



# **FRIENDS OF THE MIDDLE**

## **NEWSLETTER #4 — OCT. 27, 2011**

*Welcome to always lively political discussion and whatever else comes up.*  
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## **America Needs Her Middle Class Back**

(posted by Steven W. Baker / SteveB, Oct. 27, 2011, thanks to Pam for the charts)

Imagine for a moment a utopian America. No, not a socialist utopia! Not a Republican utopian. [Please note: 2011 dollars are used below.]

Private enterprise large and small flourishes. Foreign investors flock to our shores for a piece of the pie. Rich and poor alike are happy paying taxes. The federal government runs no deficits because fewer demands are placed on it. There are almost more jobs than can be filled. Rich and "poor" are happy to pay taxes [perhaps a stretch], because they know they are necessary and fair. They don't whine all the time about paying taxes.

What would it take? If we knew we'd do it, wouldn't we?

What if the minimum wage was something like \$30 to \$50 per hour? Someone fresh out of college would make \$100/hour.

Our manufactured goods would be way too expensive for export. Cheap imports would bankrupt our businesses, so we'd have to protect them with tariffs on almost all foreign manufactured goods. We wouldn't try to save the world, exporting our dollars everywhere. We would make what we need.

Want to know something? This utopia existed! Right here! In the good ole US of A., from about sometime in the 1950's through sometime in the 70's, though Viet Nam seemed to signal the end was near.

True, workers didn't make \$30 to \$50 per hour, but they might as well have made that much when we compare those hourly wages to wages in China, Mexico, or even Japan at that time. There were tariffs on imported goods to protect American wages. Floods of additional workers were not crossing our borders.

But someone [Reagan and his controllers?] had a great idea. Let's have "free trade" and take down the barriers. Let's deregulate all markets, bust the unions, lower taxes until we are broke, and let our businesses have their way with the world.

This is what we did and we have been in decline as a nation ever since. Why did we do something so stupid? Who benefited? Not the American middle class, as was promised. Our politicians passed the laws that made it all possible. So their biggest campaign contributors could make more money and shelter more of it from taxes.

Now, I'm not against tax breaks for business. I'm not against CEO's making a lot of money (though a lot less than presently). But both taxes and compensation, for the good of the country and the economy, have to be tied firmly

to performance. In the case of business, the performance has to be to benefit America by creating jobs, paying taxes, and, perhaps, fulfilling a public need, such as mining lithium, to give an impossible example. Tax breaks for farmers are a similar example.

We lost our manufacturing base slowly. So slowly hardly anyone noticed. We woke up one day, and the utopia was gone. Stolen from us all--poor and rich. We can get it back, but it will take a long time.

Another subject near and dear to our hearts--taxes! I have to admit that we've probably beaten this issue to death, but I wanted to present one more article. The facts are all here for anybody to understand: taxes must be raised on the richest Americans!

from "Should Minimum Wage Earners Pay a Tax Rate 460 Times Higher than Millionaires?" by Kyle Linzer, [NationofChange](http://www.nationofchange.org)

Oct. 26, 2011, (<http://www.nationofchange.org/cain-s-plan-minimum-wage-earners-pay-460-times-more-taxes-millionaires-1319649531>) [this article contains at least one error.]

So spending the same amount of money and taxed at the same rate (a flat or sales tax) someone making minimum wage pays an effective rate of 25%, the average American pays an effective rate of 1.5%, and someone making \$1,000,000 per year pays an effective rate of .055%.

Minimum wage earner with flat tax:

- Social Security
- Flat Taxes
- Necessities
- Disposable Income



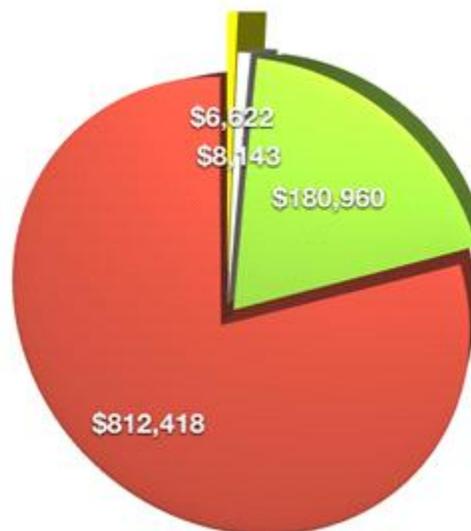
Average wage earner with flat tax:

- Social Security
- Flat Taxes
- Necessities
- Disposable Income



Person making \$1,000,000/year:

- Social Security
- Flat Taxes
- Necessities
- Disposable Income



And my second exhibit today:

"Why the U.S. Should Spread the Wealth" by Mark Thoma, *The Fiscal Times*

Oct. 13, 2011, (<http://money.msn.com/investing/why-us-should-spread-the-wealth-fiscaltimes.aspx?GT1=33002>)

(America sacrificed equity for the false promise of efficiency and growth, and society is now more unequal than at any time since the early part of the last century.)

