SECOND EDITION: Expanded and Updated

It's not raining, we're getting peed on

The scam of the deficit crisis

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Introduction to the Second Edition

It got only worse.

When I began writing the first edition of this book more than two years ago, the foolish Commission appointed by the president to tackle the phony debt and deficit “crisis” had just had its first meeting. For the good of the people, it would have been a blessing had it not met. But, the good of the people is not, unfortunately, a guiding principle in this debate.

Instead, at a cost to taxpayers of millions of dollars, the Commission—officially known as the “National Commission on Fiscal Responsibility and Reform”—ejected a putrid pile of documents that were ushered, on a red-carpet of journalistic irresponsibility and inside Washington blathering, to the mountain top of other great ideas that became conventional wisdom at great cost to the American people: Saddam Hussein had weapons of mass destruction, housing prices would always go up, the Dow would reach 30,000, Alan Greenspan was a Great Oracle of financial stewardship and, icing on the cake, Bernie Madoff was an investing genius.

The Commission, which is discussed in further depth in this edition, begat a Congressional “supercommittee”, which, when it failed, begat a deal that would lead to the country’s elites foisting another useless term upon the people, the “fiscal cliff”.

This revision, which includes three new chapters, takes us up to the story today, a time when we may witness a catastrophic gutting of basic social programs—a gutting that is entirely unnecessary but will be blessed by a bi-partisan chorus.

It continues to be a mind-boggling spectacle, frankly: an entire political system in the grips of a conversation about a “crisis” that does not exist, while the real crisis of joblessness, poverty, and Wall Street criminality get shoved to the side.

So, the on-going saga of the foolish, immoral economic pillaging of the American people by a bi-partisan chorus of politicians and elites continues.

The only question left is: what will the people do?

Introduction

Hands up! This is a stick-up. I want your retirement, your health care, and I want YOU to pay even MORE to pay for the roads, schools and air you breathe.

Oh, and by the way, this is the second time you're being robbed. Big time. The first robbery cost you and me, and every American who is not among the top one percent of the wealthiest people in the country, trillions of dollars in wealth. The second heist will probably cost you and me at least that—and more.

And wouldn't every robber love this: it's a legal stick-up! It has the blessing of many people inside the elected political leadership in the country, Democratic and Republican.

We've seen this picture, time and again: The economic powerful elites screw-up—or break the law straight up—and the people get left holding the bill.

The Savings and Loan scandal of the 1980s, the Internet bubble of the 1990s, and the mortgage mess of 2008—make your own list. The political system—run by Democrats and Republicans—has pissed away trillions of dollars, handing over a huge amount of wealth to the very rich and letting a huge chunk of change get flushed down the toilet through dumb decisions and a lack of spine to stand up for the people against special, powerful corporate interests.

I don't care if you are in the Democratic Party, Republican Party, Tea Party, Coffee Party, Pot Party, I-Can-See-Russia-From-My-Porch Party or American Idol Party—the people are about to be screwed again.

We're being scammed—again. We're being frightened, bullied and brainwashed into thinking that our entire future is at stake because of the "government's deficit crisis" and the "government's debt crisis", and, for a short time, the promoters of the future "crisis" spawned a side show known as "the fiscal cliff".

We are all being told: America, it's time to tighten the belt.

So, pay attention to this:

The government's deficit and debt are not a big crisis.

It's not even a little crisis.

It's not a crisis at all.

I am going to keep repeating this thought throughout this book because it needs to become a mantra that we shout out and scream every day so it drowns out the nonsense we keep hearing a hundred times a day:

There is no government debt or deficit crisis.

Oh, don't get me wrong: **there is a huge crisis in America**. But, it has very little to do with the "crisis" of the government's deficit or debt. We have plenty of money, or access to money, and any money issues we have are all quite manageable. This is still the richest nation in the history of the planet.

The question before us is simple: **what are our priorities as a country, how should we spend our great wealth and who should pay to advance those priorities**?

But, that has nothing to do with a fake and phony crisis.

Have I said this yet? **There is no government debt or deficit "crisis".**

I decided to write the first edition of this very short book after watching one late night a C-SPAN rebroadcast of the first meeting of the deficit commission appointed by Barack Obama (yes, at this very moment, you might question a person's sanity who would consider using late night viewing time to tune into C-SPAN but I love the gripping graphics, incredible story plots and background music). The commission was the "bi-partisan" gathering of those people who are so very concerned about the government's debt "crisis" (its official title: "National Commission on Fiscal Responsibility and Reform")[1].

The Commission was called "bi-partisan" because, in the narrow world of our political give-and-take, all it takes to be seen as "bi-partisan" is to have Democrats and Republicans sitting together in the same room and talking to each other (and in the crazy world of political deals in Congress, you can call a piece of legislation "bi-partisan" if it has just one person on-board from the opposite party—but that's a story for another day).

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[1] http://www.fiscalcommission.gov/

But, if the meaning of "bi-partisan" is, as most normal people would think, having representatives of **differing views** of a debate or contrasting sides of an argument, then, this Commission wasn't "bi-partisan" at all.

Everyone on the Commission, with perhaps the exception of one or two people, believed there was a debt or deficit "crisis". Not a single person—with the possible exception of Rep. Jan Schakowsky—argued that the crisis is phony and a sham. Or, at least, no one said so publicly.

What We Should Be Talking About

As each person took the floor at the first meeting of the Commission to give his or her predictable statement, I was waiting for just a single, courageous person on the commission who was willing to declare that the crisis was a phantom, a huge distraction from the real crisis in the country.

I was waiting for one person to, instead, confront the Commission members and the talking heads in the media by tallying up the real story that is at the heart of the crisis in America:

- For thirty years, corporations have shipped jobs abroad, moving millions of good-paying jobs to places where human slavery cost pennies.
- For thirty years, Wall Street drained the foundation of the American Dream, figuring out ways to rip millions of good-paying jobs out of the soul of the country, using leveraged buy-outs to boost stock prices and enrich CEOs under the cover of the "free market" and "efficiency".
- For thirty year, both parties have slowly, but surely, picked apart a progressive taxation system, shifting the burden of providing for a decent society on to the backs of the poor. As I wrote in 2009 in the opening sentences of "The Audacity of Greed": *The United States of America has just lived through the greatest looting of money in its history, a vast robbery that began in the late 1970s and has stretched to the present day. The perpetrators of this grand robbery didn't just steal a few possessions, or a bit of cash. Instead, they drained the economy of trillions of dollars, in the process skulking off with a vast fortune that defied imagination while leaving millions of people without jobs, in poverty or without their life savings".*

- For many decades, a small elite has bought access to politicians of both parties, paving the way for the obliteration of a fair tax system which has led to the careful, steady diversion of wealth into the pockets of a few.
- For thirty years, political leaders have sent our brave men and women into dumb and immoral foreign military catastrophes—for the sake of oil and sometimes lesser reasons—that have cost us trillions of dollars, not to mention hundreds of thousands of human lives and the shredding of the country's image around the world. Even in the absence of active military conflict by the country's troops, billions of dollars were, and are, poured into a wasteful, bloated military complex—which often, then, forgets the veterans who carry the day-to-day burden in the field and, then, return home with shattered bodies and damaged minds.

Except for a small, greedy elite, most Americans have, in fact, been making hard choices each and every day for the past several decades. They have not been spending their cash like drunken sailors on luxury boats and filling up with champagne while ignoring basic needs.

They've made choices about what bills to pay and what bills to put off because their paychecks were too small to make ends meet.

They've made choices about whether or not to take on another minimum wage, part-time job so that they could put food on the table for their families—even if taking that extra job meant fewer hours of sleep per night or less time spent with their children.

They've made choices about whether to raid their small financial nest eggs—money carefully saved up over years—to pay for surgery or a health care emergency, or to just make sure there was enough gas in the car so they could get to work.

The truth is that the overwhelming majority of people in cities and towns across the nation have acted quite responsibly given an economic system that has, for the past quarter century, increasingly denied them the fruits of their hard work while shoveling the vast wealth they have created into the hands of a self-selected few.

So, when we hear the calls begging the country to make "hard choices" and for people to "tighten their belts", we need to reply: **it is time for those who engineered the crisis to pay the price**.

I was waiting for just one person on the Commission who would say: "wait, hello, friends…we will never fix this country if we don't sit here and admit that the real crisis is that we, political leaders, do not want to admit that our basic belief in the "free market" has proven, just on the facts, to be a total failure—if the idea of our society and economy is to make sure that people can share in the prosperity of the country.

The "free market" has failed. Failed. Failed.

But, no one offered an indictment of the "free market" system.

I also decided to write this book because I was amazed at how many logical, fair people had swallowed the deficit and debt "crisis" storyline. I would hear it in idle conversations in small gatherings: "oh, I'm a Democrat and I support the president and health care but…we are spending too much money".

I repeat: **there is no deficit or debt "crisis".**

Jay Gould Was Right

Why are a lot of people buying the phony crisis? In the next chapter—where we will discuss answers to Stupid Statements spewed out by the "crisis" junkies—we'll look at how people have been misled. But, I think the voters are freaked out about the government's deficits and the debt as a way to express great anxieties about the economy that have little to do with the deficit and the debt.

It is easier for some of us to blame government spending (because we can actually see the people who represent government on television) than wrap our hands around an unfair taxation system that robs us (we don't see the rich people every day who are living it up and pay practically no taxes) or we don't talk every day about the freedom of companies to move jobs offshore so that rich CEOs can pit workers, and countries, one against another all around the world. Or we certainly don't hear the political leadership explain how they sit by and let the corporate world continue to pile up huge profits, while cutting hundreds of thousands of good-paying jobs.

We have been so spooked by this fake crisis that we are turning on each other. Workers, who have no pensions because the corporate thieves decided 30 years ago to begin ripping apart a decent pension system, are being whipped up by the dimwits in the traditional press. Regular, hard-working people are pointing fingers, accusing the people who are getting decent pensions in public service of living the high life. It reminds me of the old saying by the railroad Robber Baron Jay Gould: “I can hire one half of the working class to kill the other half”.

Teachers are having to defend themselves—while they fight massive layoffs across the country because state and local governments are starved for money—from the absurd charge that they are the central reason for the decline in public school education. To paraphrase Jay Gould, we now witness the bizarre spectacle of parents trying to kill off the jobs of teachers—rather than parents and teachers marching arm-in-arm by the millions to demand that we stop giving hundreds of billions of dollars away to the wealthiest people in the country and, instead, pour that money into our schools.

<u>There is no deficit or debt crisis</u>.

Again, there ***is*** a huge crisis in the country that we SHOULD be talking about. Instead, what we have is a giant scam going on, a kind of shell game where we are being told, “look, underneath this shell, here’s the problem, it’s the deficit and the debt,” while, in truth, the troubles are being cleverly hidden underneath another shell.

What should we be talking about? How about this: **our country is collapsing because of an almost religious belief in the so-called “free market”**.

We have a financial system that benefits the rich.

We didn’t fix much in the wake of the greatest threat to our financial system since the Great Depression, a real crisis that left your 401(k) shattered. We just papered over a few things, put back a few regulations to guard against the most outrageous and criminal behavior—but, basically, politicians left the power in the hands of the same people who played us like fools.

And the political system let most of the perps walk away free and clear. Check this out: Angela Mozilo, the former head of Countrywide Financial, was a central player in the mortgage scam that has rocked our country and the world, causing millions of people to lose their jobs and their retirement—while he became stupendously wealthy. He was caught.

His punishment? A fine—partly paid by the company's shareholders—that will still leave him a very wealthy person for the rest of his life, while thousands of his victims struggle to make ends meet. Best of all, he didn't have to admit any wrongdoing.

And he isn't alone. In almost every case of wrongdoing by a financial company, the typical corporate crimes have resulted in financial penalties—to the company, not the individuals. So, for example, UBS paid a $1.5 billion fine in December 2012—but that money will come out of the hides of the shareholders and, eventually, the bank's customers who will "subsidize" the payment of the fine through higher fees.

Little fish were nailed, mostly for insider trading—as was the case with Rajat Gupta. But, the big fish consistently got away—the Jamie Dimons of the world skated, free and clear, continuing to reap millions of dollars in pay and benefits, while tens of millions of other people were left to deal with the financial carnage Dimon and his colleagues created.

Is American capitalism great, or what?

You can bet on only one thing: knowing not much has changed and prison time is very unlikely, the financiers will be busy figuring out the next Big Scam. So, the next financial crisis is just a matter of time.

Cutting deals with crooks and reckless, greedy financial barons, and allowing them to move on without admitting guilt, simply exacerbates the deep feeling among people that something has gone deeply wrong in America. No wonder people are angry—they are rightfully angry at the insiders who rarely, if ever, pay the price for ripping off America.

The Collapse Is Visible

The collapse of the country is literally visible in the streets, if you just climb into the symbol of America—the automobile— and take a quick tour of the country. You don't have to drive too far in any city or rural area to know that our physical infrastructure is falling a part.

The Economist reported a couple of years ago that, "In 2005 the American Society of Civil Engineers estimated that $1.6 trillion was needed over five years to bring just the existing infrastructure into good repair. This does not account for future needs…And the Highway Trust Fund, which provides most of the federal money for transport projects, will be at least $4 billion in debt next year…America invests a mere 2.4%

of GDP in infrastructure, compared with 5% in Europe and 9% in China, and the distribution of that money is misguided…In January a national commission on transport policy recommended that the government should invest at least $225 ***billion each year for the next 50 years.***"[emphasis added].

And it is only getting worse.

The collapse can be seen every week in our paychecks. One in five Americans does not have good paying work. Millions of people have given up hope. They don't believe they will find a job that pays a fair wage.

Forty-five million workers earn $10.21 per hour or less; 24.5% of all workers earn poverty level wages ($9.60 or below); 10% of the American workforce, almost 15 million people, earns $6.79 or less; and 33.3% of black workers and 39.3% of Hispanic workers earn poverty level wages.

We should have full employment and the government should be the employer of last resort, guaranteeing everyone a job. But who ever talks about full employment anymore in the halls of power?

Instead of making sure everyone has a good job, we play a game. We pretend like a poverty-level minimum wage is acceptable pay for full-time work. Adjusted for inflation, the minimum wage today is what it was in the 1950s—more than half a century ago. To really make ends meet at minimum wage pay, two people in a household have to work three full-time minimum wage jobs.

It is a fact of America today: ***our country's economic policy and the profits of corporations rely on vast poverty and financial struggle on the part of the majority of the people.***

The collapse is right there to be seen in the failure to fight for the cherished idea of fairness and equity. We have the greatest divide between rich and poor in 100 years. And, yet, the richest one percent in America is too busy complaining about having to pay a bit more in taxes.

We should be talking about who should pony up to make sure we have plenty of money to do the things we should be doing, but that money apparently is not going to come out of the pockets of bankers, CEOs or the richest one percent.

No. It's the average person. The people who are going to be asked—by a Democratic president, no less—to shoulder the burden of the robbery are the people who pack their lunch every day and get paid a wage to work an eight-hour day in a coal mine, factory, office building, firehouse, public service job or school.

Promoting The General Welfare

In the end, I decided to zero in on the phony debate about the debt "crisis" because it is a larger discussion about America. The Preamble to the Constitution says this:

We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, <u>promote the general welfare</u>, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.

That is a very progressive idea. It is the basis for the American Dream and the American ideal, both based on fairness and justice. In those words, we are called on, as a nation, to "promote the general welfare" which has a pretty simple meaning: we must share the great prosperity this nation has created—a prosperity that is eluding most Americans.

The people who run our markets and our companies have failed, breaking basic rules we lived by, and, while they enriched themselves, they turned our country into a place where economic fairness and economic justice are evaporating before our very eyes. Our elected officials, in both parties, have failed to protect the people from the powerful and the well-connected because they are mostly interested in getting reelected—not in getting the job done for the people.

We have a government bought and paid for by big corporate interests who have hurt the economy, making inefficient use of our nation's wealth at great cost to our financial stability. Instead of taking on these corporate powers, our political leaders have given aid and comfort to the looting of America.

Our government has made thousands of rules that benefit powerful corporate interests. CEO salaries reaching into the tens of millions of dollars—which empty out the corporate treasury and leave nothing for average workers—exist because our leaders have allowed a corporate governance system that allows such looting.

Instead of focusing on the real crisis, the deficit and debt "crisis" is a huge distraction from a critique of the "free market"—of the robbery that is taking place in America.

Make no mistake about it: <u>**the distraction is intentional**</u>.

