



FRIENDS OF THE MIDDLE **NEWSLETTER #15 — NOV. 11, 2011**

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America's Treasure: Her Public Schools and Teachers

(posted by Steven W. Baker / SteveB, Nov. 11, 2011)

I stand by our educational system. I'm happy if none of you were "home schooled" or "schooled" for a profit. I stand by our teachers. I stand by our teachers' unions. I stand by the 2 billion out of 7 billion people in the world who live on less than \$2 a day. But I want them to pretty much stay in their home countries and try to have fewer children. Sorry to be so brutally honest, but what else is really going to work in the long run? In the meantime, I say we help all we possibly can, but we help our brothers and sisters at home first. We help our own families first. That's the way humans are. That's the way we were made to be. We are tribal. I think that's OK. And our families are hurting and need our help, especially if we, as private citizens, are to now take on the responsibilities the government has shouldered for us for so long. Yet another hidden Republican tax we will pay in the name of saving money and giving someone an almighty profit. Not that there's anything wrong with profit, for the most part. Or taxes.

Maybe that's the difference between the philosophies of the two great parties. The Democrats' taxes are out in the open, much of the Republicans' taxes are hidden. You're going to pay just as much either way, it's just that one system is more honest than the other.

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[Source of original email unknown. –SteveB]

Guidelines for Understanding the 'Hoosier Culture'

For those of you who are Hoosiers, this is so accurate it hurts. To those of you who are displaced Hoosiers, you may get homesick.

Know the state casserole. The state casserole consists of canned green beans, Campbell 's cream of mushroom soup, and dried onions. You can safely take this casserole to any social event and know that you will be accepted.

Get used to food festivals. The Indiana General Assembly, in an effort to grow bigger athletes, passed legislation years ago requiring every incorporated community to have at least one festival per year dedicated to a high-fat food. It is your duty as a Hoosier in fact to attend these festivals and buy at least one elephant ear.

The secret to the weather is wear layers or die. The thing to remember about Indiana seasons is that they can occur at anytime. We have spring-like days in January and wintry weekends in October. April is capable of providing a sampling of all four seasons in a single 24-hour period. For these reasons, Indiana is the Layering Capital of the World.

Don't take Indiana place names literally. If a town has the same name as a foreign city — Valparaiso and Versailles, for example — you must not pronounce them the way the foreigners do lest you come under suspicion as a spy. Also, East Enterprise has no counterpart on the west side of the state. South Bend is in the north. North Putnam is in the south, and French Lick isn't what you think either.

You gotta know sports. In order to talk sports with obsessive fans in Indiana , you have to be knowledgeable on the three levels — professional, college, and high school.

Botany is easy. There are only seven kinds of plants in Indiana: corn, wheat, soybeans, grass, trees, flowers, and weeds. Everything falls into one or another of these categories.

YOU KNOW YOU'RE FROM INDIANA WHEN...

- You think the state Bird is Larry.
- You can say 'French Lick' without laughing out loud.
- There's actually a college near you named 'Ball State'.

- You know Batesville is the casket-making capital of the world, and you're proud of it.
- You could never figure out spring forward-fall back, so you still think you should just ignore Daylight Savings Time!
- You know several people who have hit a deer.
- Down south to you means Kentucky.
- You have no problem spelling or pronouncing Terre Haute.
- Your school classes were canceled because of cold.
- Your school classes were canceled because of heat.
- You know what the phrase 'knee-high by the Fourth of July' means.
- You've heard of Euchre, you know how to play Euchre, and you are a master of Euchre.
- You've seen a running car, with nobody in it, in the parking lot of the grocery store, no matter what time of year it is.
- Detasseling was your first job. Bailing hay, your second.
- You could stack hay, swim in the pond to get clean, and then have the strength to play a couple of games of hoops, all in the same barn lot on the same day.
- You say things like catty corner and know what it means.
- You install security lights on your house and garage, and then leave them both unlocked.
- You carry jumper cables in your car regularly.
- You drink pop. You catch frogs at the crick. If you want someone to hear you, you holler at 'em.
- You know that baling wire was the predecessor to duct tape.
- You know that strangers are the only ones who come to your front door.
- Kids and dogs ride in the passenger seats of cars and the backs of pickups.
- You think nothing of driving on the roads and being stuck behind a farm implement in spring and fall. You just hope it's not a hog truck or a manure spreader.
- High school basketball games draw bigger crowds on the weekend than movie theaters, IF you have a movie theater.
- Driving is better in the winter because the potholes are filled with snow.
- The local paper covers national and international headlines on one page but requires six for local sports.
- You can repeat the scores of the last eight NBA games, but unless the MVP is a Hoosier, you are not sure who he is.
- You can see at least two basketball hoops from your yard.
- You can name Bobby Knight's exploits over the last few years.
- The biggest question of your youth was IU or Purdue.
- Indianapolis is the BIG CITY.
- Getting stuck by a train is a legitimate excuse for being late to school or work.
- Everyone knows who the town cops are, where they live, and whether they're at home or on duty.
- You've been to the Covered Bridge Festival. And you took back roads to get there.

To you, my dear fellow Hoosiers, tenderloin is not an expensive cut of beef, but a big, salty, breaded and fried piece of pork served on a bun with lettuce and a pickle. Mmmmm...now that's good eatin'!
[SteveB]

20111110-02	09:22	SteveB	Video: Rick Perry's 'Oops Moment'
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I mean...seriously...if you didn't see Perry's moment of stupidity in the sun last night you have to go to cnn.com or cnbc.com and watch it. Marvelous.

<http://www.youtube.com/watch?v=7GSmDsAET7I>

He's like a cockroach in the kitchen at 4:00 am when you turn on the lights, scurrying to get away, but running in circles because he's so scared and needing to get out of the situation. And you wonder...what the hell is he doing there in the first place?

Let me ask just one question that I think is a fair one:

If a man this stupid subscribes to a philosophy, what does that say about the philosophy?

I know, if it were me, if I were a teabagger or a conservative Republican, Perry's display last night would have made me go back to the drawing board to find-out where I went wrong!

I don't think I'm being too extreme. After Richard Nixon staring America in the eye and lying, with sweat on his upper lip and everyone knowing he was lying, this was the worst moment in American political history that I have ever witnessed. The gall of the man and the party to think a moron can be President! (I guess he would be easy to control, huh? Ring a bell?)

20111110-03 09:23 SteveB Video: Rick Perry's 'Oops Moment' (Reprise)

OOPS!

Politico called it "The 'Oops' heard 'round the world."

Indeed. It is hilarious!

If you didn't find the video elsewhere, see:

<http://www.politico.com/news/stories/1111/68047.html>.

20111110-04 10:17 Pam Re: "Health Law Probably Safe..." (reply to SteveB, FotM Newsletter #14)

I like Medicare too, and your argument is right on target. We're also required to buy car insurance. The Right looks for any way they can find to try to dismantle what they see as a "welfare state." For some reason—the Cold War?—they think anything done collectively is tyranny. This is, to me, a bizarre stand. Most of the things we enjoy in life are the result of things done collectively. I wish someone would explain to me WHY the Right wants smaller government. I have yet to hear a satisfactory explanation. I won't be convinced, but I'd at least like to see a cogent, reasonable argument.

20111110-05 11:02 Art Re: "Health Law Probably Safe..." (reply to Pam, above)

Well said. Has anyone else noticed that we see lots and lots of well reasoned arguments (even if you don't agree) from the so called liberals about what is wrong and needs fixing with the country, but nothing but vague generalities (Dale excluded) or just outright hate mail (Obama spits on the flag every morning) from the right. Maybe I run with the wrong crowd, but I am still waiting for some coherent reasoning (even if I may disagree) from the so called conservatives on exactly what they think is wrong and what their plan(s) is/are.

20111110-06 11:51 SteveG Re: "Health Law Probably Safe..." (reply to Pam, above)

My fear is a push for the Supreme Court to rule Obama's medical plan unconstitutional and then use that ruling to make a push on Medicaid and Medicare. I would put nothing past the conservatives trying anything.

20111110-07 12:07 Pam Re: "Health Law Probably Safe..." (reply to Art & SteveG, above)

I'm sure that's what they want to do. End abortion. Privatize everything. Roll back decades of progress. The elections yesterday in Ohio and Alabama are a hopeful sign, but the Supreme Court we have now is terrifying. One more conservative, and we're all doomed. The Right keeps saying they want to take the country back. I'm afraid

they'll take it away. It's like they think America belongs to them alone. They seem to be running on fear and hate. I think the Left is just running on fear. In the end I conclude that human beings aren't very evolved.

[20111110-08](#) 12:11 Art Re: "Health Law Probably Safe..." (reply to Pam, above)

Much like the rest of the Republican agenda, I keep hearing the horrors of the Health Care Plan but never specifics. Here is something I put together a few months ago. I think I sent it out once before so I apologize if you have seen it already. It is actually what got me started on this whole political thing. When Bonehead said publicly "we have the best health care system in the world" it was just more than I could take. Instead of apologizing for the current Health Care Plan, Democrats ought to hammering on these points daily. The United States has a crappy health care system and to make it worse it is outrageously expensive.