Many economists worry that making societies more equal through income redistribution or other means reduces economic growth.

This big trade-off between equality and efficiency, which is supported by comparisons of capitalist and socialist countries, implies that there's a limit to how much redistribution a society should pursue. At some point, the trade-

off of more equality for less output -- which worsens as we push toward more and more equality -- becomes intolerable.

However, while the trade-off is quite unfavorable as we push to extremes, recent experience suggests there is a wide region where the trade-off is hard to detect. Thus, worries about this trade-off appear to be overblown.

For example, the Bush tax cuts were justified, in part, by the assertion that equity had overshadowed efficiency in tax policy. Taxes on the wealthy, and the inefficiencies that come with them, were much too high, it was argued, and lowering taxes would cause output to go up enough to lift all boats substantially.

Accordingly, the lower end of the income distribution would fare much better after income trickled down than it would under redistributive policy.

The economy did grow after the Bush tax cuts, but the rate of growth was unremarkable, especially for jobs, and there's little evidence that they caused large increases in output growth, as promised.

In fact, there's little evidence that the Bush tax cuts had any effect at all. The trade-off simply wasn't there.

And the tax cuts at the upper end of the income distribution did nothing to correct for the fact that although worker productivity was rising, wages remained flat -- a problem that began in the mid-1970s.

This was an indication that something was amiss in the mechanism that distributes income to different members of society. Workers were helping to increase the size of the pie, but income did not trickle down, and their share of the pie was no larger than before.

This is not the only way in which the distribution of income has become disconnected from productivity. While some argue that those at the top of the income distribution earn every cent they receive, and hence deserve to keep all of it, there is plenty of evidence that the compensation of financial executives, CEOs of major corporations and others at the top of the pyramid far exceeds the value of what they contribute to society.

That holds true even without the 2008-09 financial crisis, but how, exactly, can we justify the extraordinarily high income of this group when the result of their actions was to ruin the economy?

If those at the top of the income distribution receive far more than the value of what they create, and those at lower income levels receive less, then one way to correct this is to increase taxes at the upper end of the income distribution and use the proceeds to protect important social programs that benefit working-class households, programs that are currently threatened by budget deficits.

This would help to rectify the maldistribution of income that is preventing workers from realizing their share of the gains from economic growth.

And there is another reason why taxes on the wealthy should go up. Someone has to pay taxes, and the question is how to distribute the burden among taxpayers. Many believe, and I am one of them, that progressive taxes are the most equitable way to do this. In particular, the guiding principle is that the last dollar of taxes paid should cause the same amount of sacrifice for rich and poor alike.

There has been an attempt to make it appear that taxes are mostly paid by the wealthy; the deceptive claim that half of the people pay no taxes is part of this. But taxes are less progressive than before the Bush tax cuts, and when all taxes at all levels of government are taken into account, "the U.S. tax system just barely qualifies as progressive," according to a 2010 report from Citizens for Tax Justice.

We face a choice between cutting key benefits for the middle class and creating an ever more unequal society, or raising taxes on the wealthy to preserve the social programs that lower-income households rely upon.

We hear that raising taxes is unfair and that tax increases will harm economic growth. But there's nothing unfair about correcting the maldistribution of income that we've seen in recent decades, or about making sure the burden from paying taxes is more equitable than it is now.

And there's no reason to fear that economic growth will be lower if taxes are increased. Cutting taxes on the wealthy during the Bush years didn't stimulate growth, and raising taxes back to the levels we've had in the past -- when growth was quite robust -- won't have much of an effect either.

### **FotM NEWSLETTER #4 (Oct. 27, 2011)—HYPERTEXT INDEX**

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<a href="#"><u>20111027-00</u></a>		SteveB	<b>America Needs Her Middle Class Back</b> by Steven W. Baker / SteveB ("Should Minimum Wage Earners Pay a Tax Rate 460 Times Higher than Millionaires?" & "Why the U.S. Should Spread the Wealth")
<a href="#"><u>20111026-01</u></a>	08:53	SteveB	Re: Republican Town Hall Meeting (reply to Art, FotM Newsletter #3)
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<a href="#"><u>20111026-01</u></a>	08:53	SteveB	Re: Republican Town Hall Meeting (reply to Art, FotM Newsletter #3)
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In regards to Art's list of Mr. Perry's accomplishments maybe the term from the 60's of Tricky Dick should be changed to Tricky Rick. His unemployment or employment record is not good either once you start looking at the details – take away federal stimulus money used to hire people, the growth of the state government, add in the facts of the lowest or second lowest average wage of any state, the lowest number of employees covered by medical insurance and the mess gets bigger. What real job growth there is relates back to the oil industry. My guess is there is a little money being exchanged there.

