanging in the front room of his childhood home in New York state. This fact set him apart from his peers because many black Americans have no record of their families beyond grandparents.

*“5th USCC,” by Jerry Bingham.
Reproduced with the artist’s permission.*

According to Thomas Mays, professor of history at Quincy University in Illinois and author of a book on the massacre, the Truehart photo is one of five existing identifiable photos of black Civil War soldiers. At least 200,000 black soldiers served in the Civil War.

In the old tintype, Truehart is dressed in the uniform of a Union cavalryman—riding pants, gauntlet-style leather gloves, and a blue wool coat with shiny brass buttons. His eyes are clear and resolute, his posture relaxed. The photograph was likely taken in the early autumn of 1864 at Camp Nelson, Ky., where Truehart enlisted in the Fifth United States Colored Cavalry. Within a few weeks, Truehart's regiment would ride into battle as part of a Union force attempting to destroy a Confederate installation at Saltville.

In 1998, Bill Archer, then a reporter for the Bluefield (W.Va.) *Daily Telegraph*, heard the story of the Saltville Massacre while covering a battle re-enactment there. Archer, the son of a military man, was astonished. "This is America. These were U.S. soldiers," he says. "The United States abandoned them; Burbridge abandoned them. How could you leave your wounded?" In fewer than two months, Archer had organized the memorial service.

Archer found David Brown through the Internet and invited him to participate in the service. While conducting research into his family history, Brown compiled a list of the soldiers of the Fifth still missing in action after the war. Brown and his mother, Phyllis Brown (Truehart's great-granddaughter) were in attendance as those names were read aloud and luminaries were lighted in their honor at the first Saltville memorial service on October 2, 1998, the 134th anniversary of the battle. Every year since 1998, people have gathered in Saltville to honor the sacrifice of these men.

In 1864, Gen. Stephen Gano Burbridge was trying to salvage a sinking military career. A few hundred miles away lay Saltville, Va., the so-called "Salt Capital of the Confederacy." Mechanical refrigeration did not exist during the Civil War and salt was the only battlefield food preservative. If Burbridge could destroy those salt works and disrupt the South's food supply, his career might be revived. But he needed troops.

Congress had established the Bureau of Colored Troops in May 1863 to recruit and train black soldiers for the war effort. Burbridge's state of Kentucky was bitterly divided over the war and many white Kentuckians were unwilling to enlist. So Burbridge, under the auspices of the new bureau, ordered the formation of the Fifth Regiment of the United States Colored Cavalry. Most of the 600 recruits came straight from bondage, but Samuel Truehart, a freeman, also was among the ranks.

The men of the Fifth USCC were given substandard equipment and at most three weeks' training before they marched off to Saltville with 4,400 white troops. Despite a lack of training and merciless taunting by their white counterparts, the men of the Fifth distinguished themselves in battle at Saltville on Oct. 2, 1864. Ordered to storm a heavily defended hill, the regiment suffered heavy casualties.

One Confederate cavalryman quoted by Mays in his book, *The Saltville Massacre*, wrote afterwards that he "never saw troops fight like they did. The rebels were firing on them with grape and canister and were mowing them down by the scores but others kept straight on." A Confederate officer concurred: "I have seen white troops fight in 27 battles and never saw any fight any better" than the men of the Fifth, he wrote.

But Burbridge was a lackluster tactician and his 5,000-man force was routed

"These were U.S. soldiers. The United States abandoned them. How could you leave your wounded?"



Samuel Truehart fought in the battle of Saltville. Photo courtesy of David Brown.

by half that many Confederates. The general and his remaining forces slipped back to Kentucky under cover of night, abandoning their wounded, many of them black soldiers, to the enemy.

Historians disagree about what happened the next morning. Some argue that another war began—a guerrilla war against black soldiers. Accounts written by Confederate soldiers describe a massacre that lasted for days after the initial battle, as Confederate troops executed black soldiers too wounded to retreat. “They were shooting every wounded Negro they could find,” writes one witness. “Hearing firing on other parts of the field, I knew the same awful work was going on all about me.”

The killing, according to some accounts, extended 12 miles away to a Confederate field hospital at Emory and Henry College, near Abingdon. A field surgeon at the hospital named William Mosgrove later filed a formal complaint with the military alleging the shooting of several black soldiers at the hospital. One Richmond newspaper reported that 155 black soldiers were killed and that Confederates took no prisoners.

A letter written on behalf of Gen. Robert E. Lee by his Aide de Camp Charles Marshall to a Confederate commander hints at an atrocity on Saunder’s Hill:

“He [Lee] is much pained to hear of the treatment the negro prisoners are reported to have received, and agrees with you in entirely condemning it. That a general officer should have been guilty of the crime you mention meets with his unqualified reprobation.”

The letter goes on to encourage the commander to bring charges against the unnamed officer, but no one was ever brought to trial for the killings. Saltville oral history says the executed soldiers were dumped in a sinkhole and a pig pen was erected on the spot to cover the crime.

At least one large set of public pig pens did exist in the town as recently as 40 years ago, Saltville tourism director Charlie Bill Totten says. As a child, he helped clean those pig pens and found a great many buttons, buckles and ribbons in the process. Too many, he says, for that spot to be anything but a mass grave.

Radford University archeologist Cliff Boyd has excavated that and a similar sink hole in town and has not found a mass grave. Residents say there are four other possible spots, but NASA’s ground-penetrating radar couldn’t find evidence of a mass grave anywhere in the town. Even if the bodies were dumped in a sinkhole, Boyd says, they were likely moved soon after. There is little chance that any remains will be recovered.

But David Brown’s great-great-grandfather was not among the dead. Samuel Truehart survived the first battle of Saltville, returning in December 1864 with a Union force that did destroy the salt works (although the Confederates, using 200 slaves, had the installation up and running again within a couple of months). Truehart stayed in the Army through the end of the war and was finally mustered out in Arkansas in 1866. He walked back to Kentucky, where he lived for 12 years before leaving for Kansas as part of the “Exoduster” movement. During those years, hundreds of thousands of African Americans went West, chasing the dream of owning their own land.

Anne Butler has spent much of her professional life preserving and passing on black history. She has worked at Camp Nelson National Historical Park and currently directs the Center of Excellence for the Study of Kentucky African Americans at Kentucky State University. She has consulted on the Saltville memorial service since its inception. “It’s very difficult for African Americans to find connections to geographic place,” she says. “History has been sanitized and our visible pres-

ence has been written out. Memorials help us reclaim a local landscape and the histories surrounding an area.”

In fact, the most divisive time in American history now brings people together, Butler says. For the past 15 years across the South, blacks and whites have banded together to preserve and memorialize Civil War history and the part of African Americans in that history. Confederate sympathizers have been known to help black people clean African-American cemeteries. “It shows how complex issues of race really are,” she says.

Saltville resident Eleanor Jones says her grandfather, 14 years old in 1864, witnessed the battle and the massacre from behind Confederate lines. She is proud of her Confederate heritage and says she doesn’t think about slavery when she thinks about the South. “The South means gentility, good manners, and hospitality to me,” she says. But she is a big supporter of the memorial service and dismisses concerns that “dredging up the past” might hurt the town’s fledgling tourism industry. “Veterans deserve recognition,” she says. “It means putting an issue to rest.”

Jim Bordwine, who grew up in Saltville and still lives there, says his great-grandfather may have participated in the massacre. Bordwine always has loved history and now spends most of his free time as a re-enactor. He usually attends the Saltville memorial in Confederate uniform. “Both sides needed to be represented,” he says. “We have to show that we can stand together, that we’re not still fighting.”

Although there is still resistance to reclaiming and telling the history of American blacks across the South, there is also a large contingent that supports opening up that history, says Virginia curator of African-American history Laurant Lee. Lee has traveled across Virginia touring black history sites and also consults on their preservation and presentation. She believes these sites are drawing African-American families to the South as tourists. “Parents have been concerned about how history is presented,” she says. But now “these families can have a part in the education of their children.”

In fact, everyone benefits from development of these historical sites, especially the small towns like Saltville, Butler says. “There is often an economic gain for them” in the form of tourist dollars. And it may also work for black communities. The African-American Civil War Memorial was built in the historically black Shaw neighborhood for this reason, says Smith.

According to a report by the Travel Industry Association of America, African-American travel increased 16 percent from 1997 to 1999. That increase was much higher than the one percent growth of U.S. travelers overall. The

“They were shooting every wounded Negro they could find. Hearing firing on other parts of the field, I knew the same awful work was going on all about me.”

report went on to say that most of those African-American travelers visit the Southeast United States. Phyllis Brown, for one, had never visited the rural South before the first Saltville memorial in 1998.

To Smith, this new trend is a way to “right a great wrong” in American history and help struggling communities. But it’s also about telling the truth. Black Americans built the South, he says. While slave owners were off fighting to preserve slavery, black people grew the food, worked the farms, and maintained the houses of the owners. After the war, black people, including federal veterans, came home to the South to “build a new world,” he says. “It’s a whole new story about the South and how it developed.”

Phyllis Brown feels much the same way. Memorials “tell the world that African-Americans fought for their freedom. They didn’t wait for others to win it for them. They took their future in their own hands.”

Tonia Moxley has written for several regional publications, including Appalachian Voices and The Roanoke Times. Her article “Appalachian Colors” appeared in Southern Exposure (Summer 2003).

For more information

The Saltville Massacre Web site (David Brown’s research) mywebpages.comcast.net/5thuscc

African American Civil War Memorial Web site www.afroamcivilwar.org

National Park Service Civil War Soldiers and Sailors Project (database of soldiers) www.itd.nps.gov/cwss

Saltville, Va. www.saltvilleva.com

MAKING A KILLING

THE NEW WAR PROFITEERS



Protesters at the *Doing Business in Iraq* conference in London, October 2003. Photo courtesy of Voices UK.

BY CHRIS KROMM

“President Bush is asking Congress for \$80 billion dollars to rebuild Iraq. And when you make out that check, remember there are two L’s in Halliburton.”