Sometimes, I am asked to appear as a "talking head" on cable news television, mostly business-related shows, to represent "the left". Invariably, when the chatter turns to tax fairness, the anchors raise the specter of "class warfare"—the threat to the very rich that their obscenely low tax rates may have to go up a smidgen.

I usually smile and reply, "You are right. There is class warfare in the country—and your class is winning".

So, to end this introduction, just keep in mind one thought.

The country has been plundered. Robbed. Cleaned out. The wealth has been siphoned away by a handful of people.

Everything else is a smokescreen.

1. Stupid Statements

Why is this whole debate a bunch of nonsense? We're going to go over the most common Stupid Statements you might hear—and show why they are just, well, stupid.

Stupid Statement #1: *The government is going broke because of a rising deficit and long-term debt.*

My head hurts each time I listen to politicians and so-called "experts" on television talk pure rubbish when it comes to explaining how the economy works. They even mix up the ideas of "deficit" with "debt".

So, let's get some basic concepts right before we go any further. When we talk about the government spending more money each year than it takes in, that is the **fiscal deficit**.

If you add up all the government's annual fiscal deficits over a period of time, that adds up to the overall **national debt**. So, for example, running smaller deficits each year still adds to the overall, long-term national debt.

So, is it a bad thing to have either an annual fiscal deficit or a long-term national debt? That depends.

When the government runs a deficit, ask these questions: what are we spending the money on? Is it going for a long-term public investment (like roads, education or energy efficiency)? Are we building schools to make sure kids are well-educated, and not illiterate? Are we investing in an advanced information and physical infrastructure so the economy keeps humming along in a productive way?

Or are we, the taxpayers, paying for other things—like tax cuts for the very wealthy or cleaning up the savings and loan scandals—that do not add to the overall public good?

If we are putting money into things that make the lives of everyone better, that is a good thing.

If we are only helping billionaires buy another yacht or a $10,000 bottle of wine or a Picasso to hang in a 10-room Park Avenue home, well, that's a waste of money.

Think of your own personal conduct. Working people do spend more than they earn, often times for worthwhile reasons. For example, taking out a loan to send a child to college would be considered a worthy reason—personally and in the eyes of many others—to assume some debt; this would pay off later in, perhaps, your child landing a better job (and maybe taking care of you in your old age…).

On the other hand, running up a huge debt by borrowing money so you can gamble in Las Vegas would not be prudent, unless you are a very lucky person. It would probably cost less—and be a better long-term investment achieved with a manageable debt—to pay for a counseling program to end a bad gambling habit. Those are all choices we make.

Companies also finance their future with debt—some of it good, some of it bad. Buying new equipment today with borrowed money is a good choice because it will hopefully create new jobs and new revenues that will, in turn, pay off the debt ten years from now. But, taking on huge debt to bankroll a leveraged buyout for dubious reasons (like raising a company's stock price so a few top executives can make millions of dollars) can lead to layoffs or bankruptcy, as was too often the case in the past three decades.

Ok, so, let's go back to the government. The government—run by the people we elect to manage the country—makes similar choices.

Here's another basic question to ask: how does the size of the deficit compare to the larger economic picture? Is it a relatively small or large part of overall economic activity?

The economic good times after World War II—which we read in grade school textbooks was the beginning of the American Dream because wages were going up and people were buying homes—was financed by a lot of debt.

The debt-to-Gross Domestic Product (GDP) ratio is one thing we always need to think about. That means, how much debt are we taking on compared to how much stuff is being made in the whole economy (all that "stuff" added up is the GDP).

Again, think about this idea in your own life: how much debt are you taking on compared to your entire income?

In 1946, for example, the country's debt-to-GDP ratio was 108.6 percent. In other words, the debt we owed was larger than the entire output of the whole economy!

So, remember this, and brand it on your brain: ***the adults living right after WWII were handed the greatest debt the country had ever had BUT that generation experienced the greatest prosperity in the country's history—and maybe even in the history of humans.***

Today, the debt-to-GDP ratio isn't even close to that. Even the most end-of-the-world forecast says the debt-to-GDP ratio might reach 66.7 percent by 2020—hardly something to be panicking about. That means that we'd still be wayyyy below the post-WWII era.

Stupid Statement #2: ***Out-of-control government spending caused the deficit and the debt to explode in the past couple of years because we've had a socialist president.***

Ok, I threw in the "socialist" for a few laughs. Only someone without a grip on reality—or unwilling to look at pesky facts—would call the current president a "socialist". Let's focus on the less wacky claims.

If you want to wring your hands about the bigger government deficit, don't go pointing the finger at the president or Congress. Instead, you can thank Goldman Sachs, Angelo Mozilo, Robert Rubin and the rest of the smart boys who built a financial system that was a mix of a floating casino, Ponzi scheme and Fool's Gold paradise—all patched together by lies, deceit and a healthy dose of massive public indoctrination of the wonders of the "free market".

What's the connection?

The collapse of the financial system—thanks to the greed and incompetence of the people running it—is the principle reason today for a larger deficit. The collapse gave us:

- A weaker economy so money wasn't coming into the Treasury as fast (because millions of unemployed people don't pay taxes).
- A weaker economy that called on us to aid our fellow citizens with more aid such as unemployment insurance and food stamps.
- Bailouts of Fannie Mae, Freddie Mac, AIG, and other

companies that went belly-up (cost: roughly $243 billion in 2009, according to the Congressional Budget Office).

So, when you hear the crisis fanatics say we have no money because we have a "structural deficit" (meaning, we are spending too much money each year because the crisis fanatics say government is too expensive), it's just not true. It's a lie.

We have a bigger deficit now because we let a bunch of Wall Street gamblers play fast and loose with the rules.

Angry? You have a right to be. So, let's round up the ringleaders of the financial casino and throw them in jail—instead of letting them keep their jobs, earn millions more and get hired to advise the government (all of which has happened).

But, remember this fact: government "overspending" did not cause the government deficits and long-term debt we now have.

Stupid Statement #3: ***programs like education and roads are to blame for our deficits.***

Ok, time to get your calculator out—but it may not have enough room for the zeros that need to follow these numbers:

- **Cost of two illogical and foolish wars**—$4 TRILLION. That would be the rough costs of the Iraq[i] and Afghanistan quagmires. Yes, that's correct "trillion" with a capital "T". (And that's not even talking about the human cost of people killed and wounded in the wars).
- **Cost of the Bush tax cuts going to the top 1 percent**: $2.5 trillion. Again, that's "trillion" with a capital "T".[ii]

Ok, pause for a moment on the above two items. Those two items alone add up to over $500 billion of the deficit in 2009 and will account for almost $7 trillion deficits from 2009 to 2019.[iii]

So, if we didn't go to war and we stopped handing over the keys to the national treasury to the very wealthy, the crisis mongers would really have nothing to complain about, would they?

Well, on second thought, they'd come up with something—but it's hard to sweep $7 trillion under the rug. That's a lot of explaining to do.

(A little aside about the connection between tax cuts for the wealthy and wars: isn't it interesting that the wealthiest people in America walk away with a ton of money courtesy of the tax cuts voted on by elected leaders—but those wealthy people, or their children, are almost never the ones to go to war?)

Ok, so keep in mind that multiple trillion-dollar mix of war-and-gifts-to-the-rich. Throw one more thing on to your calculator:

- **Health care**: about $753 billion of the federal budget in 2010 will go to three health insurance programs — Medicare, Medicaid, and the Children's Health Insurance Program (CHIP).

In a later chapter, I'll explain how our government sold out the people to the insurance and drug companies—and how we can solve it. But, just for now, keep in mind: unlike the previous two categories—giving the richest people more money and launching foolish wars—health care coverage is a wise role for the government, if we did it right: two-thirds of the health care costs gives coverage to about 46 million people who are over the age of 65 or have disabilities; the rest is for Medicaid and kids covered under CHIP.

Ok, so, now it's pretty clear that building roads, paying public workers who keep our cities and towns running or investing in sciences are just tiny blips in the government's balance sheet.

Stupid Statement #4: ***Social Security is broke and won't be here to pay out benefits***.

And the Man on the Moon is eating green cheese—a statement that is as accurate and real as the lies about Social Security.

I bring up Social Security because that is usually one of the first talking points thrown out to make people start to sweat. If you say "Social Security crisis" you are treated as a Serious Person. If you don't immediately nod your ahead and look very concerned when the words "Social Security crisis" are spoken, you will dismissed as a naïve, well-meaning person.

Ok, so, let's get this straight—and maybe, for once, the dim fools in the traditional media can begin remembering these facts and stop popping off like idiots about a Social Security "crisis": **Social Security is fully-funded through 2037**.

Let's repeat this: every single dime can be paid—on time—to every beneficiary for almost the next two decades.

After that, if absolutely nothing was done, every single person would get **at least 75 percent of their Social Security benefits until 2084**. Personally, I don't expect to be alive in 2084 (I guess I should blame the government for that) but everyone who is born TODAY will be able to get most of what is coming to them in the Social Security check.

Even if we don't do a single thing to Social Security.

No matter how many times these facts are laid out, the crisis mongers keep talking about a Social Security crisis and people in the government, media and the public policy world just spit back the same foolishness.

Why? I think two reasons.

First, laziness. You start with media people who do almost no research on their own. They are uninformed, unintentionally or out of negligence. They have largely stopped doing their jobs as independent verifiers of fact versus fiction. They act very important and pretend like they are on the ball.

But, in fact, most media representatives act like a group of lemmings rushing after the same tired piece of disinformation and pure junk rhetoric. They do not bother to think beyond, "what is that jerk at the competition doing?" and "I better copy that or parrot that at least to make it look like I am working".

In turn, and I speak as someone having seen this up close, the quality of our elected officials is terrifying low. They lack intellectual curiosity. They seem to have no determination to get beyond sound bites and a reliance on others to feed them what they can stuff into the parts of their brains not consumed with fundraising needs or the next move to grab a bit more power.

If getting and keeping a political job means sucking up to the people who will write them checks for their campaigns, well, to hell with the facts—what counts is ME, ME, ME…and that is a bi-partisan sickness. And politicians watch way too much television, in particular, talking head cable news networks where they hear the “Social Security crisis” repeated daily.

Second, there are simply a lot of people who have had it out for Social Security for a very long time. Some for ideological reasons: they believe a national retirement program is a sign of moral weakness because, after all, the stock market and the “free market” are the bastions of a strong spine and goodliness.

Others, mostly people in the financial industry, hate Social Security for a narrow self-interested reason: they just salivate at the idea of trillions of more dollars flowing into brokerages and investment houses if people were to rely more on 401(k)s. Think of the fees Wall Street could charge if the money was invested by private brokers—brokers just drool at the visions of the new mansions and yachts that those absurd fees can buy.

Of course, pull out your recent retirement statement and ask this: how well did the 401(k) scheme work for you?

Stupid Statement #5: ***We owe money to the Chinese and they will take over our country if we don't get our fiscal house in order.***

Ah, yes, the Chinese menace. We have a lot of examples in our history of blaming foreign enemies or competitors for problems, or using the threat of foreign enemies to convince ourselves that something must be done that otherwise we might not want to do. It's just racism and xenophobia.

So, back to basics, friends so we can try to get straight the whole “Chinese menace” storyline. ***The budget deficit has very little to do with our relationship with China.*** That really is all about the **trade deficit**.

We don't have people running around buying up goods made in China sold in Wal-Mart because the government has a budget deficit. People buy up stuff at Wal-Mart because prices are lower.

How do those prices go lower at Wal-Mart? Well, because the U.S. dollar is too high. Here's how that works. When the U.S. dollar is at a high level compared to the currencies of other countries, companies like Wal-Mart can go over to China and gets goods and services, and slave labor, for a lot less money.

Wal-Mart, then, can turn around and ship the goods back to the U.S. and price the goods below what something might cost to make in the U.S.—and the Waltons can, then, become among the richest people in the world thanks to Chinese slave labor and paying people low wages here.

So, to sum up: a high dollar means goods are more made cheaper overseas and, then, brought back here to sell cheap and, presto, you get the trade deficit.

One way of changing that is to let the value of the dollar decline. There are three groups that benefit from a high dollar: tourists (when they travel abroad the dollar buys more), retailers like Wal-Mart (because a high dollar means they can get cheap goods from abroad) and Wall Street (a declining dollar would likely increase inflation, and those Wall Street types hate inflation—even a half a point difference means a lot of dough there).

But, for regular people and those tourists, too, lowering the value of the dollar would save jobs here because it would reduce the amazing cost difference between goods manufactured in China and here. I'm not ignoring the Chinese labor system that forces tens of millions of people to work for dramatically lower wages—that's a serious moral issue because people in China and around the world deserve work that pays a decent wage.

But, a decline in the dollar would mean that goods made in the U.S. would not be as expensive around the world.

There is no question the dollar will have to fall at some point: the huge trade deficit cannot be financed forever without the dollar coming down. The issue is how fast and how much that will be felt here. If we keep putting this off, the fall will be much harder and severe.

But, overall, it would be better for our economy—and be an easier way of making our trade deficit smaller than threatening the Chinese…which so far has gotten us very little.

But, I digress…yes, the Chinese—and others—are buying up U.S. government bonds.

They are doing so partly because they think the U.S. is a good place to invest.

They are doing so partly because they think the dollar is a safe investment.

And, what follows logically, is that they are doing it to keep the dollar high.

But, nothing we do about the phony budget deficit "crisis" will have much, if any, impact on those decisions.

Stupid Statement #6: ***Public sector workers get lavish pensions.***

The average pension for a transit worker in New York is about $20,000-a year. Living most of your working life under ground—whether you drive a train or walk inside a tunnel to do maintenance—is a job choice that very few of the people who attack transit workers' "generous benefits" would ever make. Other city workers' pensions are in the low 30s. And firefighters' pensions average around $70,000.

Ask yourself this: How many times have politicians fallen over each other as they rush, to get the maximum p.r. value for their own careers, to the site of a fire or a shooting, where a cop or firefighter has died. They stand in front of cameras and microphones and spout the words "the ultimate sacrifice"...but now those very politicians are saying that firefighters or policemen, having survived the day-to-day grind and threats on the job, should not get to have a decent pension so they can live out the rest of their lives in some semblance of dignity and respect.

Let's check out teachers' pensions. Most teachers' pensions mix years of service and age; the majority of their pension plans offer full retirement after age 60 or 62—and, if most kids were like you and me in grade school or high school, don't you think they earn every penny? Look at yourself in the mirror: you were not a picnic to deal with in school.

Lavish pensions for teachers? In California, the average pension for a retired teacher with more than 30 years of service is $5,526. That's a "high-end" pension: a bit over $66,000 a year. Shoot across the country to Maryland's Carroll County school district and you'll find this: if a teacher with a Masters degree, who has worked for 25 years at the top salary of $76, 895, decides to call it a career at age 62, the teacher's annual pension would be $28,605 plus Social Security. Yup: totally yacht-buying, Mercedes-driving, private-plane flying retirement, huh?

A teacher in Kentucky? Well, retiring at 62 with 25 years on the job gets you an annual pension of $32,920—but you don't get Social Security (some states have crazy laws that bar a teacher from getting both his or her modest public pension—that goldmine of $32,920—and Social Security).

In the public sector, the crazy propaganda blaming workers for "generous pensions" is covering up the real scam: city and state governments are not facing budget deficits because of "generous pensions". The budget shortfalls come courtesy of the Madoff-Rubin-Mozilo cocktail of financial shenanigans and the politicians who have voted for tax cut after tax cut that allow the richest people in society to escape paying their fair share.

New York, for example, would easily have billions more in revenue to use for basic services if the wealthiest people in the state paid a fairer share of the dues that should be required in a decent society.

What an irony: the very people who escape paying higher taxes in New York are some of the very people who were at the helm of the financial industry which, with its spectacular collapse, wiped trillions of dollars in wealth held by regular people who believed, in the absence of a real pension, that their 401(k)s would provide a decent retirement.

Oh, those "free marketeers" are so clever with their bait-and-switch strategy. They whip up a frenzy in the press about "generous" public employee benefits, making people just go wild with anger—and then the regular people forget that their own pensions in the private sector are evaporating or went "poof" thanks to the Bernie Madoff crowd.

Again, here we go again, back to the classic Jay Gould strategy that divides one half of the working class against the other half. People are blinded and distracted—they just forget about the transit worker who gets them to work, the firefighter down the street who their kids look up to, the teacher who taught a high-school freshman geometry, and the rest of the army of people who make our society run.