I think SteveG is right. The Supremes are about as politicized and probably bought off as they have been in a long time and who knows where they will go. It is also interesting how the Republican state parties have tried to change the rules for voting. That got handed a setback in Maine but they keep plugging away.

I cannot believe that any even remotely thinking political leader can say that in view of the facts. This is well documented from many sources but among them the CIA World Factbook. In point of fact we are 49th in the world in life expectancy, just a few points ahead of Libya, God help us. Even worse in infant mortality, those that die in the first year, we are behind Cuba, not to mention all the rest of the modern industrial world. The United States is 19 out of 19 in "avoidable mortality", in other words things that could be fixed.

Finally and this is the real kicker, we spend 17% of our GDP on healthcare, European nations spend about 8%, yet in virtually every category, their citizens are much healthier.

What worries me is, if Bonehead goes after healthcare really believing ours is the best in the world, what possible good can come out of starting from that kind of flawed logic? Oh, there is one other thing, if you are very rich, medical care in the USA is not so bad. Maybe Bonehead has a more restricted constituency in mind.

[20111110-11](#) 12:46 SteveG Re: "Health Law Probably Safe..." (reply to Art, above)

In the past few years I have lived in the Midwest, Florida, and the northwest – east side of Washington. In Yakima, we have a city of about 80,000 with a metropolitan area of +- 220,000. Daytona, FL was larger. Crawfordsville, IN was smaller (15,000), but close to Lafayette and Indianapolis. Medical care was best in Crawfordsville – partly because the closeness of Indy and Lafayette. Yakima – everything is here cardiologists, etc – but if you want a second opinion or alternative services you are 2.5 to 4 hours away. There is a med school here, but that doesn't seem to help. Daytona, even though the biggest community we lived in, the medical community was fragmented and to get the consistency we had in Indiana – you had to go to Jacksonville, FL – 1.5 hours away.

Koch brothers, it seems, have bought or definitely have tried to buy the Supremes. We still sit here with Citizens United and very few people in the U.S. understand the ramifications.

[20111110-09](#) 12:23 Art Re: "Health Law Probably Safe..." (reply to Pam & SteveG, above)

You know that little movie you sent about people and corporations on Facebook really said it best. I think even right wingers will agree, Corporations are driven by one thing and one thing only, profit. There may be some that are better than others at taking care of people, polluting a little less, etc., but the fact remains profit is their only reason for existence. Therefore everything they do and every move they take is built around profit. I am not condemning that at all but that is why they should not be considered people and why they should not be in charge of thing like schools, environmental considerations etc. Nations need to balance that one focus goal with other things. It is a subject that needs more review and discussion but I think it is crucial as we look ahead to keep that thought in mind.

20111110-10 12:44 SteveB Re: "Health Law Probably Safe..." (reply to Art, above)

I think there is some coherent reasoning from the right, but even coherent doesn't mean largely wrong, in my humble opinion. And even where they are right, there is the matter of timing, and, for them, the timing is dead wrong.

As I said in today's FotM Newsletter: If someone as dumb as Perry believes (blindly, one would assume, since stumps can't see) in a certain philosophy, what does that say about that philosophy?

I'm about 1/3 of the way through editing the 2000 page archive of political emails I've saved since 2007, through two elections and now the third. Much of the really stupid, hateful, racist stuff I threw away (but not all of it, though I wish I had saved more). Even so, the arguments from the left tend to be long, intelligent articles written by famous people, attributed, and serious. An incredible amount of stuff from the right is hateful, ignorant, has no author, is full of lies and/or errors (accidental?) called-down by Snopes and others. There is a tremendous pattern of this in my inbox and yours too, I bet. The Archive will prove the trend.

It's just like nobody in my junk mailbox wants to reduce the size of my penis, and almost none of the political mail wants me to actually THINK!

20111110-12 12:51 SteveG Re: "Health Law Probably Safe..." (reply to SteveB, above)

I have not seen liberals/progressives carrying or wearing firearms to meetings/demonstrations.

20111110-13 12:59 SteveB Re: "Health Law Probably Safe..." (reply to Pam, above)

Evolved? How could we be? Only yesterday we lived like animals. Somebody (I bet a woman) decided to plant a little garden and the rush like a highly speeded up movie began and here we are. Especially we men are not adapted. Look how we fall back on our sports. Look how we'll do anything to get out for a round of golf. Coop us up in an office all day and we go...well...nuts. At least a little.

Women had it better as long as they stayed home and worked as mothers. That's not that big a change from long ago. But now that most women do everything, they will find themselves in the same maladapted boat.

We've been "civilized" such a short time that, even in Europe or China or Africa, we hardly even know how to run a government. We certainly don't seem too good at it here in the US. Something like, for instance world trade, has to be massively difficult and complicated and subject to problems, but no one can admit them. We aren't bad at education, since we've been at it so long (the dawn of the species), but only when we throw lots of resources at it, like 1-on-1. That's why there has still never been better teachers than Plato and Aristotle even though we have the benefit of 2000 years and the scientific method. But education is a "human" activity, just as government is, and these sorts of things, unfortunately, just don't evolve very quickly.

20111110-14 15:30 Pam Re: "Health Law Probably Safe..." (reply to all, above)

The best health care I ever had was in Canada 40 years ago. It wasn't perfect, and in some ways it was less slick than what you got here. Some doctors even had their office in their house, just like in my childhood. That was kind of nice. My ob/gyn had her office in her basement. One day I was there, and the door to the rest of the house had been left open. I saw mounds of hockey equipment that belonged to her sons. I felt I was seeing a genuine human being. She was like a friend really, not just a doctor. That personal touch is nothing to sneeze at (so to speak). I know some of you watch TED talks. Check out the one by Abraham Verghese. It's in the most recent batch, I think. He's a physician who teaches at Stanford, and he's wonderful. He's written books (a novel and a memoir) that are terrific and well worth reading.

20111110-15 15:33 Pam Re: "Health Law Probably Safe..." (reply to SteveG, above)

I'd say smoking a little weed is better than going armed to a political rally. (And I have never used an illicit drug in my life. Just saying...)

20111110-16 15:47 SteveB 2012 Republican Primaries

I loved these two comments at Politico (<http://www.politico.com/arena/>):

From Doug Thornell Senior Vice President, SKDKnickerbocker :

There are three reasons why Perry is toast: he doesn't look presidential, he buckles under the pressure, and, um what's the third one...? Wait, it'll come to me...

From Sally Kohn Political commentator, founder and Chief Education Officer of the Movement Vision Lab :

Perry can try and paint over his rocky performances on the stump as many times as he wants, but voters can plainly see he's not qualified to be president.

It's one thing to have a destructive, extremist vision for America. It's another thing to not even be able to articulate it.

As Rick Perry would artfully say, "Adios, mofo."

20111110-17 16:40 Art Re: 2012 Republican Primaries (reply to SteveB, above)

Good one! Still, if he was elected Bush would no longer hold the title.

20111110-18 17:22 Pam Re: 2012 Republican Primaries (reply to SteveB, above)

Isn't it funny how candidates with gaping holes in their qualifications seem to think they can convince voters that those things are trivial and don't matter? Perry says being articulate and sophisticated has nothing to do with being President. Try selling that to our foreign allies, let alone intelligent Americans. And Cain complains that there are some Americans "who don't want Herman Cain to be President." Well, yeah. The election isn't about race or whether you can run a business. It's about what a good legislator and leader you are. And also telling the truth.

20111110-19 17:28 SteveG Re: 2012 Republican Primaries (reply to all, above) & "Cigarette Makers Have Freedom Not to Speak"

Perry, Cain, Bachman all make George seem brilliant, and he was a piece of work.

Please read the article below. It upsets me that they may have the first amendment right not to label their product as dangerous, but we do not have the right to pull the subsidies to tobacco farmers – just ask their lobbyists.

"Cigarette Makers Have Freedom Not to Speak" by Ken Paulson, USA Today

<http://www.usatoday.com/news/opinion/forum/story/2011-11-09/cigarette-tobacco-fda-labels/51142520/1>

[20111110-20](#) 17:36 Pam Re: "Cigarette Makers Have Freedom Not to Speak" (reply to SteveG, above)

I have to disagree with you on this one, SteveG. I don't think tobacco companies should have to display those photos. I find them disturbing, even though I don't smoke. The same logic would see photos of car crashes in automobile dealerships. Warning people of danger is good; turning their stomachs goes too far.

If the government, or anyone, forced us all to only do the things that are good for us, we'd all be pretty unhappy. Freedom means picking your own poison.

[20111110-21](#) 17:55 SteveG Re: "Cigarette Makers Have Freedom Not to Speak" (reply to Pam, above)

I smoked for 44 years, never looked at the labels, never thought a thing of it. I do agree the pictures would be gross and I agree the government should not be trying to protect us from everything.

I do resent having to subsidize the tobacco farmers, the corn farmers to blend with gasoline for the oil companies to sell, to subsidize foreign owned dairy farmers, and to have the methane gas from farm animals do more harm to the environment than carbon dioxide.