—DAVID LETTERMAN, *Late Show*, SEPTEMBER 2003

I. When all-purpose conglomerate Halliburton Co. was recently criticized for landing no-bid government contracts worth billions of dollars for post-war reconstruction in Iraq, the company’s Dallas-based executives must have been taken somewhat by surprise.

After all, it’s not like this was the first time the company had benefited handsomely from the spoils of war. Shortly after the 9/11 tragedies, Halliburton had been discreetly handed a non-competitive, no-cap, multi-year deal for “forward deployment” operations, earning them over a billion dollars and counting.

That deal failed to elicit mainstream outrage, as did the fact that, as National Public Radio journalist John Barnett recently revealed, Halliburton’s government contracts doubled from 1995 to 2000, when Dick Cheney was at the company’s helm and Democratic President Bill Clinton in the White House.

Halliburton’s windfalls from war—like those of most other companies that have benefited from an aggressive U.S. foreign policy—are rooted in a long-running, bipartisan confluence of government policy and corporate power. Indeed, it was in 1962 that Halliburton took over Brown and Root, a Texas company instrumental in launching the career of one Senator Lyndon B. Johnson. Johnson returned the favor during the Vietnam War, steering millions in military contracts to his long-time backers.

Then, as now, allegations flew of favoritism, corruption,

and profiteering by well-connected corporations. Leading the charge? An upstart Congressional Representative from Illinois, Donald Rumsfeld.

"There is such a thirst for gain [among military suppliers]...that it is enough to make one curse their own Species, for possessing so little virtue and patriotism."

— PRESIDENT GEORGE WASHINGTON, 1778

II. As long as there has been war, there have been enterprising individuals willing to take advantage of desperate or ambitious combatants.

As historian Stuart Brandes notes in his pioneering history of war profiteering, *Warhogs*, in 1672 a South Carolina gunsmith named Thomas Ashcraft "became the first American defense contractor jailed for poor workmanship and nonfulfillment of contract."

By the Revolutionary War a century later, all forms of profiteering—from fraud and price gouging, to plunder and trading with the enemy—were seen as downright unpatriotic. In 1780, the North Carolina legislature moved to limit war profits after determining that "extravagant" prices were resulting from the "wicked arts of a set of men called speculators." During the Civil War, sensational price-gouging scandals and other cases of fraud, such as allegations that troops North and South were going "half-naked" thanks to cheaply-made uniforms, led to howls of public outrage and calls for reform.

But it wasn't until 1898, when the United States launched its first major bid for overseas empire with incursions into Cuba, Puerto Rico, and the Philippines, that a genuine movement against war profiteering took hold.

As the U.S. military rapidly expanded—despite the absence of an enemy threat, the army budget increased by a factor of 30 and naval spending increased 40-fold—populists, Progressives, religious pacifists, isolationists, and others took the critique of war profiteering one step further, arguing that not only were the "Merchants of Death" capitalizing from conflict, they were deliberately driving the nation to war.

The burgeoning anti-profitteering movement found a sympathetic ear in the South and Midwest, regions largely bypassed by the military fortunes accumulated by military-related businesses in the North and West. In 1916, Representative Claude Kitchin of North Carolina—responding to the anti-war convictions of his constituents—successfully pressed for the country's first "excess profits tax," aimed at reining in the egregious gains made by munitions manufacturers such as DuPont, which enjoyed a 1000 percent increase in profits in the three years before World War I.

Outrage over the skyrocketing profits of war-time robber barons before and after the first world war carried into the 1930s, when the anti-profitteering movement hit full steam. By 1935, organizations including

the Veterans of Foreign Wars, the American Federation of Labor, the National Grange, and the Democratic Party embraced the anti-profitteering cause. Popular agitation emboldened politicians such as Sen. Gerald Nye of North Dakota, who launched his own three-year, Congressionally-backed investigation into collusion between government and the arms industry.

The movement was to have a lasting impact on the consciousness of the nation, not least some of the country's most prominent political leaders. Presidents Wilson, Harding, and Franklin D. Roosevelt all spoke against excessive windfalls from war. As a Senator, Harry Truman denounced war profiteering as "treason." President Eisenhower, who ended his presidency by warning of the encroaching power of the "military-industrial complex," traced his concern back to his involvement in the War Policies Board of 1930, which investigated charges of persistent war profiteering.

"I don't want to see a single war millionaire created in the United States as a result of this world disaster."

— PRESIDENT FRANKLIN D. ROOSEVELT,
DURING WORLD WAR II

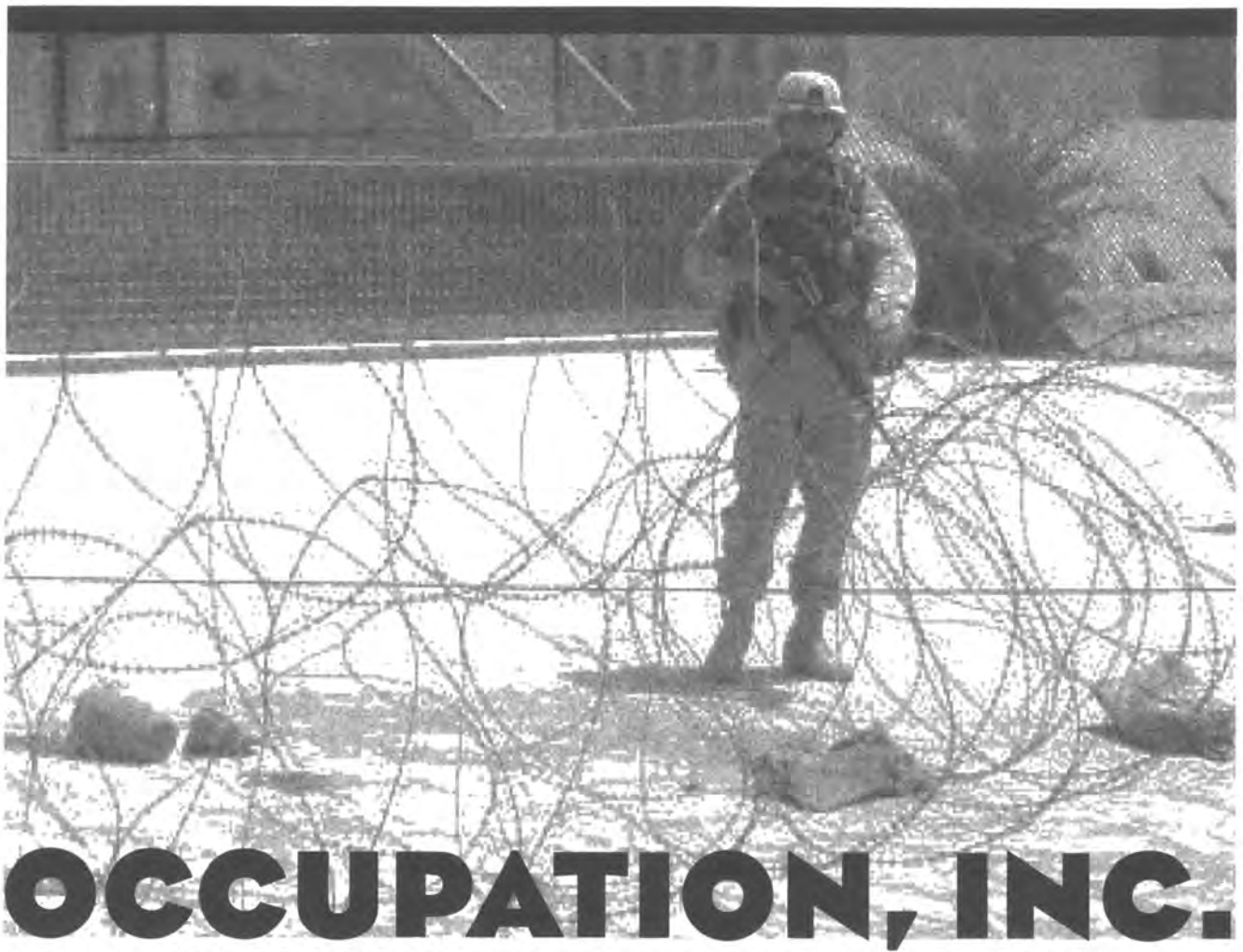
III. Today, war profiteering has become more sophisticated, driven by an increasingly integrated network of military contractors, lobbying operations, and pro-military politicians, many who have revolved in and out of government positions. Unlike the early 20th century, war-related business have found a receptive home in the South, which increasingly is linking its economic future to military expansion (see "Missiles and Magnolias," *Southern Exposure*, Spring 2002).

The dramatic increase of military work given to private contractors (by one estimate, a third of expenditures for the Iraq war) has made war an even more lucrative enterprise—which, as Jason Vest reveals in this issue, has given rise to a powerful lobby motivated to secure the spoils of intervention and reconstruction.

But as Pratap Chatterjee and Herbert Docena show, the basic tactics of the war profiteer—over-charging, cutting corners, and seeking to conceal the truth about what is going on—remain familiar. Indeed, the Bush administration's open policy of connecting the Iraq military operation to economic goals of controlling the country's oil, water and other key resources and industries has drawn charges that the U.S. is engaging in that most elemental form of war profiteering: plunder.

Yet as before, there are signs that the latest round of companies making a killing from war will spark public and political resistance. As soldiers and civilians bear increasing hardship from the newest quest for empire, a growing chorus is demanding information, accountability, and justice, so that, as President Roosevelt demanded over 50 years ago, no more millionaires are made from war.

Chris Kromm is publisher of Southern Exposure.



A U.S. soldier guards Iraq's Ministry of Oil. Photo courtesy of InCounter Productions (www.aboutbaghdad.com).

War profiteers in Iraq pursue quick fixes and high profits by overcharging for shoddy work, while Iraqis protest that they could do the work better and cheaper.

The giant steam turbine at the Najibiya power plant is quiet. If the Russian engineers who built the original equipment over 30 years ago stopped by to take a look, they might have a hard time recognizing the machinery: over the years Iraqi engineers have replaced many of the original blue parts with a patchwork of white and grey makeshift materials.