Stupid Statement #7: ***It would be better to have a smaller deficit right now for the sake of the future of our children.***

Bet you don't hear this very often: our children would have no future if there was a smaller deficit.

Let me say that again: <u>a smaller deficit would be bad for our childrens' future</u>.

Deficits finance roads—that our children will use now to get to their schools and, in the future, to get to their jobs.

Deficits finance schools—so our children can be educated.

Deficits finance a whole bunch of inspectors poking at and sniffing around our cattle and chickens—so we and our kids don't get sick with salmonella.

And here's the best thing: deficits finance jobs when our economy goes down the drain. Oh, those big bad deficits…because it would have been better to have a few more million people out of work today, right?

The biggest crisis we face is not the debt or deficit. The staggering crisis we are living through is the lack of jobs, and good-paying jobs.

Which leads to the next point…

Stupid Statement #8: ***the high unemployment rate "proves" that the $787 billion stimulus bill in 2009 did not work.***

Ok, men, you've been waiting to hear this for a long time so cue the trumpets, please: <u>***size does matter***</u>. At least when it comes to…eh…stimulus.

The $787 billion deal was too small—and a third of it came in the form of inefficient tax cuts.

We needed another $1 trillion invested in the economy. And none of it should have gone to tax cuts.

Instead of putting a lot more money into roads, bridges, and dams and direct aid to states and municipalities to prevent the layoffs of hundreds of thousands of workers, the old "tax cuts cures all" mentality set it—and we blew it.

If you doubt that our infrastructure needs this investment, just a few years ago, in 2005, the American Society of Civil Engineers estimated that $1.6 trillion was needed over five years just to bring existing infrastructure back into decent shape--let alone make the country ready for a reduced carbon environment. We invest a microscopic 2.4% of our economic wealth each year (GDP) in our infrastructure; China puts in 9 percent and Europe 5 percent. Other estimates peg our transportation infrastructure needs at $225 billion each year for the next 50 years.

The stimulus was too ***small***!

I would have given all that wasted tax cut money to the states—to make sure that thousands more people kept their jobs: teachers, firefighters, police officers and regular public servants. Truth is, a lot of people kept their jobs thanks to the stimulus—keeping more people off the unemployment lines and collecting paychecks so they could buy food at their local grocery.

Stupid Statement #9: ***higher taxes hurt business.***

Can anyone produce a single study—just ONE—that proves that higher taxes is the reason businesses fail? There isn't one. But, we still accept that idea as if it's gospel.

Listen to what Bill Gates Sr.—yup, papa of THAT Bill Gates—had to say in October 2010 about a Washington State ballot initiative that would have put a five percent income tax on individuals earning more than $200,000 annually or households earning more than $400,000 annually (the state did not have an income tax): "But the real truth of the matter is that the people that own businesses are the people who will be paying the tax. And my analysis is they don't want to pay the tax. The rich guys don't want to pay the tax…I guess you could call it greed, I suppose…The fact of the matter is there are 43 states in this country that have a state income tax. **And in those states, the Microsofts or the ABCs, whatever, have not fled the state. I mean, it's just a gross exaggeration".**[iv]

The initiative failed mainly because a coalition of powerful businesses and wealthy people—the very people Gates correctly said simply did not want to pay slightly more taxes because of pure greed—lied and claimed the tax would apply to middle-class income earners.

There is no credible evidence that shows that higher tax rates—certainly, not the rates advocated by Bill Gates Sr.—will have a negative effect on our economy. In fact, the opposite is true: taxing the richest individuals in the country will be a boon to all citizens if we are smart and put the money towards creating a national health care plan, which will reduce the burden on individuals and businesses; investing in a massive infrastructure program which will create millions of new jobs; and injecting a large amount of new capital into the economy to provide a huge boost in earning power for individuals.

So, why do we keep hearing these Stupid Statements repeated time after time? Mark Twain was said to have made this observation: "A lie can travel halfway round the world while the truth is putting on its shoes." And he didn't even live in the Internet age.

Today, a lie cannot only go **around** the world, but it can reach the computer screens of millions of people—while the truth is still in bed.

The regular person does not have time to sift through piles of information. The average person is just trying to make it through a hectic day of clocking in to a job, sometimes more than one poorly-paying, minimum wage job a day, rushing home to be with their families or simply leaving a job to take a deep breath from the relentless pounding of the workplace grind. That, I believe, is the daily routine for most people.

If most people are trying to rely on elected leaders or media outlets to make sense of it all—and stick with reality—forget about it.

2. The Man and The Lie: Peter Peterson Pees On The People

So if the “crisis” is phony, then, why are we even talking about it? Aha! Great question.

We have a national disease. It is highly contagious. It attacks our brains, and sometimes our hearts, making us vulnerable to human parasites—the kind of parasites who never see a limit to how much wealth they can pocket for themselves.

Most of our elected officials are hopelessly infected by it and are unlikely to ever recover (or, at least, until we have full public financing of elections that ends legalized corruption).

The traditional media—uninformed, lazy, and always desperate to be part of the insider crowd—is a widespread carrier of the disease.

And, then, we, the people, exposed virtually every day to the blather by our politicians and media, are then infected by the same disease.

It’s called Elitist Expertitis.

We’ve come to believe that extremely wealthy people know what they are talking about. We assume—or they assume—that just because someone figured out how to make a lot of money, then, he or she is an expert on the economy—rather than an individual whose brain is wired to think in a very narrow-minded way. And, then, they get to use their money to spoil and destroy what is good about America.

Remember, most of these people are the same people—the financial leaders, aided and abetted by the traditional media and political representatives—who told us some of the following whoppers:

Housing prices would never go down.

IRA’s are much better than boring company-provided pensions or, god forbid, the king of all fuddy duddy investments, Social Security.

The Dow would reach 30,000.

Bernie Madoff was an investing genius.

Remember all those predictions? We should never listen to these "experts" again simply because their track record has been so abysmal.

Some of these very people have been the leading voices screaming about the fiscal "crisis."

As an example, I want to zero in on one of the great scam artists of the past decade: Pete Peterson. I do not think, or at least, I have no evidence, that Pete Peterson is a liar. I think it's something worse—he believes in the kind of world where Social Security is a crutch for the weak, that debt is a bad thing and that the religion of the "free market" is something to worship more than God.

I'm using Peterson here as an example because he has anointed himself as the savior of the country. Using his huge wealth—he ranked 360th on the 2012 Forbes wealthiest individuals list, with a cool $1.2 billion—he is the number one funder of the movement to put the deficit "crisis" on the national agenda.

He put $1 billion into the Peter G. Peterson Foundation (notice how rich people have to have their name on things?). The foundation underwrites virtually the entire industry of the phony debt and deficit crisis.

Peterson is, in fact, fabulously wealthy—and he made his fortune by climbing over the backs of others and inflicting misery on countless human beings. That is essentially the history of Blackstone, the private equity firm which, when it went public in 2007, made Peterson a very rich man.

Blackstone is a wrecking machine: buying up companies and immediately trying to wring every penny out of the place, mainly by tossing workers on to the unemployment line.

And how do they do it? **By piling up massive amounts of debt!**

It's almost impossible to ignore the irony and hypocrisy rolled into one. Pete Peterson robbed companies of their wealth by saddling those companies with crushing levels of DEBT—but he sees debt as the evil.

Stephen Colbert, are you out there? Pete Peterson is your patron saint of hypocrisy.

In fairness to Blackstone, it is not unique. Most of the private equity (PE) industry operates this way: the billionaire private equity leaders made their fortunes by attacking the standard of living of millions of Americans by trashing wages, cutting jobs and tossing people aside like used condoms.

As Josh Kosman explains: "…these faceless PE firms, with names like Blackstone Group and Carlyle Group, were not helping the companies they acquired. Just the opposite—the PE firms put the companies they acquired under more intense pressure than they would ever feel in the public markets. **Their actions hurt the companies they owned, their customers and employees** [emphasis added]"[v]

You want an example? Travelport, a travel reservations company based in Los Angeles. Once Blackstone bought the company in 2007, the axe came out, lopping off hundreds of jobs and forcing out another 1,500 people who took buyouts rather than face the prospect of eventually being shown the door with nothing.

People who had worked for the company for many years were cast off. As The Wall Street Journal reported, finding new jobs that paid comparable wages was rough:

> For many laid-off employees, finding new jobs hasn't been easy. Danny Carrasco, a software developer in his 50s, searched for five months before finding a job at a telecommunications company. Technical analyst Robert Renwick, 30, sent out more than 100 résumés over four months before landing a job at the local school district. He and his wife, a first-grade teacher, put off having children, he says. "I can't believe they would ruin all these lives to make a couple extra pennies," he says.
>
> John Kliegel is earning 33% less as a program manager at a satellite company. His twin, Russell, is juggling job hunting with free-lancing. Mr. Kleppinger, the software engineer, once expected to retire at Travelport. He's now earning 20% less at a new job.
>
> After months of searching, writing résumés and reading books on how to interview, Ms. Fugazzi landed a job with the Colorado Department of Human Services. She earns about $33,000 less than she

did at Travelport, counting her old bonus. But the government job, she says, "feels more secure."[vi]

My bias is clear: I do not believe we, as a society, should admire people who make a fortune by exploiting the misery of others. Peterson did not invent a new gadget. Nor did he create a company that increased the wealth of the people who worked hard for a living.

Peterson does not, and has never, apologized for the way in which he became rich. He is not a patriot to be praised. He is a leech on other peoples' hard work.

Let's say you don't buy my leech argument. Fair enough. But, shouldn't we at least stand up to hypocrisy? Which leads to the next issue about Peterson.

Peterson argues that everyone should share in the "sacrifice" to restore "fiscal soundness" to the country. Even the rich. Except for Pete Peterson. And this brings us to a short explanation of "carried interest".

Private equity firms get a special tax break—it's called "carried interest". Rather than being taxed at the top rate of 35 percent, the private equity fund managers like Peterson only pay 15 percent through a loophole called "carried interest". To understand carried interest, you have to first understand how money managers get paid in the yacht-sailing, mansion-buying world of private equity.

First, they receive a fee, which is a percentage of the funds they invest. This fee is usually in the range of two percent, and is taxed like your run-of-the-mill wage income.

Second, and far more lucratively, money managers get a fee based on the performance of their fund—a fee in the range of 20 percent. It's the second fee that is the so-called "carried interest"—and it's how the money managers of private equity really rake in the big bucks, which pays for their Picassos, yachts and mansions.

In the normal world of taxable income (and let me say that nothing in the tax code is simple when it comes to schemes that allow people like Peterson to shelter their money), carried interest is taxed as investment income—at the capital gains level of 15 percent (much lower than the top wage income rate), even though most of these managers invest very little, if any, of their own money.

So, a private equity big shot honcho hauling down millions of dollars in "incentive" is taxed at a 15 percent rate, while the receptionist who works in his office, or the police officer who guards the equity baron's property, probably earn $50,000 or so if they're lucky—and those average working people pay a 25 percent tax rate on that income (not to mention payroll taxes), a far larger share of their income than the fellow who banks "carried interest."

When this all came to light in 2007, it struck some people as outrageous. In June of that year, Representative Sander Levin, Democrat of Michigan, introduced a bill to correct the loophole that was depriving the government of billions of dollars in tax revenue. In pushing for the change, Levin said, "Congress must ensure that our tax code is fair. We have to be sure that the lower capital gains tax rate is not being inappropriately substituted for the tax rate on wages and earnings. Investment fund employees should not pay a lower rate of tax on their compensation for services than other Americans. These investment managers are being paid to provide a service to their limited partners and fairness requires they be taxed at the rates applicable to service income just as any other American worker."[vii]

Peterson's response? "This is a fairness argument…There are so many other partnerships, why pick on this high-growth sector?"[viii]

Oh, I get it. It's fair for <u>everyone else</u> to pay proper tax rates (putting aside for a moment the absurdly low tax rates of the rich overall) except for YOU, the self-anointed public scold, who wags his finger at everyone else's perceived financial misdeeds.

Listen here, now, to a great example of how the disease of Elitist Expertitis works in our society in some many ways. It starts with Peterson being seen as a Serious Person because, well, he has a billion dollars and he wants to spread it around to advance the cause of the threat of the "fiscal crisis".

The traditional mainstream media—populated by transcribers of press conferences and press releases (once referred to as “journalists”)—laps this up. Then, the inevitable laudatory profiles follow.

To wit: A profile of Peter Peterson appears in The New York Times on February 2008. And the reporter, in an effort to show how serious he is and how adept he is at landing comments from other influential people, quotes this individual: “He is a public citizen. The fact that entitlements are on people’s minds and in the political and policy arena, even though the political system does not want to be serious about it, is because of Pete. He has kept this issue alive and in the domain.”

The quote comes from Robert Rubin, another person who has spent decades building his image as a Serious Person whose views on the economy and policy are sought far and wide. Every media transcriber (people once referred to as “journalists”) feels blessed to land an “important” interview with Rubin. Rubin’s great genius is, in fact, manufacturing an aura of respectability and knowledge—even if the truth gets in the way of the carefully constructed image.

As I pointed out in “The Audacity of Greed”, Rubin built a large part of his Serious Person image on the false myth that he and Bill Clinton presided over a great sustainable, economic boon—when, in truth, the boom, was mostly a product of two bubbles: a stock market bubble and a dollar bubble, both of which left nothing of economic substance to build long-term prosperity for the country. These twin bubbles fostered the illusion among many Americans that they were worth a lot of money, despite the fact that their wealth existed only on paper, and did not come from actual wage increases.

The result was a Wal-Mart fantasy: as the high dollar made imports cheap, people snapped up these cheap goods, which fattened the bottom line of companies that trafficked in these products, such as Wal-Mart. At the same time, people saved less because they perceived themselves to be richer than they actually were thanks to the stock market bubble, and they felt that they were heading towards a comfortable retirement.

Rubin played a central role in the entire fantasy: he was the most active and effective person uniting the political elite with the economic interests of Wall Street. He is, put simply, a fixer dressed up in a three-piece suit and a gift for the suave ability to glide in and out of the circle of Democrats and Republicans with ease.

Rubin was front and center in the drive to tear down the wall between commercial and investment banks—a wall that had existed since the 1933 Glass-Steagall Act and had been erected precisely to prevent the kind of speculation that had ripped through the heart of the economy in the 1920s, triggering the collapse of the stock market and ushering in the Great Depression. The breaking down of that wall, thanks to Rubin, was a principle reason for the financial crisis.

But, let's stick close to our topic here. Rubin has been right there in the trenches flogging the notion that the nation needs to practice "fiscal responsibility" and get rid of deficits—even as he was pushing the idea of debt and leverage to boost profits at Citibank, where he served as vice-chairman. "Fiscal responsibility" did not apply to him—as Citibank cratered because of a torrent of derivatives trash and a mountain of debt, Rubin neither took responsibility—he publicly denied it was his fault—nor suffered for it in his paycheck—he pocketed tens of millions of dollars in pay and benefits.

Like Peterson, Rubin is a hypocrite: he made himself stupendously wealthy on DEBT—but now he wants **you** to tighten the belt and pay for his screw-ups because debt is bad.

We are in a fiscal mess, he and Peterson claim—and now YOU have to pay for that. And, as Rubin conveyed in The New York Times interview, he and Peterson are being "serious" about the "crisis"—and if YOU aren't, you aren't a Serious Person.

Even if you take the most charitable view of Peterson, his worldview is pretty apparent if you digest this little nugget.

You may remember in the introduction to the book I dismissed the idea that the Commission was "bi-partisan". The commission was chaired by former Republican Senator Alan Simpson and Erskine Bowles, who, aside from a failed political electoral career, served a stint as Bill Clinton's White House chief of staff.

Peterson said publicly: "I've known Alan Simpson and Erskine Bowles and they're two of the most independent people I've ever known in my life and the thought we could somehow bend their views I find really beyond my capacity to believe."

Independent?

Here is an example of his views during a back-and-forth with Robert Reischauer, who was then the director of the Congressional Budget Office:

Simpson: What will get us home is dealing with the years in the future, changing some of the figures of Social Security, phasing in retirement dates, changing retirement dates, doing something with COLAs. Those things could get us there, couldn't they?"

Reischauer: "They could."

Simpson: "You think they could get us there?"

Reischauer: "I just said they could. You mentioned a pretty extensive list there of some pretty severe changes."

Simpson: "Without, quote, 'cutting a benefit,' unquote."

Reischauer: "Well, I don't want to get into semantics here on what is cutting a benefit. But if I were a 65-year-old person who was told that they couldn't receive benefits until they were 70, I might regard that as a benefit cut."