<a href="#"><u>20111026-02</u></a>	09:01	Pam	"Why We Shouldn't Be Selling the Right to Live in America"
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"Why We Shouldn't Be Selling the Right to Live in America" by Robert Reich, NationofChange

Oct, 25, 2011, (<http://www.nationofchange.org/why-we-shouldn-t-be-selling-right-live-america-1319549074>)

<a href="#"><u>20111026-03</u></a>	09:02	Pam	Right Wing Media
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How does it go? -- First they came for the teachers, and I did nothing. Then they came for the lawyers, and I did nothing. Then they came for me, and it was too late. -- I know that's not it exactly, but you know what I mean.

Bill O'Reilly is such a blowhard. Don't you just love the way he throws numbers around? First, it's 90% who disagree with OWS. Then it's 37%. I simply cannot fathom how Fox mouthpieces can spew this stuff out day after day. Like the lady said, What world are [they living] in? We've got our own new versions of Billy Sunday or Elmer

Gantry--charlatans who inflame the people who are most credulous. I ask myself why they do it? Can they possibly believe what they're saying? Gretchen What's-her-name on Fox News went to Stanford, for Pete's sake. Oh yeah. Money. Of course.

<a href="#">20111026-04</a>	09:09	Pam	Son of 'Right Wing Media' (above)
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A follow-up to my own follow-up: Maybe the best way to get at the tricksters and liars in politics and the media (I was Sooooo tempted to start name-calling) is to publicly shame them. Jon Stewart and Stephen Colbert do a good job, but we need more voices calling these people out. Good for you, Art, for asking uncomfortable questions. It is essential that our movement (for lack of a better word) exercise good manners, like those folks in WI. Our restraint plus the facts make eloquent statements. We must keep grinding away at the idiots.

<a href="#">20111026-05</a>	09:45	SteveG	"Company Directors See Pay Skyrocket"
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"Company Directors See Pay Skyrocket" by Gary Strauss, *USA Today*

Oct. 26, 2011, (<http://www.usatoday.com/money/companies/management/story/2011-10-25/director-compensation-rising/50918332/1?loc=interstitialskip>)

<a href="#">20111026-06</a>	15:23	SteveG	"Alan Grayson: U.S. Is the Fifth Most Unequal Nation"
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"Alan Grayson: U.S. Is the Fifth Most Unequal Nation" from 'The Rachel Maddow Show' for Monday, October 19, 2009

([http://www.msnbc.msn.com/id/33396815/ns/msnbc\\_tv-rachel\\_maddow\\_show/t/rachel-maddow-show-monday-october/](http://www.msnbc.msn.com/id/33396815/ns/msnbc_tv-rachel_maddow_show/t/rachel-maddow-show-monday-october/))

After Alan Grayson's inspiring appearance on "Real Time" with Bill Maher, drawing the first standing ovation for a guest in the history of that show and then 500,000 views on YouTube, Grayson followed it up with an interview with Rachel Maddow on MSNBC last week. Here is how it went:

**MADDOW:** "Joining us tonight for the interview is former Congressman Alan Grayson of Florida. Mr. Grayson represented Florida's Eighth District from 2009 to 2011. Congressman Grayson, thanks very much for being with us. It's nice to see you again."

**GRAYSON:** Thank you.

**MADDOW:** You have and have always had a knack for saying things in a way that connects with people. Sometimes you upset your critics, but you definitely always enthuse your supporters. The "Occupy Wall Street" protests also seem to be connecting with people despite a campaign on the right to portray them as scary. What do you think is resonating so much here?

**GRAYSON:** I think that they have their eyes open, and more and more people are seeing the scales fall from their eyes as well. The "Occupy Wall Street" people are saying, first, that there's no accountability on Wall Street. They wrecked our economy. Years ago, they took a healthy economy and they gave us 9 percent, 10 percent or more unemployment. And they destroyed 20 percent of our national wealth in the course of just 18 months, from the middle of 2007 to the end of 2008. They destroyed 20 percent of our national wealth accumulated over the course of two centuries, and nobody's been prosecuted for it. Nobody's been indicted. Nobody's been convicted. So, first, there's no accountability.

The second thing is that they've created a system that is enormously unequal. And the result of that is people are struggling to find a job to pay their bills, to pay their rent, to pay their credit card bills. According to Wikipedia,

there are only five countries in the entire planet that are more unequal than the United States, in the distribution of our wealth. That`s a system that Wall Street created, that Wall Street maintains, and that Wall Street enforces.

And the way that they enforce it is the third gripe. The third gripe is Wall Street controls and dominates our political system. One party is a wholly-owned subsidiary of Wall Street, and the other party caters to Wall Street all too much. So, people got into the situation right now where they feel that the system is completely unresponsive, and they`re driven deeper and deeper into debt and misery.