Across the street the lights go out. Yaruub Jasim, the general director of electricity for the southern region, a kindly-looking man in his sixties dressed neatly in a grey suit, is apologetic. "Normally we have power 23 hours a day but today there is a problem. We should have done maintenance on these turbines in October, but we had no spare parts and no money."

Jasim tells us the needed parts were supposed to be supplied by Bechtel, a California-based company in charge of repairing the power system under a contract to restore Iraq's infrastructure. (A Bechtel spokesperson says that the company was only responsible for "specifying the material design parameters for spare parts," while it was up to occupation authorities to purchase and deliver the parts.)

Bechtel won the contract last April, before President Bush declared an end to major conflict. The company is to repair and refurbish sewage, water, and school systems to the tune of over a billion dollars and growing, making Bechtel's business in Iraq second only to Texas-based Halliburton.

Just days before our visit in mid-December, the United States government

BY PRATAP CHATTERJEE AND HERBERT DOCENA

announced its decision to exclude the countries who opposed the war from winning reconstruction contracts in Iraq. The political ramifications of this ban, and whether it would cover parts suppliers and sub-contractors or not—weighs heavily on Jasim's mind.

"Three out of four of our power stations were built in Russia, Germany, and France. Unfortunately, Mr Bush prevented the French, Russian, and German companies from [getting contracts in] Iraq three days ago," he says.

As we walk around the power plant, we notice four brand-new industrial-sized York air-conditioners. "We got those air conditioners two weeks ago—Bechtel sent them to us because our equipment was malfunctioning over the summer, but they haven't installed them and we don't need them in the winter," says Hamad Salem, the plant's manager. The delay is due to a dispute over whether Bechtel or the power plant itself is responsible for installing the air conditioners.

WHO HAS THE POWER?

The engineers in southern Iraq are lucky to only have to explain why the power fails once a day. Their colleague in Baghdad—Mohsen Hassan, the technical director for power generation at the ministry of electricity—has to explain to visitors why there is no power, frequently for over ten hours a day, in the capital city which houses a quarter of Iraq's population.

A quiet, unassuming man, Hassan wears a checked shirt, no tie, and a brown jacket that might be seen on any street in this city.

"Bechtel has put us in a very difficult position. My minister has said to them if the people get angry, don't blame us. You know electricity is the first (biggest) problem in Iraq, they must solve this as soon as possible. Under Saddam we fixed everything quickly but we didn't worry about quality. We didn't work the standard way, it was very irregular."

"The Americans have very high standards, ours are very low," he adds, holding out his hands and bringing them closer together to illustrate his point. "We need to meet in between." We ask him why Bechtel is so slow, as surely this is a company that is very capable, having built the Saudi Arabian electricity system from scratch. "These are unusual circumstances," says Hassan. "No security, there is sabotage, the system is upset."

One of the reasons that Bechtel has taken so long is because its electrical team spent two months simply examining power plants, substations, and high-voltage lines before they started any work, infuriating the Iraqi staff, who say they could have told the company what was necessary. Theft and sabotage have been another problem—as soon as Bechtel started replacing 10 sabotaged electrical towers near Nassiriya, another 10 were destroyed nearby.

Bechtel denies responsibility for the situation. "A lot of people thought the United States was going to come in with a dump truck of money," Cliff Mumm, head of Bechtel's Iraq effort, recently told the San Francisco *Chronicle*. "To just walk in and start fixing Iraq—that's an unrealistic expectation."

This reasoning is echoed by U.S. government officials. On a visit to the U.S. Agency for International Development office in the heavily guarded Baghdad convention center next to the Republican Palace, we encounter three Secret Service officers with assault rifles in the central atrium, walking in step, facing



Several armored vehicles guard the Baghdad South power plant. Photo: U.S. Agency for International Development (USAID)

"We have no books, no stationary, nothing," says one teacher. "At least we had that in Saddam's time. When I asked the contractor why they didn't finish the job, they said: 'We don't work for you, we work for the Americans.'"



Iraqi workers repair a boiler at the Al-Doura power plant in Baghdad. Photo: USAID

different directions, scanning the area constantly. In the center of the imaginary circle they create is an older man in a blazer. He looks like a career politician, and smiles as he chats to the woman walking beside him.

"This looks so splendid," he proclaims, gesturing at the convention center. We ask the Secret Service guy who he is, perhaps a member of Congress? "No, he's Ambassador Ted Morse, who runs Baghdad and its suburbs." I step up and ask him if he will speak to me for a few minutes about the infrastructure problems in the city. He smiles genially. "Of course."

Morse focuses relentlessly on the positive. "When we came here, the entire city was still without light. The entire city was insecure and there was fighting going on. But now, in terms of the whole city, there has been tremendous, tremendous progress."

When we tell him that we have talked to the power plant managers, and they have a different story to tell, he insists that everything will be resolved in time. "Six months is a little unrealistic to ask for it [reconstruction] to be over. The bottleneck is sheer time. If you look at how much time it took to rebuild Bosnia, in Sierra Leone, in Rwanda, in Cambodia, in Burundi, in Timor. Wherever you have had a true conflict situation, there is

an impatience in that people think it could be done immediately. Never in the world can it be done immediately. It cannot. It's just a physical engineering constraint and it has nothing to do with Bechtel."

Mohsen Hassan doesn't agree. "We, the Iraqi engineers, can repair anything," he says. "But we need money and spare parts and so far Bechtel has provided us with neither. The only thing that the company has given us so far is promises. We have brought the power generation up to 400 megawatts without any spare parts, but we will need something more than words if we want to provide this city with the 2,800 megawatts that it demands."

Iraqis point out that the previous regime got things up and running again after the first Gulf war in a matter of months, even though the damage was much more extensive because the United States and Britain deliberately bombed the power infrastructure. This time the invasion avoided targeting power plants, but more than twelve years of United Nations sanctions have taken their toll.

The complaints are not limited to electricity. Telephones don't work because U.S. and British planes bombed exchanges, and despite some progress, to date Bechtel has yet to finish repairing many of them. And the water system is also in a state of major disrepair, ac-

Things are worse than in Saddam's time. When the American contractors came, they took away our Japanese fans and replaced them with Syrian fans that don't work. Honestly, the condition of our school was better before the contractors came.

According to Sa'ad Mohammed, the director general of the water department for Baghdad.

"From the beginning, the U.S. considered Iraq like Afghanistan—without infrastructure and expertise," he told us. "But when they came here, they realized the Iraqis are very different. The biggest problem is that the money allocated for water and sewage from the \$18 billion US budget is not enough," he told us.

Yet activists have long warned that the twelve-plus years of United Nations sanctions had severely impacted utilities because it was practically impossible to buy spare parts. A report by the New York-based Global Policy Forum in August 2001 states: "Civilian infrastructure has suffered disproportionately from the lack of maintenance and investment. For example, Iraq's electrical sector is barely holding production steady at one-third of its 1990 capacity even though government expenditure in the sector consistently exceeds plans. Electrical shortages, worst during the hot summers, spoil food and medicine and stop water purification, sewage treatment, and irrigated agriculture, interfering with all aspects of life."

SUFFER LITTLE CHILDREN

The situation in Iraq's schools—which Bechtel was supposed to have repaired over the summer—is not much better. Complaints about shoddy or undone school repairs have recently brought high-level outside scrutiny. An internal study by U.S. Army personnel, surveying Iraqi education ministry staff and school principals and recently leaked to Cox Newspapers, strongly criticized Bechtel's attempts to renovate Iraqi schools.

"The new fans are cheap and burned out immediately upon use. All inspected were already broken," wrote a U.S. soldier. "Lousy paint job. Major clean-up

work required. Bathrooms in poor condition," wrote another about a different school.

Much of the criticism focuses on Bechtel's Iraqi subcontractors. "The contractor has demanded the schools managers to hand over the good and broken furniture. The names of the subcontractors are unknown to us because they did not come to our office," wrote an Iraqi school planner.

"In almost every case, the paint jobs were done in a hurry, causing more damage to the appearance of the school than in terms of providing a finish that will protect the structure. In one case, the paint job actually damaged critical lab equipment, making it unusable."

Bechtel officials defend their work. "The people at Bechtel really care about this one. We've all got kids. We've all been to school. In a country with a lot of hurt, this is meaningful. So, it's a system, it's people who care and it's being done in the middle of chaos, chaos evolving into something more orderly and more Iraqi," Bechtel's Gregory Huger, a manager in the reconstruction program, told a Cox reporter.

To find out for ourselves, we visit four Baghdad schools (all listed as renovated by Bechtel), beginning with Al-Harthia, a low white building that houses 570 elementary school students. Here we meet Huda Sabah Abdurasiq, who loses no time in showing us all that is wrong. The rain leaks through the ceiling, shorting out the power. The new paint is peeling and the floor has not been completely repaired, she says.

A class at the Agadir Secondary girls' school in the Saydiya neighborhood of Baghdad. Photo: USAID





Iraqi school girls in class at the Agadir school. Photo: USAID

Most shocking to Huda is the price tag: "I could fix everything here for just \$1,000. Mr. Jeff [a Bechtel subcontractor] spent \$20,000!" she fumes. She went to the district council and complained and then marched off to the convention center to confront the military. "They were very angry and spoke to our councilmember Hassan but nothing happened. And we have no receipts for money spent. It's useless, they won't do a thing," she says.

We head over to Al-Wathba school, easily in the worst condition of all the schools we visit. Ahmad Abdu-satar, a friendly man in a dapper suit who has worked here for two years, shows us the toilets and sinks: new brass taps and doors painted a dark blue but the sinks are in a terrible state, they don't look like they have been touched in a decade. There is no new paint on any of the walls, and, like the previous school, the playground is flooded.

"I've been thinking of turning it into a swimming pool," he remarks sarcastically. "Honestly, nothing has changed since Saddam's time. I ask you, would American children use these toilets?" We tell him that budgets have been slashed in America and teachers fired en masse, but he repeats his question: "I ask you, would American children use these toilets?" We are forced to concede that the answer is no.

"We have no books, no stationary, nothing. At least

we had that in Saddam's time. Yes, our salaries have gone up, but so have prices. When I asked the contractor why they didn't finish the job, they said: we don't work for you, we work for the Americans."