The exchange is revealing because Simpson clearly was looking for a way to fool and mislead the public: crippling Social Security but selling it to the people as not actually a cut in benefits. He was looking for a way to scam the voters.

Upset that the Commission ended up failing to come to a consensus, he tried—without success—to push cuts via Congressional legislation.

But, let's not pick on the Republican here because, if the "bi-partisanship balance" (not to mention "independence") is supposed to be reflected in Bowles' service, it isn't. He sits on the boards of General Motors and Morgan Stanley, and is also a member of the Business Council, which lobbies for business interests and was particularly aggressive in trying to scuttle any significant Wall Street reform.

During the Clinton era, Bowles was the co-architect of a scheme to partly turn over Social Security to the private sector (read: Wall Street).

His sidekick in the plan was Bruce Reed, who is the Commission's staff director. Old folks should have a soft spot for sex in high places because uncontrolled libido prevented a whole lot of seniors from opening up monthly enveloped carrying checks with less money: the whole privatization deal was sidetracked when Monica Lewinsky became a household name.

And, by the way, can you imagine, if Bowles et. al. had been successful? What would have happened to those Social Security funds over the past few years if they had been in the grubby hands of the geniuses at Goldman Sachs, Lehman Brothers, Citibank and Bernie Madoff. Bye-bye!

The Simpson-Bowles act is a convenient ruse—and they play it well.

Before looking at the travesty of the Commission, I'll end with a humorous anecdote from an exchange between Pete Peterson and yours truly.

I love it when billionaires feel misunderstood. It sounds something like this: "I've fleeced you or just piled up gobs of money at your expense but, gee, that really wasn't personal, I'm really a good guy with all the right motives, if you could just see it my way because, well, my way is the right way because, well, how do you think I made all that money if I wasn't so smart?" Uh huh.

Pete Peterson apparently had a gripe with me: I was misrepresenting him. I don't understand him, either his agenda or his cause. Or so he, via his press secretary, whined.

I wrote a short article for Playboy magazine in March 2012 in which Pete Peterson made a short appearance (not clothed or unclothed, just in words). A letter, then, arrived via email:

> Dear Mr. Tasini,
>
> I'm writing in response to your recent article in Playboy, "A Fake Crisis," in which we feel you mischaracterize the views and agenda of Pete Peterson and the cause he supports.
>
> You state that recent public concern over rising debt is based on "phony evidence." You further imply that people, like Pete, who favor

fiscal responsibility are fundamentally opposed to Medicare and Social Security, and want to cut spending on these and other government programs immediately.

On the contrary, Pete agrees that in the short-term, slow growth and high unemployment make it unwise to cut the deficit immediately and risk plunging the economy back into recession. The real focus of Pete's efforts is not the current deficit, but the widely predicted, and widely accepted, long-term structural debt problem that presents a major threat to our economy in future decades.

The truth is that Pete believes the safety net, including Medicare, Medicaid and Social Security, is an important lifeline for millions of Americans and must be preserved and protected. He advocates their gradual reform because he is very concerned that future debt levels might cause these programs to be cut suddenly and unfairly in a fiscal crisis.

He is also concerned that if debt increases unchecked, interest payments will crowd out funding available for investments critical to future growth, such as education, infrastructure, and R&D.

It appears that there has been a great deal of misunderstanding about where Pete stands on certain issues, and I hope this letter offers some clarity. Please feel free to get in touch if you have any questions.

Best regards,

Evie Watt
Press Secretary
Peter G. Peterson Foundation
712 Fifth Avenue, 48th Floor
New York, NY 10019

Here was my response:

Dear Ms. Watt:

Thank you for your communication. Let me start with one thing that we entirely agree upon—you write that what I call a “fake crisis” is, in your words, the focus of Pete Peterson’s work because it is, “…the widely predicted, and widely accepted, long-term structural debt problem that presents a major threat to our economy in future decades.”

You are correct. It is “widely accepted”.

That does not mean the facts support this view. If everything that has been "widely accepted" was true, housing prices would still be going up, the Dow would be at 30,000 and, to the great satisfaction of the conventional wisdom that was widely accepted, at the cost of tens of thousands of lives and trillions of dollars, a national parade would have been held showcasing Saddam Hussein’s weapons of mass destructions. Ooooppppsss…

The point is: Pete Peterson has been spreading a falsehood, in contradiction to the facts. That he is treated with respect, and not mocked, is more a function of the incompetence of our media and the unwillingness of our elected officials to bite the hands that feed them (read: extremely rich donors).

Your letter is also grossly misleading. Let me just point out two facts. Far from waiting for the economic crisis to pass—a process that could take a generation or more, given the growing divide between rich and poor, the mal-distribution of wealth and the inability of one in five Americans to find full-time, decent-paying work—Pete Peterson was a loud endorser of the Bowles-Simpson "Bi-Partisan" Commission on the debt and deficit. That Commission has called for immediate, deep cuts that would have kicked in this year, while the country—at least most of the Americans Pete Peterson will never rub shoulders with—is still in deep economic crisis.

Second, while the reference to Medicare and Social Security in the article was not referring to Peter Peterson specifically, since you raise the point: if Pete Peterson, and many others, had been successful at ramming through the idiotic idea to privatize Social Security, millions of seniors would have been hit even harder by the collapse of the housing bubble. Everyone with a modicum of integrity knows that "reform" of Medicare and Social Security is a code word for cuts.

Lastly, to your complaint that there has been a “great deal of misunderstanding about where Pete stands”, I respectfully beg to differ. As far as I can tell, Pete Peterson has gotten a free ride from the compliant, ignorant press and members of Congress who either do not care to look at the facts or prefer to be passive consumers of utter nonsense.

I’d end with a challenge: I challenge Pete Peterson to have a real public debate in a forum that isn’t controlled by his handlers or confined to the mostly docile members in Congress. I’ll bring two people to the debate—Dean Baker and Jamie Galbraith, two brilliant economists who have not bought the "widely accepted" view about the phony crisis. Mr. Peterson can bring any two people he selects (say, Erskine Bowles and Alan Simpson). After the debate, we’ll have an open Internet vote on who made a more persuasive case. If our side is seen as having had the better argument, Mr. Peterson will immediately divert the money he is wasting on the phony debate on the debt, disband the Pete Peterson Foundation and, instead, write 10 checks for $10 million each to non-profit organizations of our choosing.

Deal? I doubt it. To take part in such a debate would require a level of courage and intellectual rigor that no amount of money can buy.

Sincerely,

Jonathan Tasini

I am still waiting for a reply.

3. The Farce: The Commission Blesses The Looting of America

Do you like sports? Most people do. So, think about this: let's say you started a new baseball season with everyone, as usual, looking to capture the ultimate prize: winning the World Series.

You start out the season with the Commissioner of Baseball announcing the following ground rules: everything is on the table, everyone is a part of this race and every option is available to your team.

Except any team that has a stadium within 25 miles of an ocean can't qualify for the World Series.

And every team with any hint of blue in their uniforms has to spot the other team five runs before the game starts.

And the five richest teams get to use performance-enhancing drugs while everyone else has to eat McDonald's three times a day (yes, you could argue that eating McDonald's is like consuming a dangerous drug but let's save that for another day).

Of course, the outcome would be obvious—and no one would believe that the playing field was equal, or in tune with the traditional rules, or, certainly, those rules would not leave all options open to all.

The game would be fixed. Unfair. Bogus.

That's the upshot of the game that went on with the debt commission, formerly known as the National Commission on Fiscal Responsibility and Reform.

It was a fixed discussion.

The rules determined the outcome before the Commission ever met.

The rules were fixed because there was a basic agreement among virtually all the Commission members, with the possible exception of one or two people.

It wasn't a written agreement laying out the rules.

Everyone knew the rules because they shared an unstated worldview.

That worldview was simple: there is a fiscal crisis. And that worldview clearly stated the main reason for the "crisis": government was "spending too much".

There would never be a report from the Commission concluding that the vast greed of a very tiny elite had, slowly but surely, butchered the country's infrastructure—physical, social, and human.

The Commission would never describe the crisis facing the country as an utter failure of the "free market", which had, slowly but surely, shifted huge wealth into the hands of a few, putting more of the burden on working Americans to carry the responsibility of paying for a decent society.

The outcome was pre-ordained by the president who created the Commission, a president who accepted the "crisis" rhetoric and, then, tapped two men to lead a Commission who were cut from the same ideological mold: Alan Simpson and Erskine Bowles.

Erskine Bowles is a product of the world of the financial elite. He pulls in millions, partly serving as a director on various corporate boards; for his service with Morgan Stanley, one of the world's leading financial services companies, he pocketed a nifty $345,000 in 2011, another $618,000 to serve on the Board of Facebook and a tidy $285,000 to serve on the board of Norfolk Southern Corporation.

Now, that corporate service isn't illegal.

But, it does tell us a very important thing: Erskine Bowles is a die-hard adherent to the "free market". He would never fundamentally question the "free market" that has rewarded him so well, with influence, power and money. He would, first and foremost, find fault with government regulation and preach "fiscal prudence".

Alan Simpson's views on the deficit "crisis" are well-known, as is his fondness for Social Security. It isn't just his most talked-about description of Social Security as " a milk cow with 310 million tits." For years, he has had a mission to turn Social Security money over to Wall Street. In 1994, as a member of Bill Clinton's Bipartisan Commission on Entitlement and Tax Reform (there is that word "bi-partisan" again — which was as phony then as it was now: there were not opposing world views on that Commission duking it out), he pushed for benefit cuts and partial privatization.

Aside from the two corporate-minded Commission co-chairs, Bowles and Simpson, the deck was stacked with people who shared that basic worldview.

Of the Democrats picked from the ranks of Congress, three of the choices were avowed budget "hawks", who had spoken endlessly out about the "overspending" of Congress:

- Rep. John Spratt, who was chairman of the Budget Committee until the 2010 elections when he was defeated for re-election;
- Sen. Kent Conrad, outgoing chair of the Senate Budget Committee (he chose not to run for re-election in 2012); and
- Sen. Max Baucus who is heavily financed by business PACs largely by virtue of being chair of the Senate Finance Committee. He also, in the past, has taken a shine to the idea of cuts in Social Security.

The only two Democrats who were clearly on the Social Security defense team were Rep. Jan Schakowsky and Sen. Richard Durbin.

The Republican side offered a whole line-up of "crisis" Chicken Littles who have long wanted to either cut and/or privatize Social Security in whole, or in part, and impose deep cuts on Medicare. This is an ideological mission for them:

- Rep. Paul Ryan who will continue to head the Budget Committee in 2013 after his failed vice-presidential campaign;
- Rep. Jeb Hensarling, a sidekick of Ryan's from the most conservative wing of the party in the House who is set to rise in power in the new Congress as head of the Financial Services Committee;
- Rep. Dave Camp who is on board with privatizing Social Security;
- Sen. Tom Coburn, one of the most conservative Republicans in Washington who says, "There are only three things you can do

with Social Security. You can raise taxes on Social Security, you can allow option-out into private accounts or you can delay retirement age... I'm not for raising taxes on Social Security when you fix it other ways."ix;

- Sen. Mike Crapo, another Social Security privatization advocate; and
- Sen. Judd Gregg, who decided not to seek re-election in 2010 and has always been a proponent of Social Security cuts, in particular, effectively reducing benefits by raising the retirement age.

The non-elected officials representatives were: Ann Fudge, Former CEO, Young & Rubicam Brands; David Cote, Chairman and CEO, Honeywell International; Alice Rivlin, Senior Fellow, Brookings Institute and former Director, Office of Management & Budget; and Andy Stern, the former president of the Service Employees International Union.

The entire mood was set with a large helping of self-serving, puffed up rhetoric, as if none of the Commission members had ever learned the basic lesson of life: when you toot your own horn it can come across as a mix of vanity, desperation and insecurity, and certainly not sincere.

Alan Simpson opined of his heroic mission that, "many persons and groups hope we will fail" while Bowles saw the challenge as one where the people must "…rid this country of this cancer, this debt, which I truly believe will destroy this country, over time, from within."

And, of course, these valiant people were the only people who could clearly see through political machinations that would stymie the courageous mission. As Kent Conrad put it, "The creative talent in this town to game a system is extraordinary".

There were little nuggets, moments of clarity, though not that the transcribers of press releases (formerly known as "journalists") would have noticed. There was what I call the "Star Trek V" movie insight. You know, the moment in that movie, when the entity masquerading as God talks a good game and is trying to seduce his listeners into believing that a wonderful future awaits—if only he can hitch a ride on the Starship

Enterprise. To which Capt. Kirk clears his throat, interjects and asks, "What does God need with a starship?" That inconvenient question was followed by the wrath of the entity pretending to be God, a well-aimed bolt of energy knocking Kirk off his feet and, well, the rest is unimportant.

So, there was Jan Schakowsky asking, during the Commission's fourth public meeting on July 28th, the inconvenient question: "To what extent do the proposals that have been made take into account the income inequality in our country?" She continued, citing a study which showed that, ".01 percent, 14,000 American families hold 22.2 percent of the wealth and that the bottom 90 percent of households, that's over 133 million families, hold just 4 percent of the nation's wealth…we talk about joint sacrifice but a lot of people have been sacrificing for a long time."

That inconvenient question momentarily threw off track the witness who was testifying, Maya MacGuineas. And it's worth pulling out the relatively short exchange—"relatively" in the vast waste of time eaten up by the Commission—because MacGuineas is the kind of Trojan horse that makes possible the annihilation of a decent society possible.

Perhaps no one has made more of a career pushing the phony "crisis" than MacGuineas. She comes from the cream of the elite: She completed a Masters in Public Policy from the John F. Kennedy School of Government at Harvard, which is the assembly line for minting out conventional wisdom-thinking people who, then, seep into every crevice of the policy machine in Washington, D.C.

MacGuineas was no different, doing stints at, of course, the Brookings Institute—the cathedral of policy wonkery of conventional, uninspired, elite thinking—and serving on the editorial board of the Washington Post, the media organ of conventional, elite thinking and the megaphone for institutional power.

Her real break came, though, in seizing the debt "crisis" as her own personal crusade. And finding her patron saint, Pete Peterson, to fund a large staff to create her media presence—the ubiquitous talking head on the topic.

MacGuineas cocked her head and looked at Schakowsky: "We have to protect the people who are most vulnerable…by shared sacrifice [it] means everybody has to sort of be involved and there can be no sacred cows but it also can't be balanced on the backs of people who can't afford have it happen…"

Schakowsky interrupts: "Which is a slightly different question…because it seems to me that .01 percent versus the 90 percent you might want to make sure we not cut safety net programs. But should we be concerned about this distributional difference in our country?"

MacGuineas: "I don't see how anybody could not be concerned about it. I think that there are legitimate differences, I suppose, on economic policies on what you do to deal with it... There are short-term re-distributional programs that can help and there's long-term investment programs that can help and I would say we have to look at both. We certainly have been shortchanging the investment piece of our budget for a long time because we overemphasize consumption spending. We put I believe it's about 84 cents on the dollar of our budget goes to consumption programs rather than investment programs so of course these income inequality problems are being perpetuated over time…That's why I think it's so important also that we do make something like Social Security solvent for 75 years, a long-term solvency of a program that we know so many low income people depend on for retirement income…"

So, several important things happened in that exchange. MacGuineas' brain activated the "I need to look compassionate" synapse, and expressed perhaps a genuine sentiment that the vulnerable have to be protected. But, that impulse was dispatched in a nanosecond, quickly replaced by the "shared sacrifice" mantra—a weak attempt at recovering ground seized and shaped by Schakowsky's observation that "we talk about joint sacrifice but a lot of people have been sacrificing for a long time."

The mumbo-jumbo about investment versus consumption is entire nonsense—though because MacGuineas is treated, in that crowd as an oracle, nobody bothered, with the exception of Schakowsky, to point out the nonsensical patter. MacGuineas wants to tell a story, using wonky obfuscation, that somehow inequality in America is, principally, a result of a lack of "investment" in favor of "consumption".

But, inequality in America is largely a result of the 40-year corporate assault on wages and the robbery of the Treasury by a small elite. Period.

It would be a nice story to sell that we cut Social Security and Medicare for higher income elderly and invested in educating poor children, which would certainly make a small difference in wealth distribution. But, don't hold your breath on that one. There is not a long history of transferring savings from Social Security to programs for helping poor people. The opponents of Social Security and Medicare tend not to be very friendly to poor peoples' programs.

