



FRIENDS OF THE MIDDLE

NEWSLETTER #2 — OCT. 25, 2011

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Scary Republicans

(posted by Steven W. Baker / SteveB, Oct. 25, 2011)

I have two questions today, my friends:

1. Can someone please tell me how Republicans think they will not be destroyed in the election, campaigning on positions they know to be vastly unpopular?

Then there's the little potential problem that Ron Paul (he keeps mumbling about it) and/or the Tea Party may end-up running against them if Mitt is nominated, and how will he not be nominated? All the other candidates seem to scare even the Republicans!

(This is why many people don't want a third party from the left running against Democrats, though it might serve them right. Remember the "Ralph Nader" effect.)

Maybe the "big lie" will work once again, but I have my doubts. Instead of quoting some expert, let me present to you the thoughts of the common man, Citizen "Backhouse" replying on an MSNBC blog (<http://firstread.msnbc.msn.com/news/2011/10/24/8465193-first-thoughts-tax-pressure>):

Senator Sessions (R Alabama) along with the rest of the extremely affluent GOP Senators in Congress, voted No to the American Jobs Act twice. They would not even allow it to come up for debate.

100% of GOP Senators had the unprecedented gall to vote No to millions of jobs after running on 'Jobs' last November. They voted against creating jobs for hundreds of thousands of teachers for our children's schools, firefighters and police, veterans jobs and tax cuts for small businesses to expand and hire.

(I have the photo of Leader McConnell (R, KY) smiling and doing the 'thumbs up sign'.)

Meanwhile GOP Senator Jeff Sessions says we cannot afford to feed the hungry with food stamps. Recovering from such a catastrophic recession means the numbers of folks who need food support have increased dramatically. And right now in Mr. Session's state, one in five Alabamans are using Food Stamps to get by.

Taking food out of our mouths will cut money necessary to boost the economy. It will also starve our families.

If we allow GOP to cut food stamps, lay people off and refuse to create jobs for millions of Americans, we are dooming our children and seniors.

Meanwhile Koch Brothers are busy forecasting "the shadow of threats to loom" if government tries to prevent layoffs or create jobs to help the Economy. This multi-billion operation grows their profits exponentially while laying off thousands of employees. Koch Oil & Chemical operates in 60 countries including Iran, even as they deploy their political arm ~ Americans for Prosperity and the Cut Spending Now Tour ~ to intimidate those who try to lift up the United States economy.

[This conclusion may be a little extreme, but you get the point. The next paragraph points to the GOP's problem. –SteveB]

For the majority of Americans, GOP has or will gain no merit by repealing healthcare, repealing financial reforms, blocking consumer protections, refusing revenues, cutting education and shifting those monies to wealthy corporations, holding unemployment benefits and middle class tax cuts hostage, ending environmental protections (clean air, water, safe food, medications), blocking job creation while firing hundreds of thousands of government workers that we need. So far, 600,000 government employees have been laid off.

[I would also add threatening (at least) the vastly popular Social Security and Medicare to the list. –SteveB]

President Obama's American Jobs Act is assessed to create 1.9 million jobs and lift up our GDP by 2 points.

What more evidence does anyone in their right mind need to completely understand what is going on in the Halls of GOP power?

<http://thinkprogress.org/economy/2011/10/20/349131/jeff-sessions-food-stamps-out-of-control/>

<http://www.americansforprosperity.org/101111-obama%E2%80%99s-%E2%80%9Cjob%E2%80%99s-bill%E2%80%9D-packed-dangerous-protectionism>

2. Does anybody but me find this fact troubling? In the midst of what has been construed to be a national crisis, half the government is out campaigning instead of doing what we pay them to do. And the election is more than a year away! This is what I mean:

(I like the way they gave Michele an article number with lots of 6's in it!)

"Tea Party Hoopla Fades on the Hill" by Manu Raju and Seung Min Kim, Politico

Oct. 23, 2011, (<http://www.politico.com/news/stories/1011/66669.html>)

Freshman Sen. Mike Lee promised a room packed with conservative activists at the inaugural meeting of the Senate Tea Party Caucus that his new group would allow "you and other Constitution-loving, freedom-embracing Americans" to communicate directly with senators.

That meeting was in January — and the caucus has done hardly anything since.

"It's only been nine months," the Utah Republican said last week when asked about the apparent lack of action.

On both sides of the Capitol, efforts by conservative lawmakers to harness the energy of the right-wing movement into an organized group on Capitol Hill have gone dormant as members get sidetracked with pursuing their own agendas and as freshman members realize that organizing caucuses can be a fruitless and time-consuming endeavor — especially in the Senate.