We stop briefly at the Al Raja'a school, but it is still being repaired. Jamal Salih, the guard, shows us around, then complains that he had asked the contractor to fix his house, but they refused. We take a peek inside, surprising his two daughters and wife who are busy preparing a meal of potato chips for lunch. The workers also invite us to join them for their falafel lunch, but we decline and hasten to the last stop of the day before the school closes at one p.m.

This is Hawa school, run by Batool Mahdi Hussain. Hussain is a tall woman, dressed all in brown, including her traditional Islamic headscarf. She appears young for the 11 years she has spent at this school, which she recently took over when the parents voted her in as headmistress after the war. Like the two previous headmistresses, she is eager to talk and show us around.

She is also bitter about the contractors. The school has a fresh coat of paint on the outside with all of the characters from the Disney version of Aladdin, complete with the genie and the prince.

But, she says, things are worse than under Saddam.



War-related damage at the Academy of Fine Arts in Baghdad. Photo courtesy of InCounter Productions.

“UNICEF painted our walls and gave us new Japanese fans. They painted the cartoons outside. When the American contractors came, they took away our Japanese fans and replaced them with Syrian fans that don’t work,” she says angrily.

We are joined by the school guard, Ali Sekran, who speaks a few words of English. He repeatedly uses his AK-47 as a pointer to help Hussain illustrate all the problems. We pray that the gun isn’t loaded.

The headmistress takes us to the toilets where a new water system has been installed, pipes, taps and a motor to pump the water. The problem is the motor doesn’t work so the toilets reek with unflushed sewage. She then uncovers a new drain cover to show us that it is nothing but a cover. She walks quickly, not waiting for the camera to catch up, a whirlwind of show-and-tell. “These doors, the hinges are broken. We were supposed to get steel doors, we got wooden doors. The new paint is peeling off. There isn’t enough power to run our school.”

We notice a brand new blackboard. Hussain says that the teachers paid for it out of their own pocket. As we bid farewell, she walks us out of the gate and points to the construction debris in the road.

“They didn’t even take their rubbish with them. They gave us no papers to tell us what they had done and what they did not do. We had to pay to haul the trash. Honestly, the condition of our school was better before the contractors came.”

Bechtel Baghdad spokesman Francis Canavan says the company has “received inquiries” on a number of the schools it contracted to repair. He says Bechtel has directed its subcontractors to make repairs, and is withholding 10 percent of the subcontractors’ payment to ensure that repairs will be made.

But the United States Agency for International Development (AID) is unapologetic about the state of the schools. An official spokesperson tells us: “If you are

going to do a slam article that complains that the paint is peeling on a school that we didn’t fix, I don’t see why I should talk to you. I don’t even know that you went to schools that were fixed by AID—26 of the 52 schools that have submitted complaints were not even part of our contract.” We assure her that we only visited schools that were listed by Bechtel, showing her Bechtel’s own list. She acknowledged the list with bad grace, clearly rattled by numerous news reports of the failure of the school repair program which officials had hoped would bring them much-needed positive publicity.

Despite the spokesperson’s acceptance of the school list, Canavan, in a later email response, told us he can’t find the schools we visited on Bechtel’s list. He noted, however, that “school names change, and the English spelling of school names in Iraq varies.” At press time, Bechtel has agreed to help *Southern Exposure* clear up any uncertainties about who worked on these schools.

In any case, this episode points up another problem that seems to plague the Iraq reconstruction business: a frequent confusion among Iraqis, occupation authorities, and contractors over who’s responsible for what, which can contribute to disputes and delays.

MAKING A KILLING

To its credit, Bechtel is one of the few companies that has made extensive use of local contractors and holds regular meetings to explain how to get work from them. It is also *the most* accessible to the international press, being the only company to maintain offices at the Baghdad convention center where the U.S. military holds trainings, meetings, and press conferences for the outside world.

However, the company is not as accessible to ordinary Iraqis. Getting to Bechtel’s offices isn’t easy. It takes half an hour on a good day to get through three body

Photo courtesy of InCounter Productions.



searches and a maze of barbed wire, sandbags, solid concrete road blocks, and soldiers, designed to keep out suicide bombers.

Visitors to the basement of the convention center where Bechtel keeps its offices might meet Maniram Gurung outside the United States consul's office. Standing in front of photographs of Bush, Cheney, and Powell, Gurung watches American soldiers, Iraqi government officials, and contractors hurry by in the business of nation-building.

For the retired Gurkha rifleman from Kathmandu, Nepal, this guard duty is yet another boring but well-paying job, allowing him to send \$1,300 home to his family, a small fortune in his country. It's not as much as he used to earn when he had to retire from the British Army in 1990 at \$2,500 a month, but it helps pay the bills. And there are some advantages—this job is only for six months whereas in the British Army he could only go home from his rotation in exotic locales like Brunei and Hong Kong once every three years.

But Gurung is not a member of the coalition forces—his red badge identifies him as an employee of a private security company called Global Risk. Some 500 Gurkhas and 500 Fijians make up the bulk of this British company's armed staff, and as a security force for the CPA, they face just as much danger and resentment as the soldiers. In early August a Gurkha was killed by a bomb in Basra. Today they are confined to their barracks at night, eight men to a trailer home, and food is strictly "English" (a euphemism to mean Western food), provided by Kellogg, Brown & Root sweatshop cooks from India whose base pay is just three dollars a day.

Why all this security? Almost every day a U.S. soldier is killed by the well-hidden but determined Iraqi resistance, and in recent weeks they have started to target the companies that are profiting from the occupation.

The other day I was called in to have my passport stamped by the occupation authorities. Me, an Iraqi citizen, I have to have my existence verified by these Americans. And I have to bribe the man to get an interview."

This summer, a Bechtel engineer and four guards were attacked by a crowd that hurled giant chunks of ripped-up concrete at the business executives in the SUV they were traveling in, shattering most of the windows.

Today U.S. and European businessmen travel with caution in what has become the unofficial transportation of the war profiteers: shiny new white GMC Suburbans. Often their vehicles are flanked by two other SUVs filled with gun-toting private security guards.

While guards like Gurung make a relatively princely salary by Middle Eastern standards, their Iraqi counterparts make far less. Mohammed al-Husany, the ever cheerful head of security at the Palestine Hotel's outer barricade, tells us that he makes just 100 dollars a month, not enough to support his wife and two kids. "I want a job with the American companies. I have a second degree black belt in karate and I know how to fire every kind of weapon. AK-47s, M-16s, all of them. But my friends who work for Halliburton's security make \$400 dollars a month and the American security guards even more," he confides to us.

Not that the security and barricades have prevented all Iraqi resisters. Did we see the bombing of the hotel last week?, he asks. "The rockets went just one meter over my head," he says, imitating the sound of the missile. "They fired it from a donkey cart. Now no more animals allowed around here."

But as far as we have been able to determine, most Iraqi security guards rarely make over \$100 a month for five 12-hour shifts a week. Their employers, however (and there are dozens of Western security companies in Iraq today), make a killing selling their services. A contract seen by *Southern Exposure* from Group 4 Falck, a British security company, offered the CPA two armed guards 24 hour a day for any building for \$6106 a month, of which the Iraqi guards' salaries amounted to just 10 percent of the costs.

WAR PROFITEERING?

The three employees of Kellogg, Brown, and Root (a Halliburton subsidiary), standing at the base of a stairwell at the convention center chatting on their tea break, are excited. Khaled Ali tries several times to pronounce the word "congratulations" but fails. Exasperated, he turns to me to ask if there is a better word. I suggest slapping his friend on the back and saying: Good job! Well done! But he shakes his head violently. "No, I cannot say that—Mr. Lewis is an American, my boss. I must say something more polite."

We start talking. Khaled Ali is an engineer in charge of construction at the convention center, Sabah Adel Mostafa is an interpreter, and Daoud Farrod is a supervi-

Most Iraqi security guards rarely make over \$100 a month for five 12-hour shifts a week. Their Western employers, however, make a killing selling their services. A contract seen by Southern Exposure offered two armed guards 24 hour a day for any building for just \$6106 a month; the Iraqi guards' salaries were just 10% of the costs.

sor. Farrod is older but the first two are in their late twenties. They are friends and live in the same neighborhood. Every morning Halliburton sends a car to pick them up and bring them to work at 8 a.m. and take them back at 4 p.m.

They are enthusiastic about their work. "It's my first job. I was not able to practice my English before. And the [previous government] pay was just \$10 a month," Mostafa tells me. Ali says it his first job, too. "And you are in charge of all the construction here," I ask. He nods proudly, beaming when we say "Congratulations!" Mostafa earns \$200 a month, right in the middle of the typical pay scale for Halliburton's Iraqi workers, which ranges from \$100 to \$300 a month. By comparison, Houston engineers can make as much as \$900 a day.

If the local staff gets paid so little, the question is what happens to the rest of the money? To date, Halliburton has made over \$2.2 billion from the war in Iraq but, unlike Bechtel, most of this money is not for fixing Iraq's destroyed and crumbling infrastructure. Some 42% is spent on combating oil fires and fixing oil pipelines, 48% is for supporting the needs of the occupying army (such as housing and transportation for troops), leaving just 10% for meeting community needs in Iraq.

Breaking down the numbers reveals some startling details: Halliburton has spent \$40 million to support the unsuccessful search for weapons of mass destruction—enough to support 6,600 families in Iraq for a year (at \$500 a month, the number cited by many Iraqis as necessary for a decent standard of living).

Other numbers are just as startling—Halliburton's net profit for the second quarter of 2003 was \$26 million, which contrasts markedly with the company's net loss of \$498 million in the same quarter of 2002. Most of its new income is from the contracts in Iraq. "Iraq was a very nice boost" for the company, an analyst told *The Wall Street Journal*.

Easily the most controversial contract that the company has won in Iraq is for fuel transportation. The importing of gasoline has proved to be among the most costly elements of the reconstruction effort. Although Iraq has some of the biggest oil reserves in the world, production has ground to a halt because of pipeline sabotage, power failures, and an outdated infrastructure affected by more than twelve years of United Nations sanctions.