[20111110-22](#) 18:14 Jim Corruption Solution

How many of you saw the Jack Abramoff piece on "60 Minutes"?

He revealed a lot about how he effectively bought congressional support, but he did offer one big step toward a cure....

Ban any elected official from becoming a lobbyist once his term is done.

Sounds like a step in the right direction.

[20111110-23](#) 19:22 Art "How the GOP Became the Party of the Rich"

"How the GOP Became the Party of the Rich" by Tim Dickinson, *Rolling Stone*

Nov. 9, 2011, (<http://www.rollingstone.com/politics/news/how-the-gop-became-the-party-of-the-rich-20111109?print=true>)

(The inside story of how the Republicans abandoned the poor and the middle class to pursue their relentless agenda of tax cuts for the wealthiest one percent.)

The nation is still recovering from a crushing recession that sent unemployment hovering above nine percent for two straight years. The president, mindful of soaring deficits, is pushing bold action to shore up the nation's balance sheet. Cloaking himself in the language of class warfare, he calls on a hostile Congress to end wasteful tax breaks for the rich. "We're going to close the unproductive tax loopholes that allow some of the truly wealthy to avoid paying their fair share," he thunders to a crowd in Georgia. Such tax loopholes, he adds, "sometimes made it possible for millionaires to pay nothing, while a bus driver was paying 10 percent of his salary – and that's crazy."

Preacher-like, the president draws the crowd into a call-and-response. "Do you think the millionaire ought to pay more in taxes than the bus driver," he demands, "or less?"

The crowd, sounding every bit like the protesters from Occupy Wall Street, roars back: "MORE!"

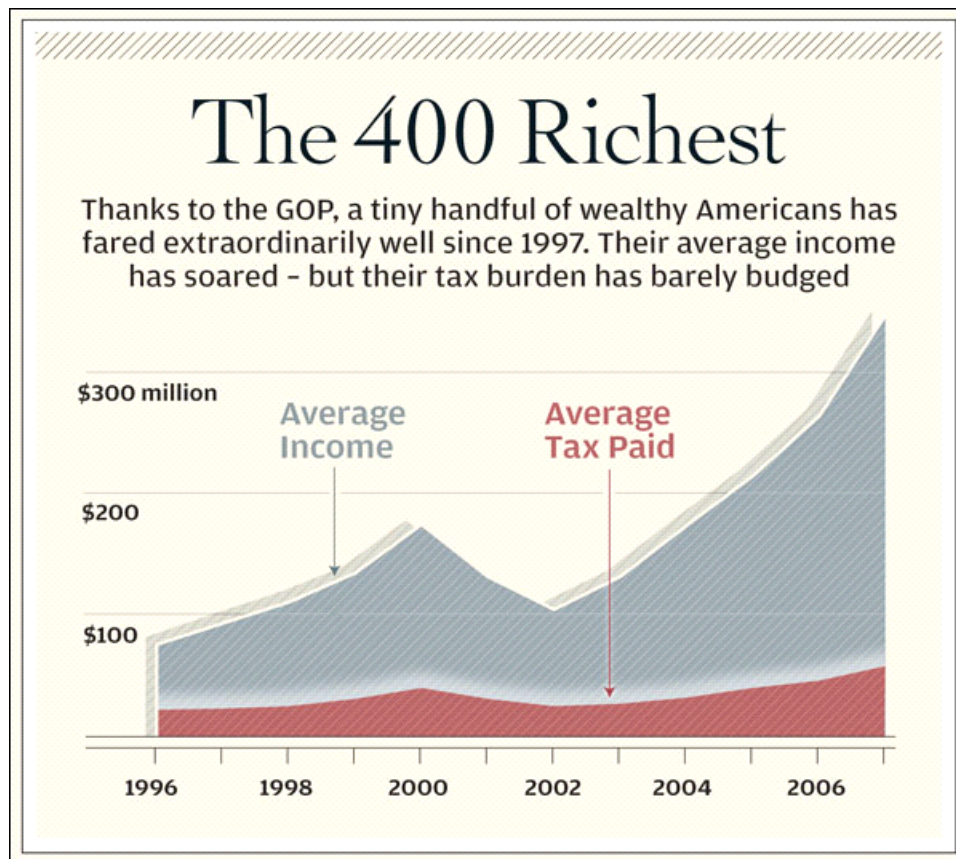
The year was 1985. The president was Ronald Wilson Reagan.

Today's Republican Party may revere Reagan as the patron saint of low taxation. But the party of Reagan – which understood that higher taxes on the rich are sometimes required to cure ruinous deficits – is dead and gone. Instead, the modern GOP has undergone a radical transformation, reorganizing itself around a grotesque proposition: that the wealthy should grow wealthier still, whatever the consequences for the rest of us.

Modern-day Republicans have become, quite simply, the Party of the One Percent – the Party of the Rich.

"The Republican Party has totally abdicated its job in our democracy, which is to act as the guardian of fiscal discipline and responsibility," says David Stockman, who served as budget director under Reagan. "They're on an anti-tax jihad – one that benefits the prosperous classes."

The staggering economic inequality that has led Americans across the country to take to the streets in protest is no accident. It has been fueled to a large extent by the GOP's all-out war on behalf of the rich. Since Republicans rededicated themselves to slashing taxes for the wealthy in 1997, the average annual income of the 400 richest Americans has more than tripled, to \$345 million – while their share of the tax burden has plunged by 40 percent. Today, a billionaire in the top 400 pays less than 17 percent of his income in taxes – five percentage points less than a bus driver earning \$26,000 a year. "Most Americans got none of the growth of the preceding dozen years," says Joseph Stiglitz, the Nobel Prize-winning economist. "All the gains went to the top percentage points."



The GOP campaign to aid the wealthy has left America unable to raise the money needed to pay its bills. "The Republican Party went on a tax-cutting rampage and a spending spree," says Rhode Island governor and former GOP senator Lincoln Chafee, pointing to two deficit-financed wars and an unpaid-for prescription-drug entitlement. "It tanked the economy." Tax receipts as a percent of the total economy have fallen to levels not seen since before the Korean War – nearly 20 percent below the historical average. "Taxes are ridiculously low!" says Bruce Bartlett, an architect of Reagan's 1981 tax cut. "And yet the mantra of the Republican Party is 'Tax cuts raise growth.' So – where's the fucking growth?"

Republicans talk about job creation, about preserving family farms and defending small businesses, and reforming Medicare and Social Security. But almost without exception, every proposal put forth by GOP lawmakers and presidential candidates is intended to preserve or expand tax privileges for the wealthiest Americans. And most of their plans, which are presented as common-sense measures that will aid all Americans, would actually result in higher taxes for middle-class taxpayers and the poor. With 14 million Americans out of work, and with one in seven families turning to food stamps simply to feed their children, Republicans have responded to the worst economic crisis since the Great Depression by slashing inheritance taxes, extending the Bush tax cuts for millionaires and billionaires, and endorsing a tax amnesty for big corporations that have hidden billions in profits in offshore tax havens. They also wrecked the nation's credit rating by rejecting a debt-ceiling deal that would have slashed future deficits by \$4 trillion – simply because one-quarter of the money would have come from closing tax loopholes on the rich.

The intransigence over the debt ceiling enraged Republican stalwarts. George Voinovich, the former GOP senator from Ohio, likens his party's new guard to arsonists whose attitude is: "We're going to get what we want or the country can go to hell." Even an architect of the Bush tax cuts, economist Glenn Hubbard, tells *Rolling Stone* that there should have been a "revenue contribution" to the debt-ceiling deal, "structured to fall mainly on the well-to-do." Instead, the GOP strong-armed America into sacrificing \$1 trillion in vital government services – including education, health care and defense – all to safeguard tax breaks for oil companies, yacht owners and hedge-fund managers. The party's leaders were triumphant: Senate Minority Leader Mitch McConnell even bragged that America's creditworthiness had been a "hostage that's worth ransoming."

It's the kind of thinking that only money can buy. "It's a vicious circle," says Stiglitz. "The rich are using their money to secure tax provisions to let them get richer still. Rather than investing in new technology or R&D, the rich get a better return by investing in Washington."

It's difficult to imagine today, but taxing the rich wasn't always a major flash point of American political life. From the end of World War II to the eve of the Reagan administration, the parties fought over social spending – Democrats pushing for more, Republicans demanding less. But once the budget was fixed, both parties saw taxes as an otherwise uninteresting mechanism to raise the money required to pay the bills. Eisenhower, Nixon and Ford each fought for *higher* taxes, while the biggest tax cut was secured by John F. Kennedy, whose across-the-board tax reductions were actually opposed by the majority of Republicans in the House. The distribution of the tax burden wasn't really up for debate: Even after the Kennedy cuts, the top tax rate stood at 70 percent – double its current level. Steeply progressive taxation paid for the postwar investments in infrastructure, science and education that enabled the average American family to get ahead.