It is easy to excoriate people like Alan Simpson, Paul Ryan, and Peter Peterson—their lifelong dream has been to eviscerate social programs. They see it as a national weakness, a cancer, to spend money on people who they believe don't deserve it.

But, they could never sell the unraveling of society on their own, particularly to a country that is rapidly changing in complexion—racially, in the main—and becoming less hospitable to their harsh Darwinian vision.

No, for that the elite need people like MacGuineas: self-professed "liberals" who act as the standard bearers for abhorrent policy.

If you want a single hero in this entire scam it was Schakowsky. Though an early backer of Obama, she did not follow orders, or sugar-coat the truth or use her reputation to add a veneer of respectability to the president's creation. She was the only consistent voice of sanity.

So, now, let's take a moment to ponder the pile of dead trees, uselessly felled in the service of generating the predictably pompous and self-congratulatory Commission report entitled "The Moment of Truth". It reminded me of the wonderful observation by Molly Ivins: "Think of something to make the ridiculous look ridiculous." Which sums up the report.

I could bore you to tears and dissect the entire report, shredding the assumptions and the bloated rhetoric. But, truthfully, it really isn't worth the time to go through in detail. It was basically the same rhetoric and, with very few exceptions, the entire exercise did virtually nothing to illuminate the underlying truths about the economic crisis in the country.

But, a smidgen of time on the grandiose “The Moment of Truth” must be wasted.

To set the record straight on one fact: the report was never adopted. It fell short of the required votes for adoption. All “The Moment of Truth” is, then, is a pile of narrative points with no force or status, other than what those who want to advance its conclusions—many of them whacky, as we will see.

So, when the writers of the report state: ***“Together, we have reached these unavoidable conclusions: The problem is real. The solution will be painful. There is no easy way out. Everything must be on the table. And Washington must lead.”***

Which is a lie. There was no agreement on the above points and the report was never adopted.

So, every transcriber of press releases (formerly known as “journalists”), who refers to the Commission’s “plan”, is extending a lie. There is no plan—just a set of ideas, discussions, and ramblings. That the two co-chairmen, Bowles and Simpson, continue to imply, by act of omission, that there is a Commission “plan” only underscores their mendacity.

It is worth lingering on one chapter of the Commissions’ report—“Tax Reform”. This is a bit wonky, and I discussed taxes in the chapter “Abracadabra, Trillions of Dollars At Your Service”, but it’s core to the chicanery of the entire debate.

Check these three sentences out:

“In short, the Commission has concluded what most taxpayers already know – the current income tax is fundamentally unfair, far too complex, and long overdue for sweeping reform.”

And:

“The corporate income tax, meanwhile, hurts America’s ability to compete.”

And:

"Tax reform should lower tax rates, reduce the deficit, simplify the tax code, reduce the tax gap, and make America the best place to start a business and create jobs."

These sentences are extremely helpful. We should thank the Commission for such clarity.

Because it would be hard to find, in one place and in just three sentences, a more clear expression of how the country has been robbed, and how the Commission wants to enhance and abet future robbery.

Let's take each sentence in turn.

"In short, the Commission has concluded what most taxpayers already know – the current income tax is fundamentally unfair, far too complex, and long overdue for sweeping reform."

The current income tax is fundamentally unfair? That is true—but not in the way the Commission meant.

Let's get one thing straight: our taxes are not high. That isn't the problem.

The problem is that, for most workers, wages have declined over the past 30 years and so they feel as if they are burdened more heavily by the taxes they pay.

And, at the same time, their world is collapsing around them—heavy debts, lost homes, lost jobs—and the government, the most visible large institution in their lives that they can clearly point to, doesn't seem able to lead.

The tax system's "complexity" is actually a useful smokescreen for a deeper problem than just paperwork or regulations. The tax system is actually not complex at all: our country's treasury has been raided for 30 years (and more). The corporate and political leaders (Republican and Democratic) have successfully allowed the draining of our common wealth, shifting money away from the community and, instead, diverting it into the hands of a few.

It's a pretty simple system.

And, everyday, even during the debate over the phony debt and deficit crisis, a new robbery of the people takes place to the tune of tens of billions of dollars.

One heist being organized in the very days when people were calling for cutting Medicare and Social Security was something called "repatriation" of profits. It goes something like this: big corporations made a whole bunch of money overseas and parked it overseas because those corporations wanted to avoid paying a fair share of taxes.

And, lo and behold, out of the goodness of its heart, corporate America declared: "if you give us a tax break, then, we will bring the money back to help all our poor citizens". Instead of paying the 35 percent corporate tax rate, these corporate evaders wanted to pay 5.25 percent—which is almost free money.

It's a scam at so many levels.

Courtesy of Citizens for Tax Justice:

> Many U.S.-based corporations currently engage in convoluted tax accounting schemes in order to pretend that they make their profits in tax-haven countries—thus avoiding U.S. taxes on those profits. For example, an American corporation might make sure that some asset, say a logo or a patent, is held by its foreign subsidiary in a country with low or no corporation taxes. The American parent company then "pays" an inflated price to the foreign subsidiary for the use of that asset, and tells the IRS that this expense (the payment for the use of the logo or patent or whatever) greatly reduced or wiped out its gross income, leaving it with no taxable income.
>
> Meanwhile, the foreign subsidiary (which actually might only consist of a post office box) is the alleged recipient of all or most of the profits. Thanks to the rule that lets corporations defer federal taxes on their foreign profits, the parent corporation generally gets to defer paying taxes indefinitely.

Cleverly, the corporate lobbyists pushing the idea of free money tried to use the economic crisis to hold the Congress and the government hostage—an economic crisis caused by some of the very financial firms begging for this taxpayer-sponsored gift. It will be “good for the U.S. economy”, they said, because corporations will have a whole lot of cash to then invest in the economy.

But, they already were sitting on a pile of cash—and that pile was not being used to create new jobs. In fact, we knew already that corporations had cut hundreds of thousands of jobs and had no intention of bringing back many of those jobs—they had decided to operate with fewer workers.

Moreover, there was nothing in the proposals that had any strings attached to any money brought back: They could easily divert the additional cash to shareholder dividends or—I know we would find this shocking because it would never cross the minds of CEOs—to underwrite higher CEO pay and benefits.

How did we know this was a scam and would not help working Americans? Because we’d seen this movie before. Again, courtesy of CTJ:

> Under the amnesty provision enacted as part of the so-called American Jobs Creation Act of 2004, profits were repatriated typically through a dividend made to a U.S. company from its offshore subsidiary, and the U.S. parent company then paid a tax of 5.25 percent on that dividend. About $312 billion of overseas profits were repatriated this way, but this did not have the stimulative effect that lawmakers promised.
>
> Only a small number of companies actually benefitted. Of the estimated 9,700 companies with controlled foreign corporations, only 843 took advantage of the repatriation tax break.
>
> **Congress utterly failed to ensure that this select group of companies used their repatriated profits to create jobs**. The statute required that the repatriated funds be used for "the reinvestment of such dividend in the United States (other than as payment for executive compensation), including as a source for the funding of worker hiring and training, infrastructure, research and development, capital investments, or the financial stabilization of the corporation for the purposes of job retention

or creation."

A 2008 study found that there was no positive correlation between a company's repatriated earnings and an increase in the permitted uses, but did find a positive correlation between the repatriation and increased repurchases of stock (effectively putting the money in the hands of the shareholders) which was NOT a permitted use under the bill. [emphasis added]

Want more evidence? Sen. Carl Levin investigated the proposed tax and found:

The report looked at the top 15 repatriating companies and found that, instead of spurring jobs and economic stimulus, **the tax break was instead associated with increased corporate stock buybacks and executive pay.** The report also observed that the 5.25% tax rate created a competitive disadvantage for domestic businesses that chose not to engage in offshore operations or investments, and provided a windfall for multinationals in a few industries without benefitting the U.S. economy as a whole.[emphasis added]

The report was pretty specific, and, of course, received very little coverage from the transcribers of press releases:

1. **U.S. Jobs Lost Rather Than Gained**. After repatriating over $150 billion under the 2004 American Jobs Creation Act (AJCA), the top 15 repatriating corporations reduced their overall U.S. workforce by 20,931 jobs, while broad-based studies of all 840 repatriating corporations found no evidence that repatriated funds increased overall U.S. employment.

2. **Research and Development Expenditures Did Not Accelerate**. After repatriating over $150 billion, the 15 top repatriating corporations showed slight decreases in the pace of their U.S. research and development expenditures, while broad-based studies of all 840 repatriating corporations found no evidence that repatriation funds

increased overall U.S. research and development outlays.

3. **Stock Repurchases Increased After Repatriation**. Despite a prohibition on using repatriated funds for stock repurchases, the top 15 repatriating corporations accelerated their spending on stock buybacks after repatriation, increasing them 16% from 2004 to 2005, and 38% from 2005 to 2006, while a broad-based study of all 840 repatriating corporations estimated that each extra dollar of repatriated cash was associated with an increase of between 60 and 92 cents in payouts to shareholders.

4. **Executive Compensation Increased After Repatriation**. Despite a prohibition on using repatriated funds for executive compensation, after repatriating over $150 billion, annual compensation for the top five executives at the top 15 repatriating corporations jumped 27% from 2004 to 2005, and another 30%, from 2005 to 2006, with ten of the corporations issuing restricted stock awards of $1 million or more to senior executives.

5. **Only a Narrow Sector of Multinationals Benefited.** Repatriation primarily benefited a narrow slice of the American economy, returning about $140 billion in repatriated dollars to multinational corporations in the pharmaceutical and technology industries, while providing no benefit to domestic firms that chose not to engage in offshore operations or investments.

6. **Most Repatriated Funds Flowed from Tax Havens**. Funds were repatriated primarily from low tax or tax haven jurisdictions; seven of the surveyed corporations repatriated between 90% and 100% of their funds from tax havens.

7. **Offshore Funds Increased After 2004 Repatriation**. Since the 2004 AJCA repatriation, the corporations that repatriated substantial sums have built up their offshore funds at a greater rate than before the AJCA, evidence that repatriation has encouraged the shifting of more corporate dollars and investments offshore.

8. **More than $2 Trillion in Cash Assets Now Held by U.S. Corporations**. In 2011, U.S. corporations have record domestic cash assets of around $2 trillion, indicating that that the availability of cash is

not constraining hiring or domestic investment decisions and that allowing corporations to repatriate more cash would be an ineffective way to spur new jobs.

9. **Repatriation is a Failed Tax Policy**. The 2004 repatriation cost the U.S. Treasury an estimated net revenue loss of $3.3 billion over ten years, produced no appreciable increase in U.S. jobs or research investments, and led to U.S. corporations directing more funds offshore.

In short, it was a scam before and it was a scam today.

Bottom line: "sweeping reform" almost always means making it easier for the wealthy and corporations to pay less in taxes, increasing the burden on average people.

Let's move over to the second sentence on taxes. It repeats an article of faith in U.S. policy debates:

"The corporate income tax, meanwhile, hurts America's ability to compete."

This is simply false. Citizens for Tax Justice has the numbers:

In 1965, U.S. corporate income taxes were 4.0% of our GDP, compared to 2.4% of GDP in the other OECD countries.

But by 2004 (the last year for which there is complete OECD data), U.S. corporate taxes had fallen to only 1.9% of our GDP, compared to 3.2% of other OECD countries.

Do you remember, either from experience or reading history, about the disastrous, choking tax rates of 1965, the rates that made America a third-rate economic power?

Right, neither do I.

Because virtually every account of the 1960s, and the 1950s post-war decade before, hailed the American economic engine, the growth of the middle-class, the power of auto, steel and other industries that transformed cities, for better or worse. Corporate tax rates of the 1960s—twice the level today—did nothing to inhibit competitiveness.

This isn't just progressive rhetoric. Even a 2007 Bush administration study showed corporations based in the US already get away on the cheap because "the US takes a below average share of corporate income in taxes compared to other developed countries."

It's just the facts.

And, finally, the third statement:

"Tax reform should lower tax rates, reduce the deficit, simplify the tax code, reduce the tax gap, and make America the best place to start a business and create jobs."

That statement conjures up, again, the wisdom of Molly Ivins. She once said, of former Republican House Majority leader Dick Armey, "If ignorance ever goes to $40 a barrel, I want drillin' rights on that man's head."

Because it if isn't ignorance that spawned the third statement, then, it was a desire to lie.

The facts: **America is one of the lowest taxed countries in the industrialized world.**

Again, turning to Citizens for Tax Justice:

> In 2005, total federal, state and local taxes in the United States were 25.8% of our gross domestic product, **ranking 28th among the 30 OECD countries**. Only Korea (25.6%) and Mexico (19.0%) had lower taxes.
>
> In 2005, total taxes in the 27 OECD nations with higher taxes than ours ranged from 26.4% of GDP in Japan to 51.1% in Sweden. [emphasis added]

To hit this point again, we've been snowed by the rhetoric, from the elite and both political parties, that our taxes are too high—because the elite and politicians don't want to confront the real crisis: the robbery of working people, either directly by an assault on basic wage standards or indirectly by a diversion of the country's wealth into the hands of a few.

Rather than consign the Commission's entire existence to an unknown data server, the Congress compounded the problem—appointing a 12-member Joint Select Committee on Deficit Reduction to look for ways to cut at least $1.2 trillion over 10 years.

You see, in Congress, when you stick the words "Joint Select" on the name of a committee, people swoon, members of Congress get to look very important and serious, the media stands at attention and…you usually get the same conventional wisdom that already exists.

And the apparently hypnotic power of the words "Joint Select" worked its wonders on at least one group of people, who I named the Stupendously Stupid Sixty—a group of 60 House Democrats who wrote a letter to the Select Committee, saying, essentially, "we're on board with cutting Medicare, funding for basic research, veterans benefits—as long as we also raise some taxes."

I can't go on without honoring, with a drumroll, the Stupendously Stupid Sixty:

Robert E. Andrews (N.J.); John Barrow (Ga.); Timothy Bishop (N.Y.); Dan Boren (Okla.); Leonard Boswell (Iowa); Dennis Cardoza (Calif.); John Carney (Del.); Kathy Castor (Fla.); Ben Chandler (Ky.); Emanuel Cleaver II (Mo.); Gerry Connolly (Va.); Jim Cooper (Tenn.); Jim Costa (Calif.); Henry Cuellar (Texas); Danny K. Davis (Ill.); Peter DeFazio (Ore.); Diana DeGette (Colo.); Norm Dicks (Wash.); Chaka Fattah (Pa.); John Garamendi (Calif.); Brian Higgins (N.Y.); Jim Himes (Conn.); Steny Hoyer (Md.); Dale Kildee (Mich.); Ron Kind (Wis.); Rick Larsen (Wash.); John Larson (Conn.); Daniel Lipinski (Ill.); David Loebsack (Iowa); Carolyn Maloney (N.Y.); Jim Matheson (Utah); Mike McIntyre (N.C.); Gregory Meeks (N.Y.); James Moran (Va.); William Owens (N.Y.); Bill Pascrell (N.J.); Ed Perlmutter (Colo.); Gary Peters (Mich.); Collin Peterson (Minn.); Chellie Pingree (Maine); Jared Polis (Colo.); David Price (N.C.); Mike Quigley (Ill.); Nick Rahall (W.Va.); Mike Ross (Ark.); Steven Rothman (N.J.); Dutch Ruppersberger (Md.); Adam Schiff (Calif.); Kurt Schrader (Ore.); Allyson Schwartz (Pa.); Terri Sewell (Ala.); Heath Shuler (N.C.); Adam Smith (Wash.); Mike

Thompson (Calif.); Niki Tsongas (Mass.); Peter Visclosky (Ind.); Tim Walz (Minn.); Mel Watt (N.C.); Peter Welch (Vt.);and John Yarmuth (Ky.).

Uh, these are Democrats. In theory, they hail from the party that fought for Social Security and Medicare. But, something else is more important to such people: achieving the blessing from the official megaphone of the party of the Very Serious People–-the Washington Post, which bestowed upon the group the wet-kiss of official Washington:

> The letter they sent represents a rare cross-party effort for the rancorous House, and its organizers said they hoped it would help nudge the 12-member panel to reach a deal that would far exceed the committee's $1.5 trillion mandate.

The Stupendously Stupid Sixty accepted the immoral idea of "shared sacrifice": that the people who have been screwed by the financial crisis, and 30 years of wage obliteration, should shoulder a burden they had no hand in creating.

The Stupendously Stupid Sixty, I assume, think that they had done something ingenious—luring a handful of Republicans to suggest, without even promising, that they would accept some tax hike.