Illinois Sen. Mark Kirk, a freshman Republican who served nearly a decade in the House, said there was a lack of enthusiasm in the Senate's 47-member GOP conference for organizing a Tea Party Caucus.

"On top of that, any caucus is tough," Kirk said, pointing to the institutional hurdles in a body where the power granted to each senator often makes such groups unnecessary.

On the House side, the Tea Party Caucus has been similarly quiet. The last meeting of the 60-member group occurred in early June, several months after its previous meeting in late February. The group was launched in July 2010 by Rep. Michele Bachmann (R-Minn.) to "ensure the voices of the people are carried through the halls of Congress."

But "the people" haven't been able to communicate much with this group since Bachmann turned her attention to the presidential campaign trail. Before returning to Washington on Oct. 12, to vote on free-trade agreements, Bachmann had not voted since Aug. 1, when she voted against the debt ceiling agreement. She missed nearly half of all votes in July.

Iowa Rep. Steve King — a tea party favorite, himself, and close friend of Bachmann — acknowledged that he hasn't heard a peep out of the House Tea Party Caucus in the past few months.

"The reason for that is Michele Bachmann leads the Tea Party Caucus, and she's almost 100 percent campaigning for president right now," King said in a phone interview. But he argued the group carried clout in the House and said it would continue to function whether Bachmann is in Washington or in Iowa.

Members of the House often organize into caucuses to have a greater voice in floor debates and to extract concessions out of their party's leadership. But in the House, there already is an established caucus of conservatives — the Republican Study Committee, which boasts a roster of more than 170. And in the Senate, there's the conservative Steering Committee that has a hired staff that promotes policy ideas.

"I didn't want to have to be in a caucus within a caucus," said Sen. Marco Rubio (R-Fla.), a tea party favorite who is a Steering Committee member but declined to join the tea party group.

Critics say both the House and the Senate Tea Party caucuses are simply designed to allow lawmakers to attach their names to them so they can point to their work on behalf of the grass-roots movement when they speak with voters back home. The lack of activity, they say, confirms that suspicion.

But Bachmann spokeswoman Becky Rogness defended the group's work, saying the congresswoman was still getting public input without formal meetings and that the House Tea Party Caucus was overhauling its website to more directly communicate between lawmakers and the public. And she pointed to two events Bachmann and the caucus hosted dubbed Constitutional Seminars, including one featuring Supreme Court Justice Antonin Scalia.

"A number of caucuses never meet," she said. "The Tea Party Caucus still strives to meet occasionally and keep its members informed."

The Senate group was formed in the aftermath of the 2010 election cycle that ushered in 15 new Republicans, several of whom won because of support from the movement for small government.

Kentucky Sen. Rand Paul, who wholeheartedly embraced the movement in his first run at elected office last year, immediately wanted to start a caucus in the aftermath of his November victory. And that was quickly embraced by Lee and Sen. Jim DeMint, the conservative South Carolinian who also is chairman of the Steering Committee.

But the membership roster remained thin — only Kansas Sen. Jerry Moran formally joined the group later.

"I did go to that first meeting, and maybe there's been another meeting?" Moran said. "I have not been back. If there has been one, I haven't been there since."

Asked whether he's spoken with anyone about the caucus lately, Moran said: "No."

In interviews, Paul, DeMint and Lee all downplayed the lack of meetings, saying they “constantly” speak with one another about legislative strategy on the floor. Moreover, the three men remain largely united in their votes on the floor, voting in the minority of the minority on a range of issues, including against bipartisan deals to raise the debt ceiling, keeping the government funded and ending the practice of secret holds on legislation.

Paul took his legislative hijinks to a new level last week when he invoked a rarely used procedural weapon to prevent legislative committees from meeting for more than two hours when the Senate’s in session — as a way to prevent a panel from voting on a bill to overhaul the No Child Left Behind law.

“He’s a whole mess of contradictions,” Sen. Tom Harkin (D-Iowa) angrily said about Paul.

Paul pointed to his heavy legislative portfolio as one reason why the Tea Party Caucus hasn’t met more, including his aggressive effort to slow passage of the far-reaching education bill that he said needed more debate.

“Now that you’ve reminded me, maybe that is something we need to work on,” Paul said of the Tea Party Caucus.

While he didn’t single out any of the group’s other co-founders, he said another reason for not having another session was “mainly because I don’t think I was in charge of the second meeting.”

DeMint noted that it was “really Rand and Mike [who] had been leading that” group, though he said the three men each continue their regular outreach to tea party activists and work together “all the time.”