That only changed in the late 1970s, when high inflation drove up wages and pushed the middle class into higher tax brackets. Harnessing the widespread anger, Reagan put it to work on behalf of the rich. In a move that GOP Majority Leader Howard Baker called a "riverboat gamble," Reagan sold the country on an "across-the-board" tax cut that brought the top rate down to 50 percent. According to supply-side economists, the wealthy would use their tax break to spur investment, and the economy would boom. And if it didn't – well, to Reagan's cadre of small-government conservatives, the resulting red ink could be a win-win. "We started talking about just cutting taxes and saying, 'Screw the deficit,'" Bartlett recalls. "We had this idea that if you lowered revenues, the concern about the deficit would be channeled into spending cuts."

It was the birth of what is now known as "Starve the Beast" – a conscious strategy by conservatives to force cuts in federal spending by bankrupting the country. As conceived by the right-wing intellectual Irving Kristol in 1980, the plan called for Republicans to create a "fiscal problem" by slashing taxes – and then foist the pain of reimposing fiscal discipline onto future Democratic administrations who, in Kristol's words, would be forced to "tidy up afterward."

There was only one problem: The Reagan tax cuts spiked the federal deficit to a dangerous level, even as the country remained mired in a deep recession. Republican leaders in Congress immediately moved to reverse themselves and feed the beast. "It was not a Democrat who led the effort in 1982 to undo about a third of the Reagan tax cuts," recalls Robert Greenstein, president of the nonpartisan Center on Budget and Policy Priorities. "It

was *Bob Dole*." Even Reagan embraced the tax hike, Stockman says, "because he believed that, at some point, you have to pay the bills."

For the remainder of his time in office, Reagan repeatedly raised taxes to bring down unwieldy deficits. In 1983, he hiked gas and payroll taxes. In 1984, he raised revenue by closing tax loopholes for businesses. The tax reform of 1986 lowered the top rate for the wealthy to just 28 percent – but that cut for high earners was paid for by closing tax loopholes that resulted in the largest corporate tax hike in history. Reagan also raised revenues by abolishing special favors for the investor class: He boosted taxes on capital gains by 40 percent to align them with the taxes paid on wages. Today, Reagan may be lionized as a tax abolitionist, says Alan Simpson, a former Republican senator and friend of the president, but that's not true to his record. "Reagan raised taxes 11 times in eight years!"

But Reagan wound up sowing the seed of our current gridlock when he gave his blessing to what Simpson calls a "nefarious organization" – Americans for Tax Reform. Headed by Grover Norquist, a man Stockman blasts as a "fiscal terrorist," the group originally set out to prevent Congress from backsliding on the 1986 tax reforms. But Norquist's instrument for enforcement – an anti-tax pledge signed by GOP lawmakers – quickly evolved into a powerful weapon designed to shift the tax burden away from the rich. George H.W. Bush won the GOP presidential nomination in 1988 in large part because he signed Norquist's "no taxes" pledge. Once in office, however, Bush moved to bring down the soaring federal deficit by hiking the top tax rate to 31 percent and adding surtaxes for yachts, jets and luxury sedans. "He had courage to take action when we needed it," says Paul O'Neill, who served as Treasury secretary under George W. Bush.

The tax hike helped the economy – and many credit it with setting up the great economic expansion of the 1990s. But it cost Bush his job in the 1992 election – a defeat that only served to strengthen Norquist's standing among GOP insurgents. "The story of Bush losing," Norquist says now, "is a reminder to politicians that this is a pledge you don't break." What was once just another campaign promise, rejected by a fiscal conservative like Bob Dole, was transformed into a political blood oath – a litmus test of true Republicanism that few candidates dare refuse.

After taking office, Clinton immediately seized the mantle of fiscal discipline from Republicans. Rather than simply trimming the federal deficit, as his GOP predecessors had done, he set out to balance the budget and begin paying down the national debt. To do so, he hiked the top tax bracket to nearly 40 percent and boosted the corporate tax rate to 35 percent. "It cost him both houses of Congress in the 1994 midterm elections," says Chafee, the former GOP senator. "But taming the deficit led to the best economy America's ever had." Following the tax hikes of 1993, the economy grew at a brisk clip of 3.2 percent, creating more than 11 million jobs. Average wages ticked up, and stocks soared by 78 percent. By the spring of 1997, the federal budget was headed into the black.

But Newt Gingrich and the anti-tax revolutionaries who seized control of Congress in 1994 responded by going for the Full Norquist. In a stunning departure from America's long-standing tax policy, Republicans moved to eliminate taxes on investment income and to abolish the inheritance tax. Under the final plan they enacted, capital gains taxes were sliced to 20 percent. Far from creating an across-the-board benefit, 62 cents of every tax dollar cut went directly to the top one percent of income earners. "The capital gains cut alone gave the top 400 taxpayers a bigger tax cut than all the Bush tax cuts combined," says David Cay Johnston, the Pulitzer Prize-winning author of *Perfectly Legal: The Covert Campaign to Rig Our Tax System to Benefit the Super Rich – and Cheat Everybody Else*.

The cuts also juiced irrational exuberance on Wall Street. Giving a huge tax advantage to investment income inflated the dot-com bubble, observed Stiglitz, "by making speculation more attractive." And by eliminating capital gains taxes on home sales, the cuts fueled the housing bubble: A study by the Federal Reserve estimated that the tax giveaways boosted housing transactions by 17 percent through 2007.

The most revealing aspect of the tax cuts, however, came from a simple mistake. In a major blow to the inheritance tax – America's most progressive form of taxation – the GOP cuts nearly doubled the amount that the rich could pass on to their heirs tax-free. From now on, the first \$1 million would be exempt from federal taxes – unless your estate was worth more than \$17 million. In those rare cases, the superwealthy would have to pay taxes on their entire inheritance.

Then something strange happened. Due to a "drafting error," the final bill failed to include the exception for the superwealthy. Everyone in both parties agreed that it had been a mistake. But instead of fixing the error,

Republicans blocked a pro forma correction to the law – meaning that even the wealthiest estates would pay no taxes on the first \$1 million. The move effectively secured an \$880 million tax cut for the rich – one that Congress never intended, and never voted for. Ari Fleischer, the then-spokesman for Rep. Bill Archer of the House Ways and Means Committee, exulted over the undemocratic tax cut for the wealthy. "When a mistake works *against* the government and *for* the taxpayers," he explained, "we're in no rush to correct it."

Republicans, abetted by conservative Democrats, passed the tax cuts with a veto-proof majority, and Clinton signed them into law. But for the remainder of his term, Clinton repeatedly blocked Republican demands for further cuts. "He vetoed one tax cut after another," says Robert McIntyre, director of Citizens for Tax Justice. In 1999, in a triumph for fiscal sanity, Clinton rejected a massive \$792 billion cut to inheritance and investment taxes. The mood during the veto ceremony in the Rose Garden was festive. A five-piece band played "Summertime," and the living was easy. Unemployment stood at 4.2 percent, and stocks were booming. "Our hard-won prosperity gives us the chance to invest our surplus to meet the long-term challenges of America," Clinton declared. The Republican tax cuts, he warned with eerie prescience, would return America to a period of "deficit upon deficit" that culminated in "the worst recession since the Great Depression."

Then came the election of George W. Bush, the first president of the Party of the Rich.

Within months of taking office, Bush delivered a tax break to the rich that trumps anything he accomplished through the actual tax code. "The most important thing the Bush administration did in the whole area of taxes," says Johnston, "was to kill tax harmonization."

"Tax harmonization" was economic jargon for a joint project by the world's developed countries to shut down offshore tax havens in places like the Cayman Islands. At the time, such illicit havens were costing U.S. taxpayers \$70 billion a year. For Republicans, going after big-time tax evaders should have been as American as apple pie. As Reagan once said of such cheats: "When they do not pay their taxes, someone else does – you and me."

But for Bush and other leaders of the Party of the Rich, blocking corporations from hiding their money overseas wasn't an act of patriotism – it was tyranny. Rep. Dick Armey, the GOP majority leader, railed against tax harmonization as an effort to create a "global network of tax police." One of Bush's biggest donors, Enron, was using a network of nearly 900 offshore tax hideaways to pay no corporate taxes – while reporting massive profits that later turned out to be fraudulent. In one of his first acts as president, Bush "basically vetoed the initiative," says Stiglitz.

The veto spurred a cavalcade of corporations – including stalwart American firms like Stanley Works – to pursue phony "headquarters" in Bermuda and other lax-tax nations. The move not only encouraged some of the world's richest companies to avoid paying any U.S. taxes, it let them book overseas-"expenses" that qualified them for lucrative tax *deductions*. In one of the most notorious cases, GE filed for a \$3 billion tax rebate in 2009, despite boasting profits of more than \$14 billion.

But Bush wasn't content to simply make the world safe for corporate tax evaders: He also pushed to deliver \$1.6 trillion in tax cuts for the wealthiest individuals. On paper, at least, the federal government looked like it would soon be rolling in cash. Assuming the economy continued to grow as it had under Clinton, the Congressional Budget Office forecast a federal surplus of \$5.6 *trillion* by 2011. Nearly half that bounty was already spoken for – the government needed some \$3 trillion to shore up Social Security and Medicare – but that still left \$2 trillion to play with.