The Stupendously Stupid Sixty, by doing so, at best, engaged in classic poor negotiating tactics: start negotiating from your own 20-yard-line and work backwards to your end zone. For the non-football fans, think, "oh, please, please, here take my house, my children, my watch, my left leg, now, it's your turn: what will you give me?".

When I first wrote about the Stupendously Stupid Sixty, one of the signers of the letter, Rep. Peter DeFazio (D-OR), responded. His press secretary sent the message below:

Hi Mr. Tasini-

Rep. DeFazio read your column about the "Stupendously Stupid Sixty". Wanted you to have the following statement. Thanks.

"I believe we can reach that $4 trillion goal with a mixture of smart spending cuts and revenue increases. However, I do not support getting there by cutting benefits for Americans who receive Social Security or Medicare. Privatizing either of these programs is not an acceptable solution either. Social Security did not cause one penny of the deficit. The Social Security Actuaries estimate that Social Security trust fund will be able to pay full benefits until 2037. After 2037, it will still be able to pay out 73-75% of benefits.

We can guarantee Social Security's long-term solvency simply by asking all Americans to pay the same percent of their income into Social Security. Currently Americans pay no Social Security taxes on income over $106,800. In February I introduced H.R. 797 which would close a tax loophole for those earning $250,000 a year and ensure Social Security's stability for 75 years.

If we want to fix Medicare, we must start by reversing the Big Pharma bailout in Medicare Part D which has cost taxpayers over a half a trillion dollars. We need to return to the Clinton-era tax rates, end big corporate tax loopholes and subsidies, assess a .03% Wall Street speculation tax, and pull our troops from Afghanistan. These measures alone would exceed the goal set in the letter."

Truthfully, I was surprised to see DeFazio's name on the letter because he has been pretty good on many economic issues. His letter, though, bears reflection.

To give him some pats on the back: he, of course, was correct that Social Security doesn't cause one penny of the deficit. He deserves kudos for introducing H.R. 797. And he also gets big props for pushing for the passage of a financial transactions tax.

But, the biggest problem with the Congressman's point is his first observation:

> “I believe we can reach that $4 trillion goal with a mixture of smart spending cuts and revenue increases."

When even relatively sane Democrats engage in the discussion that there needs to be “shared sacrifice” based on entitlement cuts and taxes, or even in the way the Congressman words it (“smart spending cuts and revenue increases”), the debate is lost because you buy into the phony argument that there is a debt and deficit “crisis.”

It’s a simple issue of framing. Rather than reinforce the phony frame, Rep DeFazio and his colleagues should have been on the House floor every day saying, “this is a myth and we should drop this debate and focus on the jobs crisis.”

Which would be not only morally good but make for good economics–since working people actually buy stuff and pay taxes.

Needing to continue to bask in the spotlight, Erskine Bowles and Alan Simpson, along with deficit scold Alice Rivlin, marched before the Joint Select Committee to, once again, show how divided they are:

> Former Sen. Alan Simpson (R., Wyo.), former Clinton White House chief of staff Erskine Bowles, former Sen. Pete Domenici (R., N.M.), and former Clinton White House budget director Alice Rivlin urged the committee to go beyond its mandate of shrinking the deficit by $1.2 trillion over 10 years and **reach for $4 trillion in cuts**.
>
> They appeared **alternately contemptuous and despairing of the apparent inaction by the committee**, whose Democratic and Republican members exchanged proposals last week that were rejected by the other side.
>
> “I have great respect for each of you individually,” Mr. Bowles said. “But collectively, I’m worried you’re going to fail—fail the country.” Messrs. Bowles and Simpson unveiled their deficit-cutting plan last year under a committee established by President Barack Obama.

> Mr. Domenici, who with Ms. Rivlin also presented a deficit-cutting plan last year, said lawmakers who refuse to consider tax increases, as well as those who rule out cutting safety-net programs, **"are both complicit in letting America destroy itself."**
>
> Rating firm Moody's Investors Service said it would be "positive" for its rating of the U.S. debt if the committee reached a deal. **Moody's also said it wouldn't automatically downgrade U.S. debt if the committee couldn't find agreement because of the trigger of $1.2 trillion in spending cuts. [emphasis added]**

By now, you already know what can be said about the above claims about the deficit.

But, there was a funny addition: invoking the name of Moody's.

Seriously?

Moody's is a fraud. Moody's was deeply complicit in the financial crisis. It is not independent. It is a creature of Wall Street, and, in particular, the bond market. Its fees are dependent on its clients—the institutions that come to Moody's and ask for ratings of the products they want to sell. And it is virtually uncontested that Moody's simply did the bidding of the financial industry in passing the trash that we now know brought down the economy.

Moody's is part of the mentality, the game, the system, the same Bowles-Simpson ideology screaming about the debt or deficit "crisis".

Mercifully, the Joint Select Committee failed, its co-chairs announcing in November 2011 that, "*we have come to the conclusion today that it will not be possible to make any bipartisan agreement available to the public before the committee's deadline.*"

A country breathed a sigh of relief—though, sadly, the obsession over the debt and deficit would permeate every political debate right up to today.

4. The Parrots Squawk

They failed. Throughout the debate over the phony fiscal crisis, the transcribers of press releases (formerly known as "journalists") were, day after day, a disgrace to any standard of journalism I ever learned. It was a standard that meant that a journalist was supposed to engage in independent thought, check facts, and, most important, not simply regurgitate the conventional wisdom.

Every day, I was ashamed of the profession I sometimes am associated with—reading the works of people who are lazy, ideologically blind and dismissive of minority opinions that don't conform to a very narrow, conventional way of thinking.

It's not an idle annoyance — the absolutely bankruptcy of most of the traditional press ends up costing lives—not that the transcribers of press releases understand this. Mostly, they seem not to care.

And on the other end, the policy side of the government, the lemmings who are supposed to weigh real facts are incapable of seeing the truth. As Dean Baker, the co-director of the Center on Economic and Policy Research, told me in a conversation during the hype around the Congressional "supercommittee": "These people really do live in another universe. I know a staffer with one of the most progressive Democrats in the Senate who asked me if there would really be a disaster if the "supercommittee" doesn't reach an agreement. The problem is that they confuse the Washington Post with a real newspaper."

Baker fingered a significant problem: people, who in their hearts believe in defending government's role, are susceptible to the daily propaganda that flows from media outlets like The Washington Post. Most people are not even aware of the ideological bent of The Post. So, when The Post rants every day about the fiscal "crisis" and the "apocalyptic" debt levels, it seeps into and infects even good people.

Why did the transcribers of press releases fail?

Some of the reasons have been pointed out in the past in the wake of other policy debates or political campaigns: most transcribers of press releases are rarely interested in confronting entrenched powers, except when it comes to a personal scandal (sex!!!). They mostly see journalism, like any job, as a career so, as is true in almost any corporate setting, no one wants to rock the boat if it endangers promotion.

In economic reporting, there is a particular problem. Some of the transcribers of press releases who cover economics, or work-related issues especially unions, took Economics 101 in college—typically a class that is quite conventional and mainstream, where one learns about the wonders of "free trade" and the "free market" and, most important, that those ideas are to be treated as unassailable.

From there it's a very short route to endless columns and countless "objective" articles about the importance of "free trade", the "troublesome" thicket of government regulation, the virtue of competition, the purity of the markets, the hailing of rises in the stock market, GDP and the dollar—even if the columns and articles are dreadfully wrong on the facts.

Worse, another coterie of transcribers of press releases are so afraid of economics they engage in the shallowest form of journalism: they simply quote the same "experts" from the Brookings Institute or, in our current saga, the Peterson Institute for International Economics because, well, they are "experts". No matter how many times those experts are proven wrong.

You ask for examples? I could give hundreds, if not thousands, but here is just a sampling.

On November 27th 2012, Jackie Calmes of The New York Times performed the equivalent of journalistic fellatio on Erskine Bowles and Alan Simpson. Bowles and Simpson could not have paid enough money to get the treatment they were blessed with by Calmes—who works for a newspaper, by the way, that is making it a habit of putrid reporting about the phony debt and deficit "crisis". I suppose having been a cheerleader for the Iraq War, to devastating effect to the country's bank account (not to mention devastating to the families of all the dead people killed because of the immoral war), The Times just feels obligated to find something else to trumpet…phony as it may be.

Here is the reportorial sex act:

> Theirs is an improbable buddy act that is making for unlikely entertainment from campuses to corporations on a most serious subject: the federal debt. The proof of their appeal: some business groups pay them $40,000 each per appearance. Really. To discuss budgets and baselines.
>
> Ladies and gentlemen, coming soon to your city or town (if they have not been there already, and maybe even if they have) are the latest odd couple of politics: the 67-year-old Democratic straight man, Erskine B. Bowles of Charlotte, N.C., and his corny 81-year-old, 6-foot-7 Republican sidekick, Alan K. Simpson of Cody, Wyo.
>
> Since the perceived failure two years ago next week of the bipartisan fiscal commission they led for President Obama, they have been on the road, sometimes solo but often together, perfecting a sort of Off Broadway show that has kept their panel's recommendations alive, and made them a little money as well.

You get the picture: the two men, pushing against all odds are continuing their valiant push to save the nation. It has the usual humorous anecdotes because, well, isn't Simpson just so funny and folksy? And the proof that they have something to say that is anything but garbage? Business groups want to pay $40,000 to hear them speak. Now, that's solid journalism.

The rubbish, the rubbish.

Nowhere in the article do you find any mention — because this would never occur to a transcriber of press releases — of the true ideology of these two guys: one, a long-standing corporate hack (Bowles), the other a person who has devoted his entire political life to privatizing Social Security.

Calmes was not alone in paying homage to this duo. Right after their appointment as Commission co-chairs, they were interviewed by Judy Woodruff on The News Hour, in a softball interview that simply underscored the media's incompetence at dealing with the facts. It was a "Mutt and Jeff" route, with Simpson playing the "conservative" rational person and Bowles playing the "liberal" rational person:

Simpson: "But we may be — we will be called naive. I will be called a Republican toady. Rush babe will be after me day and night…This country is going to go to the bowwows unless we deal with the entitlements and Social Security and Medicare."

Bowles: "I will have the same problem from the left when we start talking about entitlements. But we have to tell the truth."

If the lazy transcriber of press releases had just done a little homework, then, she would have learned that Alan Simpson's views on the deficit "crisis" are well-known, as is his fondness for Social Security. It isn't just his most recent description of Social Security as " a milk cow with 310 million tits." For years, he has had a mission to turn Social Security money over to Wall Street. In 1994, as a member of Bill Clinton's Bipartisan Commission on Entitlement and Tax Reform (there is that word "bi-partisan" again — which was as phony then as it was now: there were not opposing world views duking it out), he pushed for benefit cuts and partial privatization.

As for Bowles, as described already, he sits on corporate boards and is also a member of the Business Council, which lobbies for business interests and was particularly aggressive in trying to scuttle any significant Wall Street reform.

More important, the article accepts, from beginning to end, that there is a crisis—and never makes any attempt to bring in the vaunted "balance" that transcribers of press releases once waved about as their badge of honor.

They deserve each other: two corporate hacks flying first class, being paid tens of thousands of dollars to speak about their mission—which would drain thousands of dollars from the bank accounts of seniors and do great harm to the economy—all aided and abetted by a hack from The Times.

The very next day, Ben White of Politico.com wrote on November 28th 2012:

> Several Democrats have called for Social Security — which is less of a long-term deficit driver than Medicare and Medicaid — to be left totally out of the fiscal cliff talks.

We could have had a collective scream: Social Security is not a driver of the deficit AT ALL. Zero. It has nothing to do with the fiscal deficit. But, White repeated a talking point that gets circulated hundreds, if not thousands, of times by transcribers of press releases.

For another Social Security journalistic fail, drift back to the Grey Old Lady and a shameful article by Robert Pear. Pear wrote on November 27th 2012:

> In failed deficit reduction talks last year, Mr. Obama signaled a willingness to consider substantial changes in the social safety net, including a gradual increase in the eligibility age for Medicare and limits in the growth rate of future Social Security benefits. An urgent question hanging over the new round of deficit talks is which of those changes Mr. Obama and Congressional Democrats would accept today.
>
> While a potential change in calculating Social Security increases was part of the talks with Speaker John A. Boehner last year, the White House press secretary, Jay Carney, made clear on Monday that the administration was not considering changes to the retirement program as part of the deficit talks.
>
> "We should address the drivers of the deficit, and Social Security is not currently a driver of the deficit," Mr. Carney said.

Actually, Carney understated the problem, as I have just pointed out: Social Security has nothing to do with the annual budget deficits or long-term debt. But, the bigger problem is: the reporter never bothered to state that basic fact, or at least quote an expert who could state a simple fact of arithmetic.

Instead, it's left to just sit there as a comment made by a White House press secretary—and it, then, has the flavor of simply a political statement in the back-and-forth between the two “sides” of the debate. So, the average reader is given the impression of a false equivalency—one side arguing that Social Security needs to be cut versus the other arguing it is not “currently a driver of the deficit” (and it never was and never will be!)

This is not one political argument versus another. It’s political posturing lacking any facts versus a ***stark economic truth***. And, so, Pear gets a big fail in doing the job he should do—making clear what is bullshit and what is fact.

Go to the news magazine world and you will find the same sad story. It should not be surprising that we can find similar ignorance coming from Fareed Zakaria, a noted columnist for Time Magazine, among others—not surprising given that he is an admitted plagiarist.

But, one could make a heartfelt plea: could he at least ***plagiarize the truth***? Fareed, I’d give you a pass if you would steal **someone else’s factual work**!

Dean Baker points out the failure of Zakaria’s dual defense of Pete Peterson and pleas for cutting entitlements (A side note: Baker writes an excellent column “Beat The Press” which critiques economics coverage)[x]:

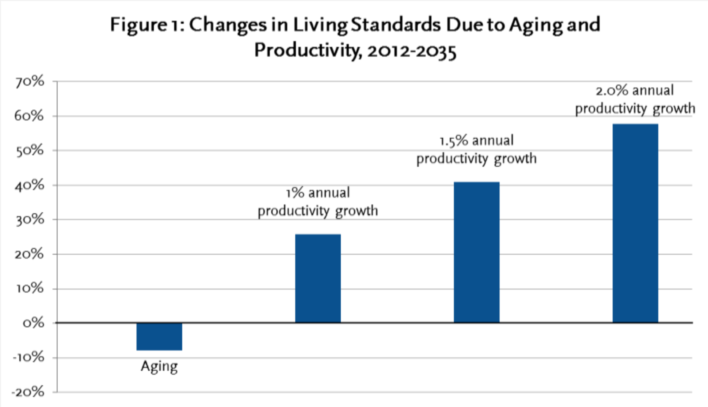
> Fareed Zakaria is very unhappy that "The American Left," by whom he means the vast majority of people across the political spectrum who oppose cuts to Social Security and Medicare, insist on taking arithmetic seriously. They are refusing to join Peter Peterson and his wealthy friends in the Campaign to Fix the Debt in their crusade to cut these key social insurance programs.
>
> Zakaria tells readers:
>
> "The American left has trained its sights on a new enemy: Pete Peterson. The banker and private-equity billionaire is, at first glance, an obvious target—rich and Republican. He stands accused of being the evil genius behind all the forces urging Washington to do something about the national debt. ...
>
> The facts are hard to dispute. In 1900, 1 in 25 Americans was over the age of 65. In 2030, just 18 years from now, 1 in 5 Americans will be

over 65. We will be a nation that looks like Florida. Because we have a large array of programs that provide guaranteed benefits to the elderly, this has huge budgetary implications. In 1960 there were about five working Americans for every retiree. By 2025, there will be just over two workers per retiree. In 1975 Social Security, Medicare and Medicaid made up 25% of federal spending. Today they add up to a whopping 40%. And within a decade, these programs will take up over half of all federal outlays."

Yes, the facts are hard to dispute. That is why those of us on "the American Left" try to use them wherever possible. As Zakaria points out, apparently without noticing, we have already seen most of this aging disaster story. As he says, in 1960 there were about five working Americans for every retiree. Currently the number is less than three. It is projected to fall to around 2 workers per retiree by 2030 or "just over two" if we prefer Zakaria's 2025 date. And the big three programs grew from 25 percent of federal spending to 40 percent between 1975 to 2010, they are projected to rise another 10 percentage points in a decade.