**MADDOW:** With a movement with that kind of message, how do you think it ends up playing out and affecting American politics more broadly? Not even necessarily in strict electoral terms. But how does it change the framing of issues. I mean, the right is trying to denounce the existence of protests at all as mobs and social unrest. Glenn Beck today ranting that people are going to be dragged from their homes and killed in the streets. The kinder, softer version of that on the right is to say that the protesters are motivated by class envy and class resentment, dividing the nation. The right is reacting to this in slightly hysterical terms. That implies to me that people have a message here that the right is worried about.

**GRAYSON:** Well, I think that Glenn Beck is right. It`s only a matter of time before they do take him away -- but not the way that he means -- you know, in a straitjacket. That`s how they`ll take him away. That much is obvious.

But fundamentally, ask yourself what do people want? Solutions to their problems. And what is either side offering in the next election? People don`t see any solutions to their problems.

You know, as I said earlier, there are 24 million people in this country who can`t find full-time work. There are 50 million people in this country who can`t even see a doctor when they`re sick. They want to know what`s being done about this. What is going to help them in their ordinary, everyday lives. They`re desperate for solutions to those problems.

The Right certainly isn`t offering any. You heard Herman Cain. His answer is: get a job. Well, it`s not that easy. You know, if one person is out of work, maybe that one person can find a job. But if 24 million people are out of work, that`s just not possible.

The economy has been grossly mismanaged by Wall Street and by others. And people see that Wall Street is running our economic policy. That Big Oil is determining our energy policy, and that the military- industrial complex is determining our foreign policy and miring us in these endless, costly wars.

People are just fed up. So, what do they do? What`s left to do? What is the one thing you can still do as a human being? You can go someplace. You can go someplace, and in this world of the Internet, you can show yourself. And that`s what the people on `Occupy Wall Street` are doing. They`re doing the one last human thing left. They`re going somewhere.

After the Maddow interview, Politifact contacted Grayson, and asked him to prove the statement that the United States has the fifth most unequal distribution of wealth in the world. Which Grayson did, adding: "there is overwhelming, staggering inequality in America, however it is measured, and that inequality substantially exceeds the inequality in many other countries. That is not merely `True` but `Profoundly True` and `Largely Ignored.`" Politifact then rated Grayson`s statement as "True."

<a href="#">20111026-07</a>	17:34	SteveG	"GOP Rejects Dems Offer in 'Super Committee,' Negotiations 'Deadlocked' Over Taxes"
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[From SteveG \(5:34 pm\)](#)

["GOP Rejects Dems Offer in 'Super Committee,' Negotiations 'Deadlocked' Over Taxes" by Kate Bolduan, Deirdre Walsh and Ted Barrett, CNN](#)

Oct. 26, 2011, ([http://politicalticker.blogs.cnn.com/2011/10/26/gop-rejects-dems-offer-in-super-committee-negotiations-deadlocked-over-taxes/?hpt=hp\\_t2](http://politicalticker.blogs.cnn.com/2011/10/26/gop-rejects-dems-offer-in-super-committee-negotiations-deadlocked-over-taxes/?hpt=hp_t2))

<a href="#">20111026-08</a>	18:56	Pam	Re: "GOP Rejects Dems Offer in 'Super Committee,' Negotiations 'Deadlocked' Over Taxes" (reply to SteveG, above)
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The idea that Republican politicians would sign a pledge presented to them by Grover Norquist is so appalling it leaves me speechless. I will not be at all surprised if the super-committee fails. I veer all over the place; one minute I think OWS and progressives will make a positive difference, the next I fear the regressive Republicans, including the Supreme Court, Wall Street, the banks, and the big corporations have such a stranglehold on the country that we'll never break free.

<a href="#">20111026-09</a>	23:04	SteveB	Re: Current Political View (reply to Art, FotM Newsletter #3)
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Ah, I see what you mean about Singapore. Still just shuffling money around, they just end up ahead. We do a lot of that kind of thing here—movies, banking, markets, etc.—but our way of doing it ships money out of the country, their way of doing it brings money into their country.

NO! I don't want Rick's Texas. I don't want Rick. He needs to research Obama's birth certificate a little more. LOL!

<a href="#">20111026-10</a>	23:15	SteveB	Obamacare & Business Uncertainty
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Funny how business thinks Obamacare produces so much uncertainty that business can hardly function. They can't stand uncertainty in the marketplace and in their businesses climate, right? Makes sense.

Yet they don't seem to find any uncertain business climate in the titanic changes and dislocations in the tax and economic structure of this country that would be necessary to implement any of the Republican flat tax frauds.

Just thought I'd point that interesting little fact out...

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

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