Still, those numbers were only a projection. "It's certainly not money in the bank," Fed chairman Alan Greenspan warned incoming Treasury Secretary O'Neill over breakfast at the Federal Reserve. Yet there was no such note of caution in the White House. The month after Bush took office, the president's then-budget director, Mitch Daniels, suggested in an internal memo that \$5.6 trillion was likely too small a figure. Daniels concluded that Bush's plan was "so fiscally conservative" that even after cutting \$1.6 trillion in taxes, fixing Social Security and setting aside \$900 billion in a contingency fund, the government would still have enough money left over to retire \$2 trillion in debt.

"Everybody for a good while accepted that the surpluses were real," insists Daniels, now the governor of Indiana. When pressed, however, he also concedes that by the time Bush took office, "the economy was already unraveling." Indeed, a wave of layoffs at the end of 2000 prompted Dick Cheney to warn, "We may well be on the front edge of a recession here."

The conflicting forecasts – one of sunshine and surplus, the other of gloom and contraction – should have set off alarm bells in the White House. But instead of rethinking the prudence of its massive giveaway to the rich, the Bush team dreamed up a new rationale for cutting taxes: to provide a needed jolt to the economy. "It's a fair thing to say that the stimulus argument was added in the spring of '01, when it had not been there before," Daniels says.

The stimulus argument was lousy economics. The previous two decades, after all, had demonstrated that "trickle-down" tax cuts don't juice the economy – they create bubbles and balloon deficits. Proponents pointed to Reagan's original tax cut in 1981, claiming it had spurred economic growth. But that is nothing more than "urban legend," Stockman says. The economy "did recover after 1982," he says, "but mainly because the Federal Reserve defeated inflation."

In fact, Stockman insists, Bush's tax cuts for the rich represent a bastardization of Reaganism. "The Republican Party originally said that prosperity comes from the private sector," he says. "But today's Republicans have become Chamber of Commerce Keynesians – using tax policy as a way of stimulating, boosting, prodding the economy." The Party of the Rich, in essence, was offering up a twisted version of New Deal policies that laissez-faire Republicans like Reagan had long opposed.

Spinning the tax giveaways as a stimulus plan did serve one useful function: It helped obscure the true purpose of the Bush tax plan. In an internal memo written just days after the inauguration, O'Neill advised Bush that he had a "great opportunity" for quick action on his tax cuts if he framed the choice for Congress as *tax cut vs. recession*. "We can get this argument on our ground," O'Neill wrote, "and stop the drumbeat about a tax cut for the rich."

With no patience for the specifics of tax policy, Bush deputized Vice President Dick Cheney to push through his tax cut for the rich. Once a deficit hawk who confessed that he was "not convinced that the Reagan tax cuts worked," Cheney had emerged from his tenure as CEO of Halliburton as a leading advocate for rewarding big corporations and their executives – even as GOP moderates warned that Bush's tax cut would foreclose needed investments in education and infrastructure. "The vice president had no interest in what I had to say," recalls Chafee. "He ran the show right from the beginning, and he suffered no compromise."

As the economy worsened, even the president's Treasury secretary grew concerned about the tax cuts. O'Neill pushed Bush to include a trigger mechanism that would rein in the cuts if the projected surpluses failed to materialize. "The trigger was a good idea – having the foresight that if things turned bad, we wouldn't have to reverse course in a difficult time," O'Neill says now. "But there was never any serious interest in it" from the Bush administration.

To Chafee, the opposition to a trigger mechanism seemed to offer a clue about the real goal of the tax cuts: They were designed not to boost the economy, but to force the kind of spending cuts championed by Grover Norquist and other small-government activists. His suspicion that the starve-the-beast crowd was driving the cuts was confirmed, he says, by a conversation he had while walking the Senate corridors with Trent Lott, then the GOP majority leader.

"What's going on here?" Chafee asked. Why not safeguard the economy by adopting a trigger mechanism?

Lott turned to Chafee. "We're going to strangle the spending," he said. On the stump, Bush hyped the benefits of his plan by emphasizing how much in taxes it would save a single waitress. But the real action was at the top rung of the income ladder. Over 10 years, the bottom fifth of income earners could expect to pocket an extra \$744. That waitress might be left with enough cash to change out the clutch on her Corolla. The top one percent, meanwhile, would receive more than \$340,000 on average – enough to buy his and hers Bentleys.

To mask such glaring inequality, Republicans inaugurated the tax cut with an across-the-board rebate. The waitress would get a \$300 check, along with everyone else from Warren Buffett on down. But in reality, the tax cuts were backloaded with benefits for the wealthy. In the first year of the deal, the top one percent would pocket just seven

percent of the tax cuts – but by the time the cuts were set to expire in 2010, the rich would be reaping more than half of the windfall. What's more, the cuts were nefariously designed so that small-business owners and upper-middle-class professionals – primarily those earning between \$200,000 and \$500,000 a year – would see as much as three-quarters of their tax break eroded by the Alternative Minimum Tax, a levy Congress originally intended to keep rich people from cheating on their taxes.

Every year since the Bush tax cuts were approved, Congress has passed a multibillion "patch" to prevent this politically potent group of professionals from being denied their tax breaks. But at the time, Cheney used the money "saved" by the AMT claw-back to finance another favor exclusively for the rich: a series of cuts to the estate tax culminating in a one-year abolition, set to take effect in 2010. Rejecting a less costly bargain proposed by Democrats that would have provided a permanent escape from estate taxes for all but the richest of the rich, Republicans instead demanded a more expensive plan catering to the wealthiest 0.25 percent of all estates.

In May 2001, Republicans in the House voted in lock step to approve the Bush tax cuts, which cleared the Senate with the support of 45 Republicans and 12 conservative Democrats.

But then reality intervened. The bursting of the dot-com bubble, followed by the attacks of September 11th, tipped the economy headlong into recession. Rather than reversing course, however, Republicans rallied around another tax giveaway for the rich. That October, a bill passed by the House – and endorsed by Bush – not only called for eliminating a law requiring that tax-dodging corporations pay at least something in taxes, it ordered rebate checks to be cut to corporate giants for their past taxes. Under the bill, 16 companies of the Fortune 500 would have each received \$100 million or more – including \$1.4 billion for IBM, \$671 million for GE and \$254 million for Enron. Democrats in the Senate ultimately sank the bill, producing a stimulus package that extended unemployment benefits for the middle class and awarded tax incentives to corporations for new investments.

But Republicans kept their eyes on the prize. The following year, after the GOP regained control of the Senate and expanded its majority in the House, Cheney immediately pushed forward with an even deeper tax cut for the wealthy that O'Neill today describes as "an atrocity."

"We won the midterms," the vice president told O'Neill at the time. "This is our due."

By that point, any economic rationale for cutting taxes had vanished. September 11th, the recession and the 2001 tax cuts had plunged the nation \$158 billion into the red. The mirage of the \$5.6 trillion surplus had vanished – replaced with a forecast that America would rack up some \$3 trillion in debt by 2012. But rather than put the brakes on tax cuts, as a trigger mechanism might have done, Cheney was determined to *accelerate* them, so the rich would get their money even sooner. To further reward the wealthiest, Cheney also wanted to slash taxes on capital gains and corporate dividends, with half of the money going to the top one percent.

To secure the new tax cuts, however, Cheney would first have to overcome opposition not only from Alan Greenspan, but from some of Bush's top advisers. The Fed chair had personally presented Cheney with a 20-page econometric analysis showing that soaring deficits caused by the tax cuts would sink long-term growth. Instead of communicating Greenspan's alarm to Bush, Cheney tasked a deputy named Cesar Conda to draft a memo disputing the study. Conda, a former tax lobbyist, blithely dismissed the projections of the Fed's senior economist as "completely wrong."

In November 2002, at a meeting in the White House, the president and his top economic advisers packed tightly around a mahogany table in the Roosevelt Room. With the administration's own forecasts showing that the economy had already regained its footing, one after another of Bush's deputies sounded the alarm about the dangers of a new tax cut. "This burns a big hole in the budget," deputy chief of staff Josh Bolten told the president. "The budget hole is getting deeper," added Daniels, "and we are projecting deficits all the way to the end of your second term." O'Neill warned the president that a "tax cut that benefits mostly wealthy investors" could imperil the budding prosperity. "With the economy already improving, this could cause an unnecessary boost," he said. "That's how you get a bubble." Entertaining the chorus of doubters, Bush himself voiced qualms about more cuts for the rich. "Won't the top-rate people benefit the most?" he asked. "Didn't we already give them a break at the top?"

But Cheney was having none of it. When O'Neill warned Bush that America was headed for a "fiscal crisis," the vice president, sitting at the Treasury secretary's right elbow, dismissed him midsentence by citing the ultimate champion of Republican tax cuts: "Ronald Reagan proved that deficits don't matter, Paul."