The United States has been paying Halliburton an average of \$2.64 a gallon to import gasoline to Iraq from Kuwait, more than twice what others are paying to truck in Kuwaiti fuel, government documents show. In some cases Halliburton has even charged the government as much as \$3.09 a gallon. Wendy Hall, a Halliburton spokesperson, defends the company's astronomical charges for gasoline. "It is expensive to purchase, ship, and deliver fuel into a wartime situation, especially when you are limited by short-duration contracting."



The money for Halliburton's gas contract has come principally from the United Nations oil-for-food program, money that should rightfully be spent on food and basic necessities for the Iraqi people—not paid to Halliburton for expensive oil imports.

The prices Halliburton is charging for gasoline were first uncovered by two Democrats in Congress, John Dingell of Michigan and Henry Waxman of California. Documents they recently obtained from the Army Corps of Engineers show that Halliburton gets 26 cents a gallon for its overhead and fee, but this does not include the company's profits, which will be determined at the end of the contract and may be as high as 9 percent, depending on the Army's evaluation of the services provided.

"I have never seen anything like this in my life," Phil Verleger, a California oil economist and the president of the consulting firm PK Verleger, told the *New York Times*. "That's a monopoly premium—that's the only term to describe it. Every logistical firm or oil subsidiary in the United States and Europe would salivate to have that sort of contract."

Meanwhile, Iraq's state oil company, SOMO, pays 96 cents a gallon to bring in gasoline. Both SOMO and Halliburton's subcontractor deliver gasoline to the same depots in Iraq and often use the same military escorts.

The good news about Halliburton's overcharging is that these prices have not been passed on to Iraqi consumers directly. The price of fuel sold in Iraq, set by the government, is 5 cents to 15 cents a gallon, the same price as before the war.

Yet these numbers are cold comfort to most Baghdad citizens, because there is very little gasoline available for sale. One must spend at least four hours to buy gas at the pump and often much longer.

The bad news for Iraqis is that the money for Halliburton's gas contract has come principally from the United Nations oil-for-food program (now called the Iraq Development Fund), money that should rightfully be

spent on food and basic necessities for the Iraqi people rather than paid to Halliburton for expensive oil imports, though some of the costs have been borne by American taxpayers.

An internal Pentagon audit has confirmed the overcharging, indicating that Halliburton billed the government an extra \$61 million for gasoline (and also attempted to overcharge by \$67 million for dining services for the military).

On our way back from our interviews, we pass yet another line for gasoline: it stretches around the block and all the way across the bridge over the river. We decide to chat with the men waiting in line. We are quickly surrounded by angry people.

"We were a rich country—now our very wealth has been stolen by the Americans," says one. "Under Saddam we never had to wait in line for benzene [the local word for gas or petrol], now we must spend half a day and then sometimes they run out," says another. The popular theory is that Americans are re-selling the high quality Iraqi gasoline to other countries or keeping it for themselves. "They sell us Turkish or Kuwaiti or Saudi oil. This is bad for our engines and creates more pollution." One little boy joins the fray: "George Bush Ali Baba, George Bush Ali Baba." (Ali Baba is the popular local term for thief, popularized by the U.S. military to refer to looters. Now, according to the *New York Times*, Iraqis use the term to refer to occupation forces.)

Just a block away from the gas station, it is possible to buy black market gasoline for one dollar a gallon—ten times more than at the pump. We decide to buy from the black marketers, and ask the man why he chooses to

Cars in line to buy gas in Baghdad. Photo courtesy of InCounter Productions.





Graffiti on a Baghdad wall. Photo courtesy of InCounter Productions.

sell the gas at such a high mark-up. “Listen, I used to be an electrical engineer. Now I have no job. Who will feed my wife and three children?” he asks.

Despite all the private security and the tens of thousands of troops, life for ordinary Iraqis has unquestionably become far worse: two blocks from our hotel, a man was shot in the head and lay bleeding. A passerby discovered him and took him to the police station, but the police refused to investigate.

“What has happened to Iraq? We are in a state of chaos,” says the black marketer. “This is a complete break-down of our civilization. The other day I was called in to have my passport stamped by the occupation authorities. Me, an Iraqi citizen, I have to have my existence verified by these Americans. And I have to bribe the man to get an interview. When I told the Americans that I had to pay a bribe, they told me I shouldn’t have and I said: well, if you paid him a decent salary, maybe he wouldn’t have to ask for a bribe. But no, they pay people the same as under Saddam.”

PROPAGANDA FOR THE PEOPLE

Dressed in regulation camouflage khakis, the G.I. from the First Armored Battalion is causing a minor traffic jam by handing out newspapers in the middle of traffic at the Sahar Antar (Sahar means roundabout) in the Al Adamiyah neighborhood. His fellow soldiers watch warily from their Humvee and Bradley convoy parked to the side, just in case anyone decides to take a potshot at their colleague.

We gasp as we flip open our copy of *Baghdad Now*, a bilingual newspaper issued by the military. Two headlines read “Operation Iron Hammer Nets Terrorists” and “Iraqi-American Friendship on the rise.” Pratap has a flashback to Cold War propaganda in India 20 years ago (“Soviet-Indian Friendship on the rise”). Similarly, a page five article on the ribbon-cutting ceremony at the dedication of a renovated engineering building reminds us of the filler articles one might see in newspapers from the former Soviet bloc.

Ali Baba” is the popular local term for thief, popularized by the U.S. military to refer to looters. Now Iraqis more commonly use the term to refer to occupation forces.

On the front cover is a photo of an Iraqi Civil Defense Corps (ICDC) soldier toting an M-16 and looking as menacing as possible. A page six article headlined “Iraq’s New Defenders” starts, “In addition to the new national army being formed to defend Iraq’s borders in the post-Saddam worked, the ICDC has been created to aid in policing the nation’s cities.” No mention of poor salaries here, although more than half of the new recruits to the Iraqi army have already quit because of low pay.

Writes Colonel Brad May of the 2nd Armored Cavalry Regiment, “Iraq is for the people of Iraq. Everyday I see more and more signs that this statement is true. The Iraqi people are well on their way to leading their country into the future: children walk to school, buses crowd the street carrying people to their destinations, and street vendors compete against each other for your business.”

We show this paper to Dr. Aziz, who runs a small printing business just outside the Sheraton hotel in Baghdad. He glances at it and grimaces. He explains that the American government should stop telling the Iraqi people how lucky they are and start fixing the problems, otherwise even their supporters are going to start protesting. “Please tell your readers that we are a civilized people and we cannot tolerate this any more.”

Pratap Chatterjee is managing editor for Corpwatch (<http://www.corpwatch.org>) in Oakland, California, and Herbert Docena works for the Bangkok office of Focus on the Global South (<http://www.focusweb.org>). This piece was made possible in part due to support from the Fund for Investigative Journalism, the Fund for Constitutional Government, and the Bob Hall Investigative Action Fund.

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CONCEALED WEAPONS

WASHINGTON'S CORPORATE WAR LOBBY

In June of 2003, Joe Allbaugh—a Texas native son, longtime George W. Bush lieutenant, and, until his March resignation, the charitably under-qualified Director of the Federal Emergency Management Agency—set up shop in a suite of offices adjacent to those of his lobbyist wife, M. Diane Allbaugh of MDA Capitol Associates. There Allbaugh christened himself president of his own influence boutique, The Allbaugh Company. As is often the case with White House friends and connections, it wasn't long before Allbaugh had clients at his door, including corporate heavy hitters like Union Pacific and the National Mining Association.

In a town where cashing in on one's connections rarely prompts the bat of an eye, this was hardly an act of innovation. But in July Allbaugh entered into a far more intriguing arrangement, one that put him at the heart of a new nexus between lobbying, political vision, and policymaking—in a Washington where the Roman architecture increasingly reflects the trappings of empire.

Indeed, Allbaugh's venture may stand as a quintessential case study in business incestuousness and the rise of right-wing Southern political clout on the Potomac. First, Allbaugh became chairman of New Bridge Strategies, a “unique company created specifically [to] take advantage of business opportunities in the Middle East following the conclusion of the US-led war in Iraq,” as its website advertises. Allbaugh's partners in this new endeavor include Lanny Griffith and Ed Rogers of the lobby shop Barbour, Griffith, and Rogers, one of D.C.'s most Republican and most formidable firms—the Barbour being Haley Barbour, former chair of the Republican National Committee and newly-minted Governor of Mississippi. (M. Diane Allbaugh also sometimes toils in the BG&R vineyards, and is listed as being “of counsel” to the firm).

Also involved in New Bridge is Syrian-American Jamal Daniel. A longtime Houstonite, Daniel is a friend of the Bush family; in an act of pragmatic charity that likely cuts several ways, Daniel's Crest Investment Corporation pays W's brother Neil \$60,000 a year for 3-4 hours of “consulting” work each week, according to Texas court documents.



Joe Allbaugh and George W. Bush at Allbaugh's swearing-in as FEMA director in 2001. Photo: FEMA

Influence peddlers and defense contractors see dollar signs in a bellicose foreign policy and military outsourcing

BY JASON VEST

A bunch of the Pentagon people think they'll be welcomed with open arms and then out of there fast; others think it's going to a disaster, and troops will be there forever," the lobbyist said. "Either way, it's a win-win for us."

But perhaps the most interesting—and lucrative—aspect of the New Bridge deal is the company's commingling with an entity called Diligence LLC. Founded in 2000 by Nick Day, a former British Special Boat Service and MI5 officer, and Mike Baker, a retired CIA officer, Diligence is a private intelligence and security company staffed, according to its promotional materials, by professionals drawn from the ranks of law enforcement, intelligence agencies, and Special Forces. Diligence can also boast of its D.C. connections: the company's chair is Robert Burt, a former defense official in the Reagan and first Bush administrations, a director of Barbour, Griffith, and Rogers, and an advisor to New Bridge. Both Ed Rogers and super lobbyist Tommy Boggs sit on its board, and Haley Barbour himself owns a piece of the company.