“We don’t need a name of a Tea Party Caucus necessarily,” DeMint said, in citing their collaboration. “But I think part of that is just to communicate to people on the outside that it wasn’t just about that election. We’re going to work together to try to grow our numbers and get things done.”

Some GOP senators say incoming freshmen may have had the wrong impression that their leadership would not listen to their concerns and have since learned that they can force change by working from within the conference, rather than through an outside group.

“I think they’re finding an opportunity to contribute, to offer legislation, to push their ideas,” said Sen. Mike Johanns (R-Neb.). “I think they’re finding their place.”

Indeed, some of the group’s members argue that the Tea Party Caucus in the House exerted much influence during this summer’s prolonged debt ceiling debate, in particular over the passage of the Cut, Cap and Balance legislation in the House.

King, the Iowa congressman, also argued that the group’s influence helped scuttle the so-called grand bargain debt ceiling deal privately attempted by Speaker John Boehner and President Barack Obama.

“That was clearly the tea party’s impact on the Republican Conference,” he said.

In the Senate, Lee said he’s “sure we’ll meet from time to time on something we call the Tea Party Caucus.”

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20111024-01	03:34	SteveB	Re: "FDR's Economic Bill of Rights" (reply to SteveG, FotM Newsletter #1)
20111024-02	07:33	SteveG	Re: "FDR's Economic Bill of Rights" (reply to SteveB, above)
20111024-03	10:55	SteveB	Re: "FDR's Economic Bill of Rights" (reply to SteveG, above)
20111024-04	11:09	Pam	Re: "FDR's Economic Bill of Rights" (reply to all, above)
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20111024-01	03:34	SteveB	Re: "FDR's Economic Bill of Rights" (reply to SteveG, FotM Newsletter #1)
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Good 'ole FDR. Now there was a good socialist President. :-)

I wish these things were rights, but I guess they aren't because we can't afford them any more.

It's strange that during the depths of the Great Depression, they were able to imagine that we, as a nation, could fulfill our collective dreams. Now, in the midst of the great lies, dreams are destroyed and lie strewn across the jobless landscape. We don't even have the will to dream any more.

Geez! I'd give a prize to anyone who can put it more dramatically than that.

20111024-02	07:33	SteveG	Re: "FDR's Economic Bill of Rights" (reply to SteveB, above)
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If they become our priorities they are achievable, but as we know none of these issues are really our country's priorities in 2011. As a nation you are right, we do not dream anymore.

20111024-03	10:55	SteveB	Re: "FDR's Economic Bill of Rights" (reply to SteveG, above)
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Yes, we went to the moon didn't we? Now we're hitching rides on Virgin and the Chinese will own the moon.

Things are so much more difficult after you have given away your manufacturing base. Only three things actually create real wealth in a given society:

1. mining, drilling, etc. (w/ some other energy production—atomic, solar, wind, etc.)
2. farming
3. manufacturing

Notice that importing, banking, engineering, medicine, lawyering, teaching, cooking, and many other worthy professions don't make the list. All fields except the three listed simply move money around, usually from the bottom to the top, more seldom the other way around.

1. mining — is declining in our country and that's the way most of us want it for now
2. farming — is stationary or declining, though I think we want it reversed
3. manufacturing — because of #1 & #2 not performing that well, losing any of #3 really hurts, and we've lost *much*!

20111024-04 11:09 Pam Re: "FDR's Economic Bill of Rights" (reply to all, above)

This is so simple and obvious, but I never thought of creating wealth this way. I guess that's why they had to invent derivatives and the like, and they couldn't sell them to actual people, because who in their right mind would have bought them. It HAD to be an inside job. Wow.

20111024-05 11:18 SteveG Re: "FDR's Economic Bill of Rights" (reply to all, above)

Farming – the government subsidizes; corn we use to feed fish, beef, and whatever other animal will eat it; corn we use for fuel; milk we subsidize and then the government buys the surplus and forms powdered milk and then gives it to 3rd world countries or stores it.; tobacco we subsidize and then spend billions to test the ramifications of long term use, to find cures for cancers, to advertise against tobacco use.

There are some glimmers in manufacturing – Gary, Indiana has a restart of the steel industry going on. Hershey is miss using foreign students into indentured servitude to package their candies – that is not a glimmer but a side note.

I have noted in several communities that manufacturing left, good paying jobs. In a few years retail and restaurants came. A few years later low paying manufacturing jobs returned. They would lease their buildings for 10 years or so and most would move communities after that – tax abatements, training incentives, lower wages, etc.