A true student of Reagan would have understood that 2002 was the moment for a tax *increase*. When his 1981 tax cut overshot the mark, Reagan had put aside ideology and raised taxes, putting the needs of the country above the desires of the wealthy. Bush's father had also raised taxes to avoid passing massive deficits on to future generations. Moreover, the Bush administration had already committed the country to a costly war in Afghanistan, and was on the brink of invading Iraq. Historically, Republican and Democratic administrations alike had met the financial burdens of war by raising taxes. But this was a new Republican Party, one determined to aid the rich even as it sent the military budget soaring. As House Majority Leader Tom DeLay would soon declare, "Nothing is more important in the face of a war than cutting taxes."

After the meeting, Cheney set out to remove anyone who stood in the way of the new tax giveaway. He phoned O'Neill and demanded the Treasury secretary's resignation. He also dispensed with economic adviser Larry Lindsey, whose frank assessment of the possible costs of the Iraq War had threatened to derail the tax cut.

Budget-conscious Republicans in Congress who opposed the tax cuts could not be disposed of – but they could be strong-armed. Voinovich and Sen. Olympia Snowe of Maine, who refused to go along with cuts of more than \$350 billion, were summoned to the White House for a meeting with Bush and Cheney.

"The president wanted nearly a trillion dollars when he started with us," recalls Voinovich. "They were working on us: We need more, we need more." The senators held out for a smaller bill – though in hindsight, Voinovich says, there shouldn't have been any tax cuts. "Just think where we'd be if we'd gone along with what the president wanted," he says, laughing bitterly. "Where would we be today? Oh, my God."

In the end, Cheney's voice was the only one that mattered. In April 2003, when the bill reached the floor, the Senate deadlocked 50-50. The vice president cast the deciding "aye" that moved the tax cut into law. The benefits were even more tilted to the rich than the first Bush tax cuts. When fully phased in, 53 percent of the new cuts went to the top one percent. Those making \$10 million or more pocketed an average of \$1 million a year – twice the haul they made from the earlier cuts, and every cent of it borrowed. "It was a deficit-financed tax cut," concedes Hubbard, who chaired Bush's Council of Economic Advisers.

The deal privileged gambling on stocks over working for a living: The tax rate the richest pay on their long-term capital gains was slashed by 25 percent, while their rate on dividends fell by almost 60 percent. The move not only fueled speculation of Wall Street, it further widened the considerable gap between rich and poor. "It was a very destructive combination to have a national economic policy that stimulated debt-financed capital gains and then taxed the windfall at the lowest rate imaginable," says Stockman. "That contributed, clearly, to the growing imbalance in household income and wealth."

But Republicans didn't stop there. The following year, they passed the little-noticed American Jobs Creation Act. Named in the same Orwellian fashion as Bush's "Clear Skies" and "Healthy Forests" initiatives, the 2004 law allowed corporations to bring home billions in profits they had stockpiled in offshore tax havens – the very flight of capital that Bush had blessed by torpedoing tax harmonization three years earlier. Under the tax amnesty, corporations repatriated \$300 billion in profits they had stashed offshore. But instead of paying the nominal corporate tax rate of 35 percent, they were taxed at just 5.25 percent.

The title of the bill notwithstanding, corporations invested almost none of their windfall in new factories or other measures to create the 500,000 jobs that Republicans had promised. In fact, many companies that received the biggest tax break actually *slashed* jobs. Hewlett-Packard laid off 14,500 workers – one pink slip for every \$1 million in profits it shipped back home from overseas. All told, according to an analysis by the National Bureau of Economic Research, up to 92 percent of the "jobs creation" money was handed out to top executives and shareholders in a frenzy of dividend payments and stock buybacks. And thanks to the GOP's cut on investment income the previous year, wealthy individuals who pocketed the offshore profits paid the same rate on their bonanza, 15 percent, that a waitress at a diner might pay on her tips.

When Democrats regained control of both the House and Senate in 2006, they temporarily halted the GOP's binge of borrowing from the Treasury to give tax cuts to the wealthy. But that didn't stop Republicans from finding other ways to aid the rich. As the economy collapsed in 2008, the Bush administration used the crisis to provide a stealth handout to the nation's banks – even those at no risk of failing. Under the TARP bailout, overseen by Treasury secretary and former Goldman Sachs CEO Hank Paulson, taxpayers were forced to give banks \$254 billion for assets worth just \$176 billion – a handout of \$78 billion to the financial sector, including \$2.5 billion for Paulson's cronies at Goldman. "Paulson pushed the money into the hands of the banks – no strings attached, no accountability, no transparency," Elizabeth Warren, then-chair of the Congressional Oversight Panel, told *Rolling Stone* last year.

As with the offshore profits, the banks used the money to line the pockets of executives and investors – while doing little to speed the recovery of Main Street. "We gave an enormous subsidy to these financial institutions, and they have not returned it to the American people," said Warren. "The administration could have said, 'All right, take this and multiply it throughout the economy.' But Paulson never made that a condition of taking the money."

Taken together, the Bush years exposed the bankruptcy behind the theory that tax cuts for the rich will spur economic growth. "Let the rich get richer and everybody will benefit?" says Stiglitz. "That, empirically, is wrong. It's a philosophy of trickle-down economics that's belied by the facts." Bush and Cheney proved once and for all that tax cuts for the wealthy produce only two things: "lower growth and greater inequality."

The GOP's frenzied handouts to the rich during the Bush era coincided with the weakest economic expansion since World War II – and the only one in modern American history in which the wages of working families actually fell and poverty increased. And what little expansion there was under Bush culminated in the worst fiscal crisis since the Great Depression. "The wreckage was left by Dick Cheney, Grover Norquist and the gang," says Chafee. "This was their doing."

By driving the economy into the ditch, Republicans left the next president little choice but to drive up deficits in the short term by launching a massive campaign of federal spending to ward off a global depression. But even the \$787 billion stimulus engineered by President Obama was hamstrung by his predecessor's ongoing giveaway to the wealthy: Republicans insisted that nearly 10 percent of every stimulus dollar be devoted to financing the annual "patch" to the Alternative Minimum Tax – the off-budget legacy of Bush's tax cuts for the rich. This was a \$70 billion handout that inflated the cost of the stimulus package without stimulating anything – other than the paychecks of wealthy Americans.

From the outset of the Obama presidency, in fact, Republicans have engaged in a calculated, across-the-board campaign to protect the tax privileges of the wealthiest Americans. Their objective was made explicit by Rep. Eric Cantor during the height of the stimulus debate: "No Tax Increases to Pay for Spending" declared one bullet point on Cantor's website. "House Republicans are insisting that any stimulus package include a provision precluding any tax increases, now or in the future, to pay for this new spending." Having racked up the largest deficits in American history, Republicans suddenly found it expedient to return to their old-school rhetoric of deficit-bashing. "Under Bush, they had a story about deficits not mattering," says Michael Ettlinger, who directs economic policy at the Center for American Progress. "Then, all of a sudden Obama becomes president, and deficits matter again."

The battle reached a fever pitch over health care reform. To truly understand the depth of the GOP's entrenched opposition to Obamacare, it's crucial to understand how the reform is financed: The single largest source of funds comes from increasing Medicare taxes on the wealthy – including new taxes on investment income. According to the Tax Policy Center, Americans who make more than \$1 million a year will pay an extra \$37,381 in annual taxes under the plan. The top 400 taxpayers would contribute even more: an average of \$11 million each.

Rarely in American history has a tax so effectively targeted the top one percent. "It took Republicans about four months to figure out how much they hated it," says McIntyre, president of Citizens for Tax Justice. Republican rage over the president's health care plan has far less to do with the size of government or the merits of the individual mandate than the blow to the investor class. If Obamacare remains in place and the Bush cuts for the wealthy expire as planned, top earners will be paying a tax of 23.8 percent on capital gains – more than they have at any time since Clinton cut the capital gains tax in 1997. Health care reform, griped *The Wall Street Journal*, was nothing but a "sneaky way" for Democrats to wage a "war on 'the rich.'"

A key element of the GOP's war on the poor was cemented by the surprise election of Scott Brown to replace Ted Kennedy in the Senate in January 2010. As a candidate, Brown had made his high-mileage GMC pickup truck the star of his campaign commercials. "I love this old truck," he said. "It's brought me closer to the people." But Brown's real allegiance was to his wealthy donors: the billionaire Koch brothers, who bankrolled the Tea Party, and the financial interests who made a last-minute investment of more than \$450,000 to propel Brown into office.

As soon as he was sworn in, Brown set about hollowing out the so-called Volcker Rule, which was designed to bar big financial institutions from using their own money to make risky, speculative bets on the market. By agreeing to provide Democrats with the crucial 60th vote on finance reform, Brown secured an exemption from the trading ban for mutual funds and insurers – a move directly benefiting Massachusetts-based financial giants like Fidelity and MassMutual. Brown also insisted that the Wall Street giants who caused the financial collapse – banks like Goldman Sachs and JP Morgan Chase – be allowed to continue using taxpayer-subsidized capital to gamble on hedge funds and private-equity deals. Former Fed chair Paul Volcker was furious: "Allowing a bank to invest in a speculative fund," he said, "goes against the very intent of the bill."