So far, New Bridge hasn't had much success landing contracts for construction and telecom clients trying to cash in on Iraq. But Diligence has been doing great business courtesy of the Baghdad office it opened in July. Diligence was originally launched to provide security services for companies trying to hustle a piece of the post-Saddam action. But according to the company, business has grown to "encompass payroll protection and delivery, personnel and facilities security, due diligence on potential Iraqi business partners and companies, screening of potential hires, vetting, training, and management of security personnel, and provision of daily intelligence briefs," for both private and Coalition interests.

Indeed, Diligence's business is going so well that the company has decided to turn the Baghdad office into a dedicated subsidiary, Diligence Middle East (DME), co-

chaired by . . . Richard Burt and Joe Allbaugh. And who can blame them for the move? After all, thanks to the ministrations of the Coalition Provisional Authority (which considers unfettered free enterprise a key ingredient of the new Iraq, and has rewritten the country's investments laws accordingly), anyone wanting to incorporate in Iraq doesn't have to share ownership with any indigenous public or private partnership—an almost unheard of arrangement for U.S. companies looking to do business in the Middle East.

In the months after 9/11, conventional wisdom in Washington held that "homeland security" would be a gold mine for enterprising lawyers, lobbyists, consultants, and contractors for years to come. And there certainly is a burgeoning homeland security industry—which, as it turns out, Joe Allbaugh is in on as well, through a consortium called Civitas, started by the prominent Republican lobbyist Charlie Black, of BKSH & Associates. (BKSH itself an affiliate of the global public relations giant Burson Marsteller.) But thanks to the Iraq war and the unfolding "post-war" debacle, the real money continues to flow from the headwaters of defense and foreign appropriations.

Any number of Washington lobby shops had both good political and fiscal motives to push for war with Iraq. While some on the right are leery of the Bush Administration's embrace of "pre-emptive" and "unilateral" action, others see this aggressive posture as a natural development of America's role as global hegemon and as a necessary instrument of market expansion, so America can do what it does best: business.

War is, of course, always good for those in the business of supplying the military with weapons and technology. In some respects, of course, the defense industry doesn't require much in the way of lobbying. If you're Raytheon, for example, so long as places and people are successfully dispatched by your Tomahawk, Patriot, Javelin, Maverick, and TOW missiles, you can be relatively certain Uncle Sam will be placing more orders to replace the expended stocks. The same goes for Lockheed Martin's Hellfire missiles, as well as the popular and versatile F-16 fighter. For new weapons systems and a myriad of other related matters, however, lobbying is required.

The big arms merchants employ a panoply of in-house lobbyists whose job is to ensure that Congress is perpetually preparing, and paying, for war. Meanwhile, smaller or less traditional defense-interested companies often rely on well-connected former national security



Ahmed Chalabi of the Iraqi National Congress, which has hired a lobbying firm with ties to the Bush Administration.

officials to look after their interests. Sometimes, though, it's hard to say just how former "former" is, particularly if someone who's lobbying the Defense Department is consulting for them as well—in particular on a project designed to facilitate a war.

Such was the case with Christopher M. Lehman, a former Reagan National Security Council official who now heads the Virginia-based Commonwealth Consulting Corporation. Commonwealth lobbies for about a dozen defense-related concerns. In 2002 and 2003, Lehman, according to former Pentagon officials, was also a consultant to the Defense Department's secretive Office of Special Plans, the unit of specially-hired neoconservatives tasked with producing intelligence analysis proving the need for war with Iraq based on Saddam Hussein's possession of weapons of mass destruction and ties to al Qaeda.

While war can be good for business, one longtime K Street hired gun opined to me in March that even better prospects—for both business and influence peddlers—would be found in the reconstruction. "A bunch of the Pentagon people think they'll be welcomed with open arms and then out of there fast; others think it's going to a disaster, and troops will be there forever," the lobbyist said. "Either way, it's a win-win for us.

"In the first scenario," he continued, "lots of reconstruction and retraining contracts will be doled out in an orderly way. In the other case, you'll need those contracts, and, because Rumsfeld wants to outsource so many military functions, you'll have money there, too. Whoever wants that money will need to know the people who know the right people. And I can tell you right now there are a bunch of people around town who, if they don't know the right Iraqis or the right neoconservatives, are scrambling to make new friends or make new alliances."

In this respect, Charlie Black's shop, BKSH & Asso-

ciates, was already sitting pretty. A longtime Republican strategist and Bush family friend, Black was a key player in the Bush/Cheney 2000 campaign. Since the dawn of the second Bush Administration, BKSH has been retained by the Iraqi National Congress of Ahmed Chalabi, a figure beloved by Pentagon neocons but scorned by most of the intelligence and foreign policy community. Chalabi's status as an at-large felon convicted of fraud and embezzlement in Jordan—and the INC's dodgy reputation as purveyor of dubious intelligence—inclined many to keep the man and the organization at arm's length. But when the Pentagon's favorite Iraqi exile took a position on the interim Iraqi Governing Council, Chalabi and the INC were quickly seen as useful gateways for business.

By summer's end AT&T, GM, Cummins Engine, and the engineering firm Fluor International had retained BKSH's services with an eye towards doing business in Iraq. So far, Fluor has landed two Iraq contracts—one for logistical services, another for the rebuilding of Iraq's electrical grid. Cummins has also done a brisk business in selling generators thanks to its Iraq contract, so much so that its generator sales rose by 15 percent in one quarter.

By the time a contract has run its course, the amount charged to the government can be far greater than the original low bid.

Elsewhere, it probably didn't hurt Lucent Technologies in winning its \$25 million Iraq contract that the company retains Barbour, Griffith, and Rogers. Louisiana scion and Washington fixture Tommy Boggs's firm Patton Boggs is raking in money directly through its new dedicated Iraq practice—and indirectly via its 15 percent ownership of Qorvis Communications, which is working the Iraqi and American leadership on behalf of Jordan's Shaheen Business and Investment Group.

Another Louisianian, former Republican Speaker-Elect Bob Livingston, has proven that in Washington,

there is lucrative life after humiliating sex scandal: having already scored Britain's De La Rue International a pricey currency and passport printing contract for the new Iraqi government, The Livingston Group is working hard on behalf of a variety of British and Chinese interests hoping for Mesopotamian tenders.

Liberty Mobile, a consortium hoping to land one of the three wireless phone concessions for Iraq, seemed to have lost out when the Coalition Provisional Authority announced that tenders were being awarded to three other groups. But according to sources, through the persistent efforts of Liberty's lobbyists, an investigation into both the contract awards process and the contractors themselves was launched that may yet see Liberty landing some reconstruction business.

Soldiers' mothers organized a fundraising drive to buy and ship their sons air-conditioning units after contractors failed to supply them.

Carrying Liberty's water: both a team from the DC powerhouse Akin, Gump, Strauss, Hauer, and Feld that includes former Bush/Cheney 2000 California state director Stacy Carlson and top Republican lobbyist Barney J. Skladany, and the newly-created Millennium Capital Consultants, an apparent operation of one. But the one carries a lot of weight: according to papers filed with the U.S. Congress, Millennium is super-low profile trade lawyer William N. Walker—a former protégé of Donald Rumsfeld in both Illinois politics and the Ford White House, where Rumsfeld made Walker the president's patronage chief and later deputy trade representative.

According to Walker, this history had nothing to do with his tasking by Liberty Mobile. "This is not the type of thing one would go talk to [Rumsfeld] about," Walker told *Southern Exposure*. He downplayed his history with Rumsfeld, and described Liberty Mobile as "dead." But even if Liberty Mobile never makes a dime from Iraqi reconstruction, Walker himself has already made a pretty penny lobbying on their behalf.

Not everyone doing business in Iraq had to hire lobbyists. Take Science Applications International Corporation (SAIC), one of the larger and more venerable components of the military-industrial complex. Though well-known and highly regarded for science and technology contract work to defense and intelligence agencies, SAIC is not known for more conceptual projects like political and media reform. Yet the corporation has managed to land precisely such work in Iraq—to the tune of an estimated \$38 million disbursed by the Pentagon.

SAIC was given the for-hire portfolio that includes advising Iraqi dissidents on how to set up a democratic, representative Iraq and how to help create an independent Iraqi media. It's only speculation, of course, but some Washington observers can't help but wonder if the presence of Wayne Downing and William Owens on SAIC's board might have had something to do with this. A former US Special Forces commander and White House aide, Downing has long been a booster of Ahmed Chalabi and the INC, and was part of the Committee for the Liberation of Iraq, a sort of American national auxiliary of the INC. In addition to sitting on SAIC's board, Owens also has a place at the table of the Pentagon's Defense Policy Board, a body almost completely stacked by the Bush Administration with hawks hungry for regime change all over the Middle East.

Despite SAIC's connections, the company's desultory performance in Iraq might jeopardize its contracts. So far, neither endeavor seems to have gone particularly well; as a "project consultant" told the *Washington Post* in a neglected story, the CPA's inability to decide if the SAIC-run Iraqi Media Network is "a mouthpiece for the authority or independent media" has rendered the project less than credible, and Senator Richard Lugar (R-Ind.) has made no secret of his desire to see the contract authority taken away from the Pentagon and moved to the State Department.

State, however, isn't necessarily any more discerning when it comes to doling out business to contractors. Take, for example, its history with Virginia-based DynCorp, a leader in the rapidly-expanding private military company (PMC) industry. DynCorp has spent tens of millions of lobbying dollars in recent years to make sure that military tasks from weapons systems maintenance to base security are outsourced.

A \$3 billion company whose business is drawn almost exclusively from federal government contracts, DynCorp is in many respects a virtual army for hire. Its cadre of former military, intelligence, and law enforce-

ment personnel do pretty much what they did in the public sector, but now for more money, courtesy of government tenders. DynCorp employees fly virtual combat missions over Colombia's coca fields, augment the US Border Patrol on the Mexican border, provide diplomatic security at US embassies abroad, and have taken over certain US Special Forces missions in Afghanistan. Unfortunately, DynCorp's private warriors have also been investigated overseas for one-the-side entrepreneurial endeavors ranging from drug smuggling to arms and sex-slave-trafficking (see "Gun for Hire," *Southern Exposure*, Spring/Summer 2002).