20111024-06 15:49 SteveG FotM & OWS

If we or anyone of the group is serious about looking at/doing something concrete on the 1-28 issues, it would seem that being involved with Occupy Wall Street would help in that process.

20111024-07 22:14 SteveG "Surveillance Under the Patriot Act"

"Surveillance Under the Patriot Act" by the ACLU

Oct. 24, 2011, (<http://www.aclu.org/national-security/surveillance-under-patriot-act>)

Hastily passed 45 days after 9/11 in the name of national security, the Patriot Act was the first of many changes to surveillance laws that made it easier for the government to spy on ordinary Americans by expanding the authority to monitor phone and email communications, collect bank and credit reporting records, and track the activity of innocent Americans on the Internet. While most Americans think it was created to catch terrorists, the Patriot Act actually turns regular citizens into suspects.

[Continue...](#)

20111024-08 22:56 Dale "'Millionaires' Are Now Expected to Shoulder Much of the Burden of Balancing the Budget"

Those who love to stick it to "The Man" should be pleased with this. Taking money from someone else always makes it better, doesn't it?

I hope no one has friends or relatives in the business of making or selling luxury items. Good-bye travel and resort jobs.

"Millionaires' Are Now Expected to Shoulder Much of the Burden of Balancing the Budget" by Robert N. Gordon, *Investment News*

Oct. 23, 2011,

(<http://www.investmentnews.com/apps/pbcs.dll/article?AID=/20111023/REG/310239960&dailycount=3&issuedate=20111024>, free registration required)

(Top marginal tax rates may skyrocket.)

The latest news from Washington isn't good. The political winds have shifted and "millionaires" now are expected to shoulder much of the burden of balancing the budget. The recently proposed 5.6% surtax on those with the highest income, added to the other scheduled changes in tax rates, would make for a substantial increase in the top marginal rate. For those with long-term gains, the tax rate could almost double from today's 15% rate.

Some tax increases are small but meaningful.

Starting in January 2013, the 3.8% Medicare tax will apply to investment income. Until then, that tax will be levied only on salary income.

As a result — even with no other rate changes — the tax on short-term gains will increase by 10.8% and the tax on long-term gains by 25%.

If the Bush tax cuts are allowed to expire, the tax on short-term gains will revert to 39.6% in 2013.

When you add the Medicare tax, the top short-term-gain rate becomes 43.4%. If the "millionaires'" tax of 5.6% is enacted, the top federal tax rate will be as high as 49% — 40% higher than the current 35% rate.

The effect of expiration of the Bush tax cuts on long-term gains would be even more dramatic. If the cuts expire, the tax on long-term gains will revert to 20% in 2013.

Add in the Medicare tax, and the maximum long-term-gain rate becomes 23.8%. Add the 5.6% millionaires' tax, and the top long-term gain rate reaches 29.4%, almost double the current 15% rate.

On the other side of the ledger, there is a proposal to limit the value of deductions to the equivalent of 28 cents on the dollar. The interactions of these changes would render leveraged investing much less attractive than under today's tax law.

Currently, if an investor uses a margin account and breaks even, pretax, he or she also breaks even after taxes, because profits and expenses are taxed at the same rates.

As a gap develops between the tax rate on profits and the tax rate on interest deductions, after-tax returns drop. In fact, a pretax return can turn into an after-tax loss.

Currently, for example, a client who incurs \$100 of interest cost to produce \$100 of short-term gain breaks even on both a pre- and post-tax basis.

Under the president's proposal to limit the value of deductions to 28%, the same investor would lose \$7. The investor would lose \$10.80 once the 3.8% Medicare tax kicked in, and \$21 if the Bush tax cuts expired and the millionaires' tax were enacted.

If the same investor created \$110 of short-term gains and spent \$100 on interest, he or she would be making \$10 pretax but wind up losing money after taxes under every possible future scenario.

Another way to look at the effect of new tax rates is to consider the rate of return an investor would need in order to equal his or her after-tax borrowing costs. Today, if an investor is able to capture a return equal to borrowing costs, he or she will break even in terms of federal levies, although state taxes can add another level of complexity.

Once the Medicare tax kicks in, and if the Bush tax cuts are allowed to expire, investors would need to make \$127 in profits for every \$1 in interest costs just to break even after taxes. If the highest marginal tax rate rises to 49% and interest is limited like other deductions, investors must earn 141% of their borrowing costs to break even after taxes.

That is quite a steep hurdle.

—Friends of the Middle,
Steven W. Baker (SteveB), Editor/Moderator

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