But Brown wasn't done. At the 11th hour, he forced Democrats to spike a tax on big banks and hedge funds that was designed to generate \$19 billion to pay for the costs of financial reform. As a result, consumers and small banks had to pick up the tab. Brown, meanwhile, was richly rewarded for his efforts on behalf of Wall Street: During a three-week period at the height of negotiations, he raked in \$140,000 in campaign cash from big financial firms, including Fidelity and MassMutual, Goldman Sachs and JP Morgan.

When Republicans won back control of the House in last year's midterm elections, they followed Brown's lead and moved swiftly to betray their Tea Party backers by running up more deficits on behalf of the rich. Within days of the election, Republicans not only secured a two-year extension of the Bush tax cuts for the wealthy, they also enabled America's richest scions to inherit millions of dollars without paying a dime in taxes. All told, the GOP's two favors for the party's biggest donors were secured in a lame-duck bargain that adds another \$858 billion to the debt – an amount greater than the original stimulus plan the Republicans opposed so bitterly.

First, the GOP filibustered a Democrat-led effort to extend the Bush tax cuts on only the first \$250,000 of income. The party leadership's hard-line stance – supported by barely a third of all voters – turned \$90 billion over to the wealthiest Americans. It also set a precedent for further extensions that would cost nearly \$1 trillion over the next decade. At the same time, the GOP drove through a deal that actually *raised* taxes for couples who make less than \$40,000 a year – and then turned much of the extra cash over to couples who earn more than \$200,000. Obama agreed to this massive transfer of wealth in order to retain the Bush tax cuts for the middle class – but the only other significant thing he got in return was a one-year extension of jobless benefits for the long-term unemployed.

But even the GOP's big payday for the wealthy pales in comparison to the handout that Republicans secured by gutting the estate tax. With the expiration of the Bush tax cuts, the inheritance tax was set to snap back to its Clinton-era standard: exempting the first \$1 million of all estates from taxation, and stepping up the tax rate on the wealthiest estates to 55 percent. Instead, Obama agreed to raise the exemption to \$5 million and lower the top tax rate to 35 percent – an apparent horse trade demanded by the Senate's second-ranking Republican, Jon Kyl of Arizona, who then allowed the president's nuclear-stockpile treaty with Russia to move forward in the Senate.

Shockingly, the deal actually sweetened the bargain the super-rich had received in 2009, enabling the heirs to the richest 0.25 percent of estates to pocket an extra \$23 billion they would have otherwise owed in taxes under Bush. In fact, under the terms Kyl demanded, the federal government will spend more to eliminate or cut taxes for 100,000 rich people than it will to extend unemployment benefits for 7 *million* Americans.

In a little-noticed detail, the two-year deal also created a loophole that allows the wealthiest couples to pass on \$10 million to a child today – while they're still living – without paying a penny of tax. That means the rich can offload their wealth to their children before it increases in value – evading higher estate taxes in the future. "In the next two years," one tax attorney crowed to *The Wall Street Journal*, "wealthy people have an unprecedented opportunity to push a lot of the value of their assets out of the estate-tax system." According to tax historians, the new rules create the most generous tax environment for wealth transfers for the super-rich since 1931.

And that was just the beginning of the budget-busting handouts the GOP demanded for the rich. In April, Republicans in the House passed a budget that would have slashed income taxes on corporations and the wealthiest Americans to just 25 percent – a \$3 trillion giveaway that would have been financed by doubling out-of-pocket expenses for future retirees on Medicare. Top Republicans like Cantor have also pushed for a replay of the American Jobs Creation Act – endorsing a new tax amnesty that would allow corporate giants like Apple and Pfizer to bring home \$1.4 trillion in offshore profits that would be taxed at just 5.25 percent – a favor for the wealthy that would generate another \$79 billion in deficits. "At the same time they're talking about these big deficit problems, running around saying, 'We're broke,' they're contemplating one of the most egregious tax giveaways in recent memory," says Greenstein of the Center on Budget and Policy Priorities. "The potential windfall gains are beyond enormous – and the lion's share would go to shareholders of these big corporations and their executives."

Never mind that the previous tax amnesty in 2004 created virtually no new jobs, as corporate executives eagerly pocketed the windfall for themselves: Republicans are once again claiming that the tax amnesty will enable corporations to spend their repatriated wealth putting Americans back to work. Mitt Romney, the GOP presidential front-runner, promises that the flood of corporate cash will generate "hundreds of thousands if not millions – of good, permanent, private-sector jobs." That flies in the face of basic economics, given that corporate America is already sitting on hundreds of billions in domestic cash reserves. What the tax amnesty would do, however, is boost stock prices. According to an analysis by JP Morgan, as much as two-thirds of the \$1.4 trillion that would be brought back into the country would go to stock "buybacks and dividends" rather than "new factories, new jobs and new equipment," as Romney claims.

JP Morgan has a big stake in the debate – as do fellow bank-bailout beneficiaries Citigroup, Bank of America and Goldman Sachs. Combined, the four financial giants have \$87 billion in untaxed profits stockpiled offshore. That's similar to the combined offshore profits of drug giants Pfizer and Merck at \$89 billion. Tech giants Cisco and Microsoft have more than \$61 billion they'd like to bring home, while Big Oil companies Exxon and Chevron have \$56 billion. The company with the most to gain, by far – with offshored reserves of \$94 billion – is corporate America's most notorious tax scofflaw, GE.

Romney's rival for the GOP nomination, Rick Perry, has also endorsed the tax amnesty for giant corporations. But for Perry, the proposal doesn't go far enough on behalf of the rich. "Why not talk about how you are going to repatriate those dollars at a substantially lower rate than 35 percent?" Perry said recently, stumping in New Hampshire. "Like *zero*."

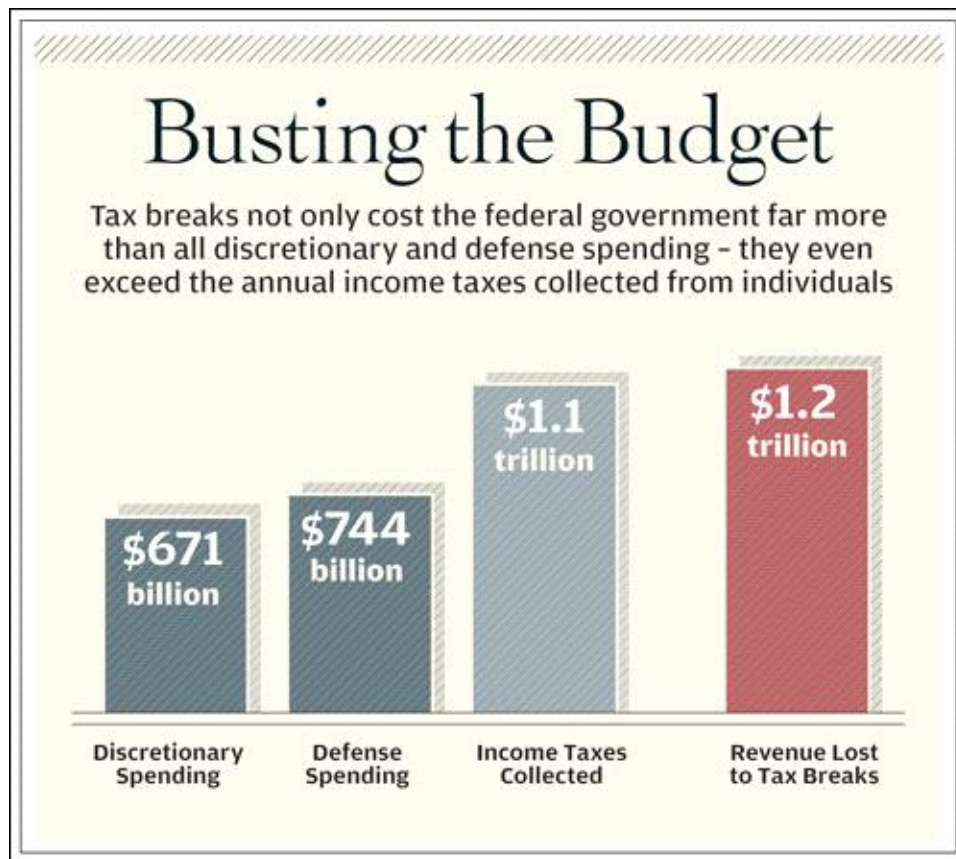
In September, Perry went even further, proposing a flat tax that would take a sharp bite out of the paychecks of the poorest Americans – while slashing taxes by more than 40 percent for the wealthiest. When confronted by a reporter over the fact that his plan would give millions to the rich, Perry replied: "I don't care about that." His plan is almost as regressive as Herman Cain's original 9-9-9 plan, which called for *increasing* taxes on 84 percent of Americans – squeezing \$4,400 a year out of every middle-class couple to finance a \$455,000 tax cut for millionaires. What's more, both Perry and Cain want to abolish the estate tax entirely and eliminate all taxes on capital gains. A similar plan by Michele Bachmann would enable 23,000 millionaires to pay no taxes at all – while allowing the top 400 earners to pocket nearly two-thirds of their income tax-free, and then pass those riches on to their heirs without paying a penny. "It's madness," says Stiglitz. "And it is dangerous to the fiscal order. The wealthy know very well how to convert normal income to capital gains income."