DynCorp was, reportedly, one of five companies vying for another gig: the lucrative \$48 million contract to train a new Iraqi army. The Vinnell Corporation won that battle. And what so qualifies Vinnell to train a nation's army? Like DynCorp, it may as well be a private army in and of itself, one that's grown from battalion to corps size in its history. Vinnell was one of the first private companies to start hiring just-out-of-the-service former soldiers and paying them, courtesy of government contracts, to do things not unlike what they were getting paid vastly less to do while working directly for Uncle Sam.

Given the company's experience in everything from running US military training programs to training the Saudi armed forces, it's hardly surprising that Vinnell got the Iraq gig—though it didn't hurt, say Pentagon sources, that it had help from dozens of lobbyists deployed by the defense behemoth Northrop Grumman. That's right: in addition to having planes, ships, missiles, and other pieces of defense hardware for sale, Northrop, which cannily bought Vinnell last year, also has its own ground force for hire as well.

In Iraq, contractors aren't just there as trainers and supplements to nascent Iraqi police and military forces; they're ubiquitous as US military support personnel. Dozens of firms now do everything from carpentry, laundry, cooking, and mail service to weapons systems manning and maintenance for the military. And if Secretary of Defense Donald Rumsfeld has his way, the tens of thousands of tasks once performed by military personnel and now "outsourced" will grow to hundreds of thousands over time, in the ostensible name of both taxpayer savings and creating a military where the majority of men and women in uniform are devoted to fighting.

In some ways, this might not sound like a bad idea. But there are problems with outsourcing, not the least of which are the hidden costs that often emerge, even when a contractor comes in with a low bid. Authorities need to

monitor contractors closely, as the venerable tradition of jacking up costs and gouging the government is alive and well. A 2003 study by the nonpartisan Project on Government Oversight found that between 1990 and 2003, the top ten federal government contractors logged at least 280 instances of real and alleged misconduct. By the time a contract has run its course, the amount charged to the government can be far, far greater than the original low bid.

Top 10 U.S. Contractors in Iraq and Afghanistan



Note: Numbers rounded to nearest million.

Source: Center for Public Integrity. As of October 2003. Several billion dollars of contracts have been awarded subsequently, and more are planned.

P private companies can shield egregious cost overruns from public scrutiny more effectively than the military itself.

Even if a company is virtuous, it still will likely have to deal with costly insurance issues that don't arise for the military. When a contractor tells its insurance company that it's going to send employees into harm's way in places like Iraq or Afghanistan, insurance premiums generally skyrocket in the neighborhood of 400 percent. This creates new expenses for the contractor that can either result in those expenses being passed on to the taxpayer—or the contractor not showing up at all, which has happened in Iraq, complicating situations for both soldiers and civilians.

While Halliburton and its Kellogg, Brown, and Root subsidiary garnered much attention for overcharging the U.S. government for fuel (which resulted in the Defense Energy Support Center, a government agency, taking over), there has been a host of other less-publicized contractor-related horror stories that underscore the need for serious debate on military outsourcing as public policy.

A few examples: Newhouse News Service's award-winning military correspondent David Wood has reported on soldiers' mothers organizing a fundraising drive to buy and ship their sons air-conditioning units after contractors failed to supply them. A Pentagon audit found that Halliburton's stewardship of military mess halls would have sent any county health inspector into a fit of apoplexy. Electricity production remains inadequate due to lack of personnel and hardware support from contractors. Vinnell and its subcontractors on the Iraqi army tender—SAIC, Military Professional Resource, Eagle Group International, Omega Training Group, and Worldwide Language Resources—have done such a good job that over half the trainees in the first unit of the new Iraqi army have quit.

And if the experience of one active-duty Army officer I spoke with late in 2003 is any indicator, the contractors don't care. The soon-to-rotate officer told me that he had recently been approached by a contractor offering him a post-Army job in the office that writes contract bids. "He

showed me some of their internal memos, and next to each job they were hiring for were two columns," he said. "In one was what they're going to pay the person to do the same thing they did in the military, basically at twice the salary. The other is what they're actually going to charge the government, which is about twice what's in the first column. I asked how he could do such a thing. He just shrugged and said, 'There's lots of money out there right now.'"

In early January 2004, however, the Pentagon announced that its aggressive Army-outsourcing program has been back-burnered. But the fundamental scenario remains: as more and more military jobs are privatized, the Pentagon shifts its resources from paying people to paying for weapons systems, and an increasing share of the defense budget goes into profits for defense contractors and other industries. The result has been a hemorrhaging of military personnel in recent years (particularly in the Army's officer corps), as many of those interested in continuing their soldiering careers have gone to work for private military companies.

While those companies pay ex-soldiers better than the military, the real money goes to top executives and investors. Meanwhile, the companies themselves, citing "proprietary" concerns about "trade secrets," can shield their operational details (including egregious cost overruns) from public scrutiny more effectively than the military itself can in some cases. But matters of defense and security—and the lives of soldiers and civilians—can hardly be expected to stand in the way of profit in the new business of war.

Jason Vest has written on national security affairs for The Nation, The American Prospect, and Mother Jones.

FIVE WAYS TO STOP WAR PROFITEERING

By Rania Masri and Chris Kromm

INVESTIGATE THE PROFITEERS

Throughout history, when corporate interests are suspected of trying to make a buck off the devastation of war, courageous politicians have demanded investigations. In the early 1930s North Dakota Senator Gerald P. Nye launched Congressional hearings into war profiteering surrounding World War I. Harry Truman led hearings at the height of World War II. Today, there should again be a bipartisan call for a formal Congressional inquiry into companies getting sweetheart military contracts and others making big bucks off war.

ELIMINATE COST-PLUS CONTRACTS

Officials have known cost-plus contracts—which guarantee a certain percentage of the cost is added to ensure a profit for the contractor—have potential for abuse since World War I. Today, new evidence continues to surface that Halliburton and other contractors are abusing cost-plus contracts, to the detriment of U.S. taxpayers and “reconstruction” projects. Cost-plus contracts remove any incentive for corporations to reduce costs, since the greater the cost incurred in the project, the greater the profit for the company. Profits and costs of contracts—a growing part of the military budget—should be capped.

DEMAND YOUR RIGHT TO KNOW

Once of the greatest obstacles to organizing and policy-making is a glaring lack of information. Many contracts in Afghanistan and Iraq have been made with restricted bidding and little congressional oversight. We must have transparency in bidding and content of contracts, as well as how the contracts are carried out.

SUPPORT RECONSTRUCTION FOR THE PEOPLE

For countries rebuilding after war, the first opportunity for “reconstruction” work should be given to local people, businesses, and institutions. That is the only path to true prosperity and self-rule. Reports out of Iraq also show that self-run “reconstruction” is cheaper and more efficient.

SPREAD DEMOCRACY, NOT CORPORATE GREED

Corporations aren't just getting rich in Iraq and elsewhere through military contracts. They're also poised to make big profits from the wealth and resources in conquered countries. For example, the Pentagon has prodded the Iraqi Governing Council to permit 100 percent foreign ownership in most sectors of Iraq's economy, and to allow all profits to leave the country. The U.S. has also pushed through provisions limiting taxes on corporations to 15 percent. Plunder is one of the oldest forms of profiteering. Demand an end to U.S. policies that encourage the pillaging of other countries' wealth and resources.

Rania Masri directs the Institute for Southern Studies' Southern Peace Research and Education Center and codirects the Campaign to Stop the War Profiteers and End the Corporate Invasion of Iraq. Chris Kromm is executive director of the Institute for Southern Studies and publisher and editor of Southern Exposure.

RESOURCES ON WAR PROFITEERING AND THE CORPORATE INVASION OF IRAQ

WEBSITES

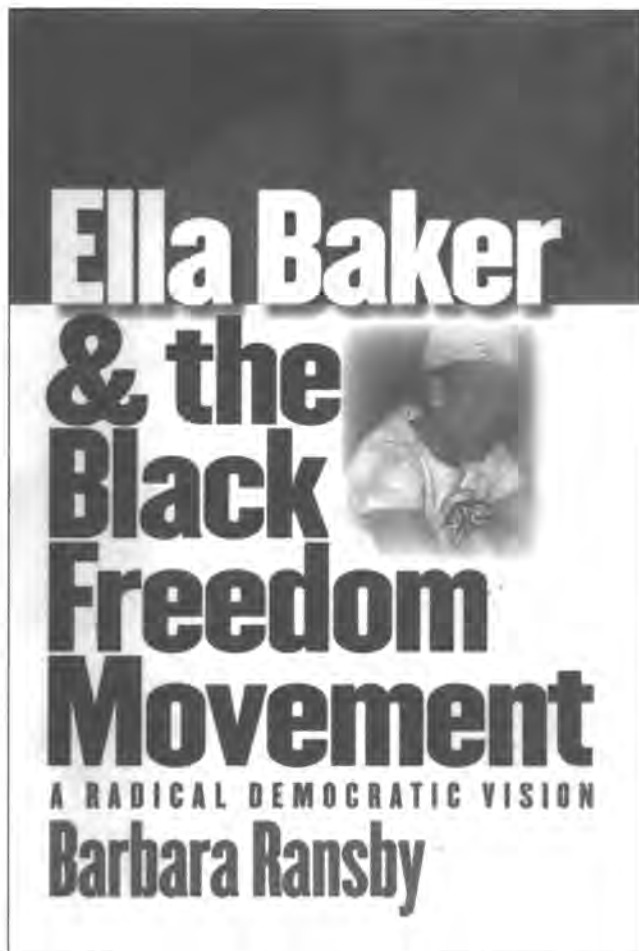
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- Baghdad Burning, "Girl Blog from Iraq...let's talk war, politics and occupation.":
riverbendblog.blogspot.com
- Center for Public Integrity, "Windfalls of War: U.S. Contractors in Iraq and Afghanistan.":
www.publicintegrity.org/wow/
- Iraq Revenue Watch, "Monitoring Iraq Reconstruction Funds, Contracts, Oil.":
www.iraqrevenuewatch.org
- Institute for Southern Studies, Campaign to Stop the War Profiteers and End the Corporate Invasion of Iraq: www.southernstudies.org
- U.S. Labor Against the War: www.uslaboragainstawar.org
- House Committee on Government Reform Minority Office: www.house.gov/reform/min/
- "Arms and The Man: Who's Making a Killing In Iraq?": majorbarbara.blogspot.com
- Direct Action to Stop The War: www.actagainstawar.org
- Public Citizen's Critical Mass Energy and Environment Program, "Bechtel, Profiteering from Destruction.": www.citizen.org/publications/release.cfm?ID=7280 (or www.citizen.org/cmep/)
- World Policy Institute Arms Trade Resource Center: www.worldpolicy.org/projects/arms/
- War Resisters League's Stop the Merchants of Death Speaking Tour :
www.warresisters.org/merchants_death.htm
- Citizen Works, "Stop Corporate War Profiteers!":
www.citizenworks.org/corp/warcontracts/warcontracts.php
- CorpWatch, "Holding Corporations Accountable.": www.corpwatch.org
- Project on Government Oversight (POGO): www.pogo.org

BOOKS

- How Much Are You Making on the War, Daddy?—A Quick and Dirty Guide to War Profiteering in the Bush Administration*, by William Hartung. Nation Books, 2004. www.nationbooks.org
- Weapons of Mass Deception: The Uses of Propaganda in Bush's War on Iraq*, by Sheldon Rampton and John Stauber. Jeremy P. Tarcher, 2003.
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- Oil, Power, and Empire: Iraq and the U.S. Global Agenda*, by Larry Everest. Common Courage Press, 2003.