Apparently Zakaria missed it, but this sharp decline in the ratio of workers to retirees did not prevent us on average from enjoying a substantial rise in living standards over this period. Of course the gains were not evenly distributed because of policies that redistributed income to people like Peter Peterson and his friends in the Campaign to Fix the debt (e.g. trade policy, anti-union policies, deregulation of the financial sector -- the fuller story is available here). **However per capita after-tax income is more than twice as high today as it was in 1960, in spite of the scourge of a growing elderly population.**

The reality known by arithmetic fans everywhere is that even modest gains in productivity growth swamp the impact of demographics. Here is the story for the years from 2012 to 2035, the peak stress of the baby boomers retirement.



Note that even in the most pessimistic productivity story, the slowest rate of productivity growth of the post-war era, the impact of productivity in raising living standards is more than three times as large as the impact of demographics in reducing them. Furthermore, this takes 2035 as an endpoint. After that year there is little projected change in demographics for the rest of the century whereas productivity will continue to grow.

Of course it is worth noting that our broken health care system can impose a serious burden on the economy. We already pay more than twice as much per person for our health care as do people in any other wealthy country with little to show for it in terms of outcomes. If the gap rises to a factor of three or four to one as some projections show, then it will impose a serious problem for the budget and the economy. However the answer is to fix our health care system, not to get angry at people for growing old.

The American Left is very willing to face the facts and look at the arithmetic. Unfortunately Mr. Zakaria and his editors at Time Magazine don't have the same interest. [emphasis added]

I'd be remiss if this chapter did not include a taste of the journalistic adoption of the entire framing of the "fiscal cliff". Google returns more than **one billion** results for the term "fiscal cliff"—and scores of the first pages are, in fact, media reports about the mythical "fiscal cliff".

Mythical "fiscal cliff" because it has very little reality in economics or even fiscal policy. It's entirely related to politics—which rarely, or only in passing, was pointed out.

So, The Washington Post devoted an entire section called "The Big Story: The fiscal cliff showdown". Not to be outdone in the competition for over-hyped, flaccid reporting, The New York Times gave its readers a special website section, "Debt Reckoning: The Fiscal Deadline in Washington".

Frank Rich probably put it best:

> The breathless and phony countdown to the fiscal cliff — What if they can't agree? What if we fall off? Can America possibly survive? — is media hype, a desperate effort to drum up a drama to keep viewers and readers tuned in now that the election is over. It's a Road Runner cartoon, Beltway-edition. And it's going to end with a whimper like the similarly apocalyptic, now long-forgotten Y2K scare of the turn of the millennium.

Even when transcribers of press releases showed a sliver of real reporting, they made glaring omissions. No one should have been surprised that the whole phony debt crisis has been driven by people with deep ties to business interests and the elite. As discussed earlier in the book, the very wealthy want to do everything possible to avoid paying taxes, mainly by shrinking the government—so the phony debt crisis gives them wonderful cover for a very selfish objective.

So, to his credit, Nicholas Confessore of The New York Times wrote on January 10th 2013 a story whose basic line was:

> In Washington's running battles over taxes and spending, Mr. McCrery and his colleagues at Fix the Debt have lent a public-spirited, elder-statesman sheen to the cause of deficit reduction. Leading up to the fiscal negotiations, they set up grass-roots chapters around the country, met with President Obama and his aides, and hosted private breakfasts for lawmakers on Capitol Hill. In recent days, Fix the Debt has redoubled its efforts, starting a new national advertising campaign

and calling on Mr. Obama and Congress to revise the tax code and reduce long-term spending on entitlement programs.

But in the weeks ahead, many of the campaign's members will be juggling their private interests with their public goals: they are also lobbyists, board members or executives for corporations that have worked aggressively to shape the contours of federal spending and taxes, including many of the tax breaks that would be at the heart of any broad overhaul. While Fix the Debt criticized the recent fiscal deal between Mr. Obama and lawmakers, saying it did not do enough to cut spending or close tax loopholes, companies and industries linked to the organization emerged with significant victories on taxes and other policies.

…Sam Nunn, a former Democratic senator from Georgia who is a member of Fix the Debt's steering committee, received more than $300,000 in compensation in 2011 as a board member of General Electric. The company is among the most aggressive in the country at minimizing its tax obligations. Mr. McCrery, the Louisiana Republican, is also among G.E.'s lobbyists, according to the most recent federal disclosures, monitoring federal budget negotiations for the company.

Other board members and steering committee members have deep ties to the financial industry, including private equity, whose executives have aggressively fought efforts to alter a tax provision, known as the carried interest exception, that significantly reduces their personal income taxes.

Erskine B. Bowles, a co-founder of Fix the Debt, was paid $345,000 in stock and cash in 2011 as a board member at Morgan Stanley, while Judd Gregg, a former Republican senator from New Hampshire and a co-chairman of Fix the Debt, is a paid adviser to Goldman Sachs. Both companies have engaged in lobbying on international tax rules.

Mr. Gregg also sits on the boards of Honeywell and IntercontinentalExchange, a company that has warned investors that a tax on financial transactions would lower trading volume and curtail its profits. The two companies paid Mr. Gregg almost $750,000 in cash and stock in 2011.

In all, **close to half of the members of Fix the Debt's board and steering committee have ties to companies that have engaged in lobbying on taxes and spending, often to preserve tax breaks and other special treatment.[**emphasis added]

As praiseworthy as the story was—and, though a fairly simple story, it is largely praiseworthy because of the absence of almost any other similar reporting—the writer made a glaring omission. In that story, you could not find two words: Pete Peterson.

As I've demonstrated in a previous chapter, Peterson, with his unlimited resources, is the "godfather " of the campaign, underwriting every aspect of the phony debate, from organizational pressure to his own pontifications. His name does not merit mention, in the author's view, for reasons that are baffling — it's either intentional or just laziness.

If you understand by now the principles of the entire false nature of the debate, you can do the exercise yourself by using Google—enter any combination of terms or names associated with the debt debate (e.g., "fiscal cliff", "deficit reduction") and scan the multitude of stories generated by any media source.

You will be rewarded and disappointed at the same time—rewarded because you will not be left lacking a whole list of examples and disappointed by the failure of the entire journalistic profession to ask basic questions and report the facts.

5. Abracadabra, Trillions of Dollars At Your Service

Ok, so, you want your money to do the right things? This is easy—if we stop being blinded by the "crisis" mantra.

In four easy steps, we could have plenty of money ready to pay for everything we need:

- **Ask the rich to pay their fair share;**
- **Be serious about health care costs;**
- **Reign in Wall Street; and**
- **Cut, to quote Dwight Eisenhower, the military-industrial complex.**

We could do all the above **and** lower the tax rates of working Americans.

We should do this but not because of a government deficit or debt "crisis".

There is no government debt or deficit "crisis".

We should do all this because it's better to spend our money in other ways—better for the people in our country, better for the people around the world and better for the planet as a whole.

When I say plenty of money, I mean trillions of dollars over the course of the next decade. Yes, that is trillions with a "T".

We can do this if we accept three patriotic principles:

We have to share the great wealth of the country.

The unrestrained "free market" has hurt most of the people.

We can't run the world and we can't force people to bend to our will by using force and violence.

We can do a whole lot of things to make our country a better place to live. All I am doing here is suggesting four—just four—ideas that would give us a whole pile of dough.

The Unpatriotic: The Wealthy Tax Dodgers

This has a long history. Let's roll back the film to the debate over the 1993 budget when one senator after another rose to stick up for the benighted people they saw being unfairly treated. "I do not know how long we can continue that kind of class warfare," fretted Bob Dole, the Senate's majority leader at the time and eventual failed presidential candidate. Then-Sen Slade Gorton (R-WA) said simply, "I object to these higher taxes."

Were these great patriots worried about the hard-working person on Main Street? No, they were worried about the burden of telling those people making more than $250,000- per-year that their tax rate would go up to a rate still lower than at any time in the past sixty years.

Go back even further to the 1980s: since then, the income tax system has become less progressive, meaning that the burden of sharing society's responsibilities (building bridges and roads, caring for the elderly, maintaining a healthy environment) has shifted away from the rich and on to the backs of people who depend on a weekly paycheck to pay the bills.

In 2010, Congress began a debate about whether to let the Bush tax cuts expire for the richest Americans. You wonder why we have less money: Bush's tax cuts cost $2.5 trillion—with the majority of that cash going into the pockets of the top five percent of the taxpayers and more than a third of the money going just to the top one percent.[xi]

The very same legislators who demanded that the deficits be tamed and that regular Americans should shoulder the burden (and, therefore, unemployed people should not get extended unemployment benefits because it would add to the deficit) are the same people who wanted to let the tax cuts for the rich continue—at a **cost of one trillion dollars over the next decade** if the richest were still given their breaks, and a total of $3.1 trillion over the next decade if all the tax cuts had stayed in place.[xii]

I guess all deficit scares are not created equal—when it comes to catering to the very wealthy.

So, it's understandable that no issue has gotten people more riled up and angry at the "government" than taxes. We have a right to be angry with both parties for the slow but methodical destruction of a fair tax system in the U.S.

When anyone talks about changes in taxes, we reach back to protect our wallets because we feel that any changes in the tax code always hurt average people.

We wuz robbed!

Here is a great way of thinking about this, courtesy of David Johnston, a writer on taxes. If you had to live only on the money you saved in the best year of the many tax cuts Congress has passed since 1964, how much would you have? If you were in the bottom 90 percent of the population: less than $800.

If you were in the top 400 of the wealthiest people in the country, your best year would bring a whole lot more: **$66.5 million**, which, if you invested it at just 5 percent, would give each of those 400 people $247,000 a month to live on.[xiii] I think I could squeak by on almost **a quarter of a million bucks per month**. How about you?

We have a hole in our finances because the rich, as Bill Gates Sr. observed, do not want to pay a fair share—and they buy off our politicians who, in return for campaign contributions, give out tax breaks that the rest of the people could never get.

Until we stop the moronic rhetoric that says that every economic ill can be addressed by cutting taxes, our political debate will be stuck in an ideological straightjacket.

The tax cut discussion is a distraction from the far more important challenges facing American workers—as well as an unnecessary drain on our country's strength. Tossing workers a few hundred extra bucks hobbles our ability to make our country safer and healthier. It slows us from launching national health care, funding infrastructure projects and moving the economy towards a carbon-free future.

There is another way. Here's an alternative tax structure:

- Raise the top income tax rates to 40 percent and 45 percent (the top rate was, under the Bush tax cuts 35 percent for married taxable income above $351,000, it was raised to 39.5 percent for couples making over $450,000 beginning in 2013);

- Add a top rate of 50 percent for those people with taxable income higher than $1 million and—this is crucial—tax investment income as ordinary income (the proposal also assumes that Congress will fix the Alternative Minimum Tax, which costs the Treasury money).

We could—and should—raise the two new suggested top rates higher, with the top rate for the richest 1 percent set at least at 50 percent.

On, my god, he's a communist! Actually, from 1951-1964, the post-war era, which America's leaders and pundits like to point to as the beginning of a great boom and growth in the country, the top rate was 91% for married couples making $200,000 and up.

Why? Because, back then, wealthy people understood that it was their duty to carry a much larger burden if you were wildly rich (either from inherited wealth or because you made a ton of money in business)—or, at least, it was a shameful spectacle to be seen as rich **and** greedy, while the rest of the country was coming out of a war and trying to build a modest nest egg.

With this modest proposal, we would increase the dues of the top earners and bring in $200 billion a year more—and that's not even scraping the surface because I'm leaving aside, for this discussion, corporate tax rates (and how much money is hidden overseas by American-based corporations) and the estate tax.

But, we should not do this because of the government's debt or deficit "crisis".

There is no government debt or deficit "crisis".

This plan is trying to bring back shared responsibility to the country. If you want to live—and in the cases of the corporate elite, thrive—in this society, you must make a contribution to its well-being. Increasing the tax rates for the richest people in society is *not* an economic challenge; it is instead, a political challenge.

Learning The Right Lesson

During the 2008 Democratic presidential primary battle, then-Senator Hillary Clinton made much of what she said were the scars that she had "earned" during the health care fight of the early 1990s. The implication was that the former First Lady had fought for health care reform and in *losing*, was battle-tested and far more ready to take on the upcoming health care battle than her opponent. But the problem was that Clinton learned the wrong lesson from her experiences in the 1990s—and Barack Obama has just repeated the same mistake.

The lesson from the 1990s battle was simple: **a health care plan that covers every person at an affordable cost cannot be negotiated with the private insurance industry and cannot be run on a for-profit basis**.

I believe that we lost the battle once the insurance industry got its seat at the table. It was a farce, a capitulation to the insurance industry—and a defeat for the health of our nation.

I'm not even talking about the moral, touchy-feely part—you know, the idea that, in the 21st Century, the insurance industry should not kill people because it has the power to deny coverage or treatment. Or that the insurance industry can bankrupt millions of people who are trying to stay alive or healthy but are forced to pay obscene rates. Nah. Those are reasons for the wimpy liberals to wring their hands over.

I'm talking pure, cold economics here. The U.S. health care system is possibly the most inefficient in the world. We spend twice as much per person on health care as other advanced countries, but we have worse health outcomes, including a lower life expectancy.

This is one of the great no-brainers on the planet. Private health care insurers waste lots of money on overhead, sales and marketing departments, inefficient billing and, of course, out-of-control pay for the CEOs. Almost one-third of the money streaming through our health care system is eaten up by pointless and wasteful administration. We spend $250 billion a year on prescription drugs. If drug companies did not have government-enforced control over patents, we would spend $25 billion on prescription drugs—a huge savings for every American, and the economy as a whole.

The health care industry is bankrupting our businesses. Check this out: the number one reason the auto industry is in financial crisis has nothing to do with wages or the quality of cars. It's all about health care costs: tens of billions of dollars of health care costs owed to current and retired workers.

It's the foolishness of letting the "free market" rob people so that insurance companies and drug companies can make huge profits.

You can't find a better example of the absurdity of our economic system than health care: what is supposed to protect people actually drains billions of dollars of hard-earned money from the pockets of millions of Americans, leading to bankruptcies, inadequate care, chronic illness, and death.

Instead of fixing the absurdity, we bowed down to the "free market". We left health care in the hands of the very industry that created the crisis in the first place.

Lots of us know this but the relevance to this tale is pretty simply: the government, through programs like Medicare and Medicaid, pays out our dollars for approximately half of the country's health care, though most of the services are actually provided by the private sector.

The upshot: all those scary deficits would shrivel up if we truly dealt with health care costs because the lion's share of the projected rising budget deficits are due to skyrocketing health care costs.

So, there's a choice right there: on the one hand, continue to hand the private health care leviathan hundreds of billions of dollars OR wipe away those big, bad deficits. The only way to do so is to enact single-payer, "Medicare for All" health care which would save between $300-$400 billion per year.

Let's repeat our mantra together: there is no debt or deficit "crisis".

But, it's smart to do this just to save the economy hundreds of billions of dollars and immediately make American-based businesses competitive around the world with companies that operate out of countries that provide national health care to their citizens.

According to Physicians For A National Health Plan (www.pnhp.org), under a single-payer system, "all Americans would be covered for all medically necessary services, including: doctor, hospital, long-term care, mental health, dental, vision, prescription drug and medical supply costs. Patients would regain free choice of doctor and hospital, and doctors would regain autonomy over patient care."

For doctors, single-payer would mean that they would be paid "according to a negotiated formulary or receive salary from a hospital or nonprofit HMO / group practice." In addition, hospitals would receive a budget for operating expenses, and "expensive equipment purchases would be managed by regional health planning boards."

"Modest" new taxes would replace premiums and out-of-pocket payments currently paid by individuals and business, while costs would be "controlled through negotiated fees, global budgeting and bulk purchasing."

In terms of financing, a single-payer system would be funded "by eliminating private insurers and recapturing their administrative waste." Under the present system, private insurance companies spend tons of money on things that have nothing to do with health care, including "overhead, underwriting, billing, sales and marketing departments as well as huge profits and exorbitant executive pay." These needless administration costs eat up 31 percent of health dollars in this country. The way to recapture this wasted money is through single-payer financing. Ultimately, a single payer system would save more than $350 billion per year, "enough to provide comprehensive coverage to everyone without paying any more than we already do."

Maria Bartiromo Agrees: We Blew Health Care

When you talk about the undeniable economics of "Medicare for All", some people roll their eyes because they want to ignore the facts. But, even the most ardent "free market" cheerleaders are willing to concede.

On July 13th 2009, I was doing a "talking head" segment[xiv] with CNBC's Maria Bartiromo. She had led off the segment by asking whether the health care debate had become "less about economics and more about class warfare", referring to a debate about whether we should hike taxes on upper-income people to help pay for national health care.