The Republican mania for rewarding the rich with tax cuts has become so warped that the normal rules of budgeting no longer seem to apply. Arguing for an extension of the Bush tax cuts, Sen. Kyl spelled out what could well serve as the Party of the Rich's credo: "You should never have to offset the cost of a deliberate decision to reduce tax rates on Americans." The same rule, of course, doesn't apply to spending for those in need: At the time he called for more borrowing on behalf of the rich, Kyl was also fighting to deny unemployment benefits to 5 million Americans. "Continuing to pay people unemployment compensation," he scoffed, "is a disincentive for them to seek new work."

In retrospect, the true victor of the midterm elections last year was not the Tea Party, or even Speaker of the House John Boehner. It was Grover Norquist.

"What has happened over the last two years is that Grover now has soldiers in the field," says Bartlett, the architect of the Reagan tax cuts. "These Tea Party people, in effect, take their orders from him." Indeed, a record 98 percent of House Republicans have now signed Norquist's anti-tax pledge – which includes a second, little-known provision that played a key role in the debt-ceiling debacle. In addition to vowing not to raise taxes, politicians who sign the pledge promise to use any revenue generated by ending a tax subsidy to immediately finance – that's right – more tax cuts.

Norquist insists the measure is necessary to force Congress to rein in spending. "I'm not focused on the deficit," he says. "The metric that matters is keeping spending down." But in the real world, the effect of Norquist's oath is to prevent the government from cutting the deficit by ending tax breaks to the rich. All told, tax breaks cost the government \$1.2 trillion each year – far more than defense spending (\$744 billion), Medicare and Medicaid (\$719 billion) or Social Security (\$701 billion). And most of the breaks – think of them as government subsidies delivered through the tax code – go to the wealthy. The richest one percent of Americans receive a 13.5 percent boost in their incomes from such subsidies – almost double the benefit the bottom 80 percent receives. Under Norquist's pledge, lawmakers are forbidden from ending any kind of tax break – mortgage deductions for luxury vacation homes, subsidies for giant oil companies, lower tax rates for private-equity millionaires – without using the money to pay for another tax cut. "If you can't get rid of tax expenditures – if old Grover is going to call that a 'tax increase' – it's not just ludicrous, it's deception," says Simpson, the former GOP senator.



Ludicrous or not, Norquist's intransigence on tax expenditures killed the "grand bargain" that President Obama proposed during the debt-ceiling standoff. In return for \$1 trillion in cuts to social spending and national security, plus another \$650 billion in reductions to entitlements like Medicare, Obama asked Republicans to get rid of \$1.2 trillion in wasteful tax subsidies. "Democrats weren't talking about raising taxes – they were talking about eliminating tax expenditures, for God's sakes!" says Voinovich. "Many of them should have been eliminated a long time ago." But with so many Republicans committed to Norquist's anti-revenue pledge, Boehner was forced to walk away from the deal.

"Grover's got 'em terrified," says Simpson. "I always tell Republicans, 'Hell, Grover can't kill ya. He can't burn down your house. The only thing he can do to you is defeat you in re-election – and if re-election means more to you than your country, then you shouldn't be in the legislature.'"

The battle over the debt ceiling underscores the GOP's rapid evolution into the Party of the Rich. The budget savings projected from the compromise that Republicans wound up agreeing to – \$2.1 trillion – won't even begin to pay for costs incurred by the Bush tax cuts. In their first decade alone, the cuts wound up depriving the Treasury of \$2.5 trillion – with 38 percent of the money now going to the richest one percent of Americans. For all their talk of cutting the deficit in recent years, Republicans have spent far more of the public's money to subsidize the wealthy.

Indeed, since Republicans began their tax-cut binge in 1997, they have succeeded in making the rich much richer. While the average income for the bottom 90 percent of taxpayers has remained basically flat over the past 15 years, those in the top 0.01 percent have seen their incomes more than *double*, to \$36 million a year. Translated into wages, that means most Americans have received a raise of \$1.50 an hour since the GOP began cutting taxes during the Gingrich era. The most elite sliver of American society, meanwhile, saw their pay soar by \$10,000 an hour.

America became a great nation with a prosperous middle class on the strength of a progressive tax code – one that demands the most of those who benefit most from our society. But the Party of the Rich has succeeded in breaking the back of that ideal. Today, says Johnston, "the tax system ceases to be progressive when you get to the very top of the wealthiest one percent." Above that marker, the richer you get, the lower your relative tax burden. "We have moved toward a plutocracy," Warren Buffett warned in a recent interview. "As people have gotten richer and richer, they have been favored by taxation – and have gotten richer to a greater degree."

Far from creating the trickle-down economics promised by Reagan, the policies pursued by the modern Republican Party are *gusher up*. Under the leadership of Majority Leader Eric Cantor, the House's radicalized GOP caucus is pushing a predatory agenda for a new gilded age. Every move that Republicans make – whether it's to gut consumer protections, roll back environmental regulations, subsidize giant agribusinesses, abolish health care reform or just drill, baby, drill – is consistent with a single overarching agenda: to enrich the nation's wealthiest individuals and corporations, even if it requires borrowing from China, weakening national security, dismantling Medicare and taxing the middle class. With the nation still mired in the worst financial crisis since the 1930s, Republicans have categorically rejected the one financial policy with a proven record of putting the country back on a more prosperous footing. "You hear the Republicans say that you don't dare raise taxes in a weak economy," says Stockman. "Ronald Reagan did – three times."

Not even the downgrading of America's debt – which placed the world's only superpower on credit par with New Zealand and Belgium – has given GOP leaders cause to reconsider their pro-wealth jihad. In August, as the so-called Supercommittee began its work to complete the debt-ceiling deal by reducing future deficits by another \$1.5 trillion, Cantor issued the Party of the Rich's marching orders, insisting that Republicans not buckle under the "tremendous pressure" to hike taxes and instead target spending cuts in "mandatory programs."

How the Debt Deal Protects the Rich

As Congress looks for \$1.5 trillion in budget cuts, Republicans are insisting that none of the savings come from closing tax loopholes

ON THE CHOPPING BLOCK <small>Total spending in areas targeted for cuts</small>	EXEMPTED FROM CUTS <small>Tax breaks and subsidies for the rich</small>
\$650 BILLION Special ed, student aid, assistance to poor schools	\$690 BILLION Bush tax cuts for the wealthiest two percent
\$310 BILLION National Institutes of Health	\$321 BILLION Itemized deductions for top-bracket taxpayers
\$100 BILLION Centers for Disease Control and FDA	\$129 BILLION Subsidies for foreign profits
\$98 BILLION Head Start and child-care programs	\$97.5 BILLION Subsidies for business inventories
\$47 BILLION Energy grants to help poor families afford heat	\$44 BILLION Subsidies for oil and gas companies
\$20 BILLION Job training for the unemployed	\$21.4 BILLION Carried-interest loophole for hedge-fund managers
\$11 BILLION After-school tutoring programs	\$10 BILLION Tax break on loans for vacation homes & yachts

Source: Center for American Progress

The composition of the committee offers little hope that Congress will hold the rich accountable for their share of the deficit burden. While Democrats appointed deal-oriented centrists like Sen. Max Baucus to the committee, Republicans stocked it with anti-revenue hard-liners, including Sens. Jon Kyl and Pat Toomey, who used to run the Club for Growth – an ally of Norquist's Americans for Tax Reform. "Your wallet is safe," Norquist tweeted after the Republican roster was announced.

In an interview with *Rolling Stone*, Norquist expresses pride that the GOP has been so thoroughly transformed since the days of Reagan. "It's a different Republican Party now," he says. Norquist even goes so far as to liken the kind of Republicans common in Reagan's day – those willing to raise taxes to strengthen the economy – to segregationists. The "modern Republican Party," he says, would no sooner recognize a revenue-raiser than the "modern Democratic Party would recognize George Wallace."

Norquist expresses no discomfort at the moral impact of his project – providing tax favors for the wealthy that are paid for by cutting services to those who truly need them. "I understand greed and envy," Norquist says. "The idea that somebody's making money and you want to steal some of it? That's an interesting idea. But it's not morality. It's certainly not justice."

Such extremist rhetoric – equating taxation with theft – is exactly the kind of talk that dismays old-line Republicans. Many of those who fought for years at the side of Ronald Reagan say they no longer recognize traditional GOP values in the new Republican Party. Fighting for the rich, after all, is not the same as championing the right.

"You can look up my record: On conservatism and taxes I was better than Jesse Helms," says Simpson, the former senator. "But whatever happened to common sense? People are going to look around in five or 10 years and say, 'Whatever happened to the things that made me comfortable? That made our streets and schools good things?' And they'll look, hopefully, at Grover Norquist. I can say to you with deepest sincerity: If this country and this legislature are in thrall to Grover Norquist, we haven't got a prayer."

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

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