“GIVE PEOPLE LIGHT AND THEY WILL FIND THE WAY”

Review by Timothy B. Tyson



Ella Baker and the Black Freedom Movement: A Radical Democratic Vision
Barbara Ransby, University of North Carolina Press, 2003, 470 pages.

ASKED TO NAME the most politically influential North Carolinian of the twentieth century, most Tarheels would nod to Jesse Helms, though a few might push for Frank Porter Graham or Charles B. Aycock. But without question, the correct answer is Ella Jo Baker. Baker, who grew up in Littleton, was the single most important organizer and intellectual behind the African American freedom movements that transformed American history in the last half of the twentieth century. She pushed those move-

ments forward even harder than Helms opposed them. Though Baker herself would resist the assessment — “strong people don’t need strong leaders,” she like to say — her “amazing and incandescent life,” in biographer Barbara Ransby’s phrase, takes us to the roots of the radical humanism that reshaped our world — roots that turn out to be our own.

Her radicalism was as homegrown as brightleaf tobacco. Born in 1903, Baker was raised on her grandparents’ farm in Warren County. Her maternal grandmother, Elizabeth, had been the defiant daughter of the white man who held a deed to her. She married Mitchell Ross, a dark-skinned rebel who became a minister and politician after Emancipation, preaching the gospel of freedom. In 1888, the couple made the last payment on a farm where they had once been slaves, and built a church. Their life was rooted in a Christian ethos that valued persons over property. Baker’s grandparents never regarded their land “as private property in the strict sense of the term,” Ransby tells us, but used it as an anchor for their community and “a weapon in the struggle against the white planters’ attempt to dominate and control the African American population.”

Reared among former slaves and Reconstruction radicals, Baker sharpened her political mind at Shaw University in Raleigh, the oldest historically black college in the South and the first to admit women. Valedictorian of the Class of 1927, she moved to New York City to find a higher sort of education. Her prim demeanor and stylish hats masked an unfashionably independent woman. She married but rarely spoke of her husband, never took his name, and divorced without most of her colleagues even knowing. She loved her family, adopting a niece and raising her as her own daughter. But politics was her lifelong companion.

In Depression-era Harlem, Ransby writes, “intense political debates raged everywhere, spawning militant protests in the streets.” Taking a job in the Works Progress Administration, Baker engaged some of the best political minds of her generation. “You had every spectrum of radical thinking on the WPA,” Baker recalled. “Boy, it was good, stimulating.” She became a democratic socialist, easy-going and eclectic, confronting Stalinists and Republicans with equal fervor. Baker honed a grassroots philosophy that rejected all

dogma. "She would argue her point one day," an old acquaintance recalled, "and see you on the street and hug you the next."

In 1940, Baker joined the staff of the National Association for the Advancement of Colored People. Under Walter White's conservative leadership, the NAACP pursued litigation, legislation and public relations, relying on the goodwill of enlightened white opinion. Despite the common view among whites that the NAACP was "communist-inspired," the elitist group put the brakes on mass organizing wherever it occurred. The national office also resisted any show of leadership by women. But Ella Baker remained determined to "place the NAACP and its program on the lips of all the people, the uncouth MASSES included," as she sniped in a sarcastic letter.

Baker battled sexism at every turn, but her booming voice and calm intelligence lifted her to national director

Her radicalism was as home-grown as brightleaf tobacco.

of branches in 1943. Defying both Ku Klux Klan terrorism and bureaucratic footdragging, Baker cross-stitched the South, organizing a quilt of quiet revolt from Virginia to Texas. One of her workshops, "Give People Light and They Will Find a Way," inspired an unknown seamstress named Rosa Parks. Under Baker's leadership, the NAACP grew from 50,000 members to almost 450,000, becoming a truly national organization that linked small Southern towns with big Northern cities. In 1946, however, Baker resigned, disappointed that the NAACP was determined to remain a top-down bureaucracy.

Baker's NAACP patchwork came in handy after the Montgomery Bus Boycott of 1955-56, when she insisted that the stirring young preacher who led the crusade not allow the momentum to fade. Despite Martin Luther King's view that a "cooling off" period might be best, Baker insisted that Southern activists needed their own organization—and used her contacts to create the new Southern Christian Leadership Conference. With little more than a telephone booth and a roll of coins, Baker launched the SCLC, whose victorious campaigns would topple old Jim Crow. Though she was only "interim" ex-

ecutive director—the domineering black ministers rejected the idea of a woman director—the organization that lifted Dr. King to international recognition might never have existed without Ella Baker.

Like the NAACP, the SCLC did not live up to Baker's ideal of a grassroots mobilization, operating instead as a vehicle for King's ascendant celebrity. Baker had a different vision of freedom: "Instead of the leader as a person who was supposed to be a magic man," she said, "you could develop individuals who were bound together by a concept that benefited the larger number of individuals and provided an opportunity for them to grow into being responsible for carrying out a program." That program, she insisted, should harness the energies of women, in particular, and elevate local leaders who knew what was best for their own communities. Social change was more about local "spadework," as she liked to say, than national celebrity: "Strong people don't need strong leaders."

SCLC's hidebound preachers resisted Baker, and accomplished almost nothing until impatient African-American college students in Greensboro sat down at Woolworth's lunch counter in 1960, launching a new, militant phase of the movement. When the sit-ins spread to more than 100 Southern communities within a few weeks, Baker knew that this fresh energy had to be harnessed—and protected from the civil rights establishment. "This may be only a dream of mine," she confided to a friend, "but I think it can be made real."

Organizing an Easter weekend conference at her alma mater, Shaw University, Baker helped found the Student Nonviolent Coordinating Committee. These passionate young shock troops took the South by storm, and made themselves in Ella Baker's image. Never dictating to the young, Baker kept SNCC from coming under the control of their "responsible" elders. Baker knew that their fearless spirit should lead, not follow, the "adult" organizations. Forty years older than many SNCC members, Baker kept minutes, wrote press releases, maintained a mailing list, raised funds, and served as a one-woman think tank, riding in their jalopies and feeding their dreams. SNCC became the most interracial, the most democratic, and the most vibrantly influential civil rights organization of the postwar era.

Baker's philosophy of cultivating local leadership and her faith in the wisdom of the black poor set her apart from the conventional wisdom of her day, and helped freedom prevail in the civil rights-era South. The mass base that Ella Baker built for the NAACP made possible the decisive courtroom victories like *Brown v. Board of Education*. SCLC's campaigns in Birmingham and Selma won the Civil Rights Act of 1964 and the Voting Rights

Baker's vision of participatory democracy blended African American self-reliance and Southern populism.

Act of 1965. And the young insurgents of SNCC overran the armies of segregation and remade American democracy. Without Ella Baker's efforts as an organizer and intellectual, two of these organizations probably would not have existed and all of these battles might have ended differently. Her vision of participatory democracy, forged on her grandparents' farm in Littleton and sharpened in the century's key social struggles, blended African American self-reliance and Southern populism.

Though popular reactions against those movements lifted Southern demagogues like George Wallace and Jesse Helms, their conservative movement could not uproot the blossoming of American democracy that Baker did so much to nurture. Baker died in 1986, but her work lives on at the grassroots of American life. At a time when unaccountable corporations virtually dictate public policy, ordinary citizens often feel powerless. But Barbara Ransby's wise and well-crafted biography of Ella Baker reminds us that "we who believe in freedom cannot rest," as Baker told the Mississippi Freedom Democratic Party in 1964—and that we can sometimes prevail, too, if we don't forget our way home.

Timothy B. Tyson is a professor of Afro-American Studies at the University of Wisconsin-Madison. A version of this review originally appeared in the Raleigh News and Observer.

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Stan Goff

Robert Jensen: Associate Prof. of Journalism, University of Texas–Austin; Author, *Writing Dissent*.

TOPICS: *Following the Flag: The Failures of Journalism During War*; *Saying Goodbye to Patriotism*.

Catherine Lutz: Prof. of Anthropology, UNC–Chapel Hill; Author, *Homefront: A military City and the 20th Century*. TOPICS: Social, Cultural and Economic Impact of Military Spending; Repression of Social Justice Movements; Racism, Sexism and the Military.



Rania Masri

Rania Masri: Director, Southern Peace Research and Education Center; Contributor, *Iraq Under Siege* and *The Struggle for Palestine*. TOPICS: Impact of U.S. Military Contractors & Foreign Policy on Palestinians, Iraqis and Americans; Civil Rights in Times of War.

David Potorti: Co-Director, September 11th Families for Peaceful Tomorrows; former TV producer and journalist. TOPICS: Remembering 9/11; Media Ownership and Coverage of War.

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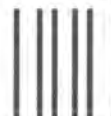
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