Me: "There is class warfare in the country and the working class is losing. But I think the problem with this tax issue is that we don't want to look at the real issue, which is if we actually had a single-payer "Medicare For All" system on the table this wouldn't even be an issue. If you took Model A of the health care system, which is a 25 percent, 30 percent inefficiency in terms of administrative cost, that's the way the health insurance industry works, and the 3 percent administrative cost that Medicare consumes, you basically would save $300 to $400 billion a year if we went for a single payer, "Medicare For All" system…"

After some back and forth, and comments from another guest, we got back to the issue:

Me: "If you had a single-payer system you would not have that burden on businesses…we put this burden on them when we could take that burden off business if we had a single payer system. The economics of it are clear. All we are dealing with really is politics."

Maria: "***It makes perfect sense but why aren't we going that way***?"

Me: "When President Obama campaigned as candidate Obama he said I'm in favor of a single payer system. He said however we can't start this system from the beginning and so what he really revealed was he was unwilling, as are too many Democrats, to take on a powerful industry, the insurance industry, on behalf of the American people. Sixty percent of the American people favor a single payer system, let's put that on the table now."

Maria: "***What you're saying sounds like it is the most sensible*** but what we really want to do is figure out what is reality, what is going to be in that health care bill at the end of the day that we're all going to deal with."

There it was. Bartiromo, who takes no back seat to being an unabashed defender of business and capitalism, understood the economics. But, she and Barack Obama, coming from different agendas and different perspectives, both essentially said the same thing: politics and power—and I will add campaign contributions from lobbyists—would eventually triumph in the health care fight over logical economics.

And that is costing our government hundreds of millions of dollars.

The Bull Should Pay

Wall Street is another place where we are blowing a chance to change the debate—and bring back some serious money to do good.

We've made the mistake, of looking at the "evils" of Wall Street as the result of actions by "evil" people. I certainly believe that a bunch of Wall Street people committed serious crimes but have been let off the hook with, at worst, a slap in the wrist; all the "big fish" have gotten away and the fines we've read about are all paid by companies—by the shareholders and, then, by consumers via higher user fees.

But, truth is, wherever there is money to be made, there will be corruption and greed—and Wall Street and the broader financial services sector, are no exceptions.

We have not changed Wall Street and its role in our economy, from its pre-financial meltdown posture. In the good 'ole days of Wall Street pre-2007-2008, what was Wall Street's most financially lucrative role in the economy? The endless, and entirely legal, effort to raise capital to finance leveraged buyouts or takeovers, which resulted in the destruction of hundreds of thousands of good-paying, decent jobs for the sake of "efficiency" and/or to maintain a higher stock price (mainly because the CEO or other top executives would personally reap huge windfalls from a higher stock price).

It was an entirely legal attack on the economy and on the American Dream. Wall Street was the significant driver behind the failed so-called "free trade" model. The Wall Street mentality was simple--profits don't come from making loans to Main Street. The real money is banked by helping big corporations expand around the world, lowering wages everywhere and shredding any national barriers to the invasion of capital and investment.

And that was, and is, entirely legal—if immoral.

We have changed not one iota of that mindset. We have not chopped Wall Street down to its proper size. We have not instilled into our debate—from the White House, down through Congress, through the media punditry, into the business community—a very simple notion:

deploying capital and wealth is something that must be done to better the people, not simply to be "efficient" for the sake of the "free market".

Bankers have an important role to play in society—small businesses need access to capital, individuals need loans to pay for college, cars and homes—but only if the rules are set up to raise living standards for the many, not the few.

Instead, we are hobbled by an industry where the top twenty-five hedge fund managers walked away with an average of $1 billion each in 2009.

So, here is the bigger challenge. We should be cutting down the size of Wall Street (breaking up big banks, for example, and reinvigorating the community bank model)--and putting Wall Street back in its proper place--**even if the 2008 crisis had never happened**. Because Wall Street is central to the larger crisis we face in the country.

So, how do we do this and raise some money? It's called a financial transactions tax.

Here's how it works. Every time a sale or transfer is made of a stock, bond, foreign currency or another security, a small tax would kick in—ranging from .02 percent to .5 percent of the transaction price, depending on what was being sold. The regular, small investor wouldn't even notice it.

What would that bring us? Since we're talking money here, it could mean as much as $350 billion a year.[xv] That is a lot of dough. If you are in the Chicken Little "debt crisis" camp, it would really make you sleep better if that income was streaming into the Treasury because it would essentially make the fiscal deficit, and the long-term debt, a whole lot smaller.

But, pay attention here again: we need to argue for the financial transaction tax because it is good for Wall Street, not because of the government's deficit or debt "crisis".

Sure, we get more money—but we get a better, healthier economy, too. The Wall Street tax would encourage big traders to "buy and hold" financial instruments rather than engage in the crazy casino-like environment that fuels a speculative bubble—which hurts all the regular people when the bubble bursts, which is always does.

It would cut Wall Street down to a smaller size in the economy.

It would also mean that Wall Street would be ponying up some money to help guarantee profits in the future. Huh? Yes.

Wall Street can't make a dime if we don't have good public schools that turn out kids who go to college and learn skills that they can, then, turn into tools of the financial trade, or if we don't have transit systems—trains, buses and roads—that are functioning well all the time so workers on Wall Street can get to work, or if our overall societal health is declining because health care systems are so expensive and inefficient that they make for a sicker community.

This tax will help Wall Street. And help America.

Too Many Guns, Not Much Security

I collect pins and buttons. I have hundreds, maybe thousands of them (piled into boxes and drawers). One pin that I value says "Vietnam Veterans Against The War". It was given to me one cold day by a veteran, as we marched together down Fifth Avenue in opposition to the immoral Iraq War.

I'm just going to say it: we have too many men, and some women, who want to act all testosterone-loaded, and who want to spend a huge pile of money making things go "boom". Can we just lock them up in a big football arena with lots of virtual games that shoot things down and blow up whole countries? It would be a lot cheaper and more efficient than continuing to throw good money after bad at the machine Dwight Eisenhower aptly called the "military-industrial complex".

The Pentagon's budget for 2010 is $693 billion—more than all the rest of the government's discretionary budget combined.

The U.S. is the military engine for the entire world—44 percent of all military spending is done by us.

More than 26 cents of every government budget dollar goes directly to the military budget—and 40 percent of the interest on the debt is directly tied to military spending, for a total of almost 32 cents of every budget dollar.[xvi]

This has been a sacred cow—particularly in the post-9/11 environment but, truly, an almost unquestioned expenditure going back decades.

And while it would be easy for liberals to point fingers at defense-minded Republicans, here is the truth: the Obama administration plans to pour more money, in real terms, into the military than any other Administration since 1948—that's a time period stretching from the Cold War through the wars in Korea and Vietnam.[xvii]

In the Hall of Fame for truly odd political couples, I hereby nominate now-former Rep. Barney Frank and Rep. Ron Paul—a union of a liberal, gay Democrat from Massachusetts and a libertarian Republican from Texas. The two of them hooked up on a proposal to cut the military budget by one trillion dollars over ten years—the overall philosophy was outlined in an October 2010 letter to the Commission signed by 55 members of Congress[xviii]:

The Cato Institute proposes cutting $1.2 trillion over ten years, by chopping the Army and Marine Corps by a third, cutting nuclear weapons and a variety of hardware but the Institute also says: "Our recommendations are not meant to preclude consideration of deeper cuts."[xix]

But, it is the following rationale from the Sustainable Defense Task Force, formed by Frank and Paul, that is worth reading[xx]:

> *Today, our military spending serves many purposes: Other nations' defense, the purported extension of freedom, the maintenance of hegemony, and the ability to threaten rivals with conquest.* ***But the relationship between these objectives and the end they are supposed to serve – the protection of Americans and their welfare–is unclear****.[emphasis added] In fact, defining the requirements of our defense so broadly is probably counterproductive. Our global military posture and activism drag us into others' conflicts, provoke animosity, prompt states to balance against our power, and waste resources. We can save great sums and improve national security by adopting a defense posture worthy of the name.*

Substantially reducing military spending requires reducing the ambitions it serves. Efforts to improve military efficiency – by means of acquisition reform, the elimination of waste and duplication, and better financial management – might save some small portion of the budget. But such efforts have been underway for years. And still we find ourselves in our current predicament. That's because real savings require strategic change. We spend too much because we choose too little.

Our military budget should be sized to defend us. For this end, we do not need to spend $700 billion a year – or anything close. We can be safe for much less, provided that we capitalize on our geopolitical fortune.

Our principal enemy, al Qaeda, has no army, no air force, and no navy. Some contend that we can be safe from al Qaeda only by occupying and transforming failed states. And so, countering terrorism is supposed to require something approaching global counterinsurgency, which entails a permanent state of war. The claim does not bear scrutiny, however. Indeed, what experience tells us is that occupations tend to create terrorism rather than prevent it.

The hunt for anti-American terrorists is mostly an intelligence and policing task. Military forces are useful in destroying well-defended targets. Terrorists are mostly hidden and lightly armed. The difficulty lies in finding them, not killing or capturing them once they are found.

Neither can state rivals justify our level of expenditure. North Korea, Iran, and Syria collectively spend roughly one sixtieth of what we spend on our military. They are local trouble-makers but, as a result, they have local enemies that balance and contain them.

As for our potential great power rivals – Russia and China – we have no good reason to fight a war with either in the foreseeable future. And even if we did, both remain far behind us in military capability. That would remain the case even with the reductions proposed here. Note that even with the 10% reduction in research and development funding we propose, the US military will spend on research and development alone almost as much as Russia spends on its entire military –and more than half of what China spends.

We are sometimes told that we must spend heavily on defense today to prepare for the eventuality of new rivals. But the best hedge against an *uncertain future is a prosperous and innovative economy supporting a capable military that can be expanded to meet rivals as they arise.*

I don't believe that cutting one trillion dollars or $1.2 trillion over ten years is sufficient—we can go deeper if we rethink our relationships in the world. But, the serious proposals out there do indicate that a conversation can be advanced even in more mainstream arenas.

I can see my friends in labor yelling, "jobs, jobs, jobs". Yup—the war machine does hand out a lot of good-paying work. And the people have to be cared for. This is not a problem.

Any deeps cuts in the military budget should include money for conversion. Meaning, we need to have a plan to move hundreds of thousands of people out of the military industries into other work. We can't just cast them off and add them to the millions of other people who are without work and scarping by on minimum-wage jobs.

Political Courage

See, that was easy.

Even though there is no deficit or debt "crisis", we can put our hands on trillions of dollars over the next decade to wipe away any debt that we might have and, more important, to do better things for the people.

This is not an economics problem.

This is a political problem.

It's not a deficit of money.

It's a deficit of moral leadership and a lack of guts to take on a dysfunctional, decaying ideology called the "free market" and the powerful players behind a bad system who don't want changes because real change—not rhetorical calls for change—will take a lot of money out of the hands of a small number of people.

The people deserve better.

6. The ABCs: All You Need To Know

This is a very short primer on the phony crisis, a quickie review you can clip out and keep handy—or a substitute to reading the book! Get these quick points under your belt and you can out-debate Bill O'Reilly, Pete Peterson and Paul Ryan—though, truthfully, that's not much of a challenge because your mother would probably provide more of a challenge if she stuck to the facts.

Did social spending or "entitlements" create the current annual deficits and long-term debt?

No. There are three—and only three—key reasons for the debt: two unpaid-for wars in Iraq and Afghanistan (supported and endorsed by both political parties); the Bush tax cuts, which siphoned hundreds of billions of dollars to the very wealthy; and the Wall Street, mortgage scam-fueled housing bust, which sunk the economy into deep crisis, robbing the Treasury of income because millions of people lost their jobs. **Take those three factors out and we'd have a surplus.**

If someone answers, "well, but", don't let them off the hook: keep focused on these three reasons because that will make it clear that social program spending, especially entitlements, is not the root cause of annual deficits.

Is Social Security insolvent, or even close to a financial crisis?

No. **That's a lie.** Social Security can pay full benefits through 2037. After that, with very modest changes, the plan would continue to work just fine for 75 years. If absolutely nothing is done, 75 percent of the benefits would still be paid. There is no Social Security crisis and Social Security is not broke.

Shouldn't we be cutting the deficit and debt now?

No. **The opposite**. We should be spending more money now because people need jobs and we need to make huge investments in infrastructure for economic growth. Borrowing money now has never been cheaper and it's a steal for the government, today, to *increase* borrowing for smart investments (think: schools, roads, energy efficient buildings) in return for a healthier economy in the future.

Do higher taxes on the rich hurt the economy?

No. There is no evidence—ZERO—that higher tax rates hurt the economy, especially at the tax rates we now have, or the levels anyone is considering raising tax rates to. All the arguments made to argue this point are ideologically based rhetoric, not economic facts.

In fact, higher taxes on the rich help the economy because we, then, have more money to build things like roads, bridges, energy-efficient public buildings, better schools—all things, by the way, that make an economy more productive, which helps wealthy people, who actually invest in the economy, make even more money.

How did the economy come close to a "fiscal cliff?"

The "fiscal cliff" was as real as the Man In The Moon—it was all made up, a concoction of Washington insiders and their willing accomplices in the traditional media, mainly The New York Times and Washington Post, and the major TV networks.

Republicans have sought to defund social programs for decades. Republicans demanded, and Democrats accepted, automatic cuts to the budget if spending cuts were not enacted by the end of 2012. That was a political decision, not an economic one, and it fits into the obsession of the phony debt and deficit "crisis". The deadline for the "fiscal cliff", after which apparently all economic hell would break loose, was an entirely arbitrary, somewhat juvenile, deadline designed to inject a sense of urgency where one did not exist.

What would happen, for example, to the economy if a deal—dumb as it might be—was reached on January 18th 2013, as opposed to December 31st 2012? Nothing. Absolutely nothing.

So, why are people making this argument?

Aha. Stupidity. Greed. The Lemming impulse. But, for the full answer to that question, unfortunately, you do have to read the book!

7. Conclusion

People know something is wrong. They feel the country is coming apart.

We know we have been robbed. People across the political spectrum are right to be angry: they've been ripped off. Not by our "socialist" president and "government" but by the relentless belief in the so-called "free market" which has been a clever cover for the plundering of our nation's wealth by a handful of people.

And, rather than change that course, we are now accelerating that rip-off by asking the people to dig into their wallets—again—by swallowing cuts to basic services all in the name of a phantom crisis.

There is no government deficit or debt "crisis".

That said, I do not think it is worth spending all our energy pointing fingers at various political leaders—or waiting for them to save our butts by turning their backs on a "crisis" that they have invested a lot of energy in and political capital to create.

They won't.

We can't wait around for the network of "progressive" organizations who sat by as the crisis unfolded and had virtually no response. They will not take risks—they haven't even admitted that they played no role when Occupy Wall Street changed the nation's narrative.

We have to demand from leaders that they take risks—which may make them unpopular among their foundation funders or rich donors. But, if they won't take risks, they should get out of the way and resign so others can seize the moment.

We just have to act.

There is no time.

About the Author

Jonathan Tasini has been a union leader and organizer, a social activist, and a commentator and writer on work, labor and the economy for the past three decades. From 1990 to April 2003, he served as president of the National Writers Union (United Auto Workers Local 1981); he remains the union's president emeritus.

He has written about workers, union, economics and politics for a variety of newspapers and magazines including The New York Times Magazine, The Atlantic, Business Week, The Washington Post, The Village Voice, The Los Angeles Times, and The Wall Street Journal. He is the author of three books: "The Edifice Complex: Rebuilding the American Labor Movement to Face the Global Economy," a critique and prescriptive analysis of the labor movement (1995); and "They Get Cake, We Eat Crumbs: The Real Story Behind Today's Unfair Economy," an average reader's guide to the economy (1997), and The Audacity of Greed: Free

Markets, Corporate Thieves, and the Looting of America." (2009). Jonathan also created, runs and writes every day on his regular blog called Working Life, which explores the economy and the labor movement. He was the lead plaintiff in ***Tasini vs. The New York Times***, the landmark electronic rights case that took on the unauthorized use of workers by thousands of freelance authors in the electronic age.

In 2006, Jonathan ran for the Democratic nomination for the U.S. Senate in New York, primarily to give voice to the many New Yorkers who opposed the disastrous Iraq War and occupation. In 2010, he ran for the Democratic nomination for the 15th Congressional District in New York.

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Notes

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