



## FRIENDS OF THE MIDDLE NEWSLETTER #93 — MAR. 13, 2012

*Welcome to always lively political discussion and whatever else comes up.*  
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**[INDEX: Click here.](#)**

### **Rush Limbaugh Is a Victim**

(posted by Steven W. Baker / SteveB, Mar. 13, 2012)

I thought maybe we needed a little longer break from the southern-fried strategies of the Republican candidates. In Alabama and Mississippi, there is no such thing as global warming, the budget will be balanced when a Republican is elected President, America is the greatest warrior nation since toast, President Obama is a foreign Muslim who has single-handedly caused all of America's present and future problems, a pipeline delivering no oil to the U.S. will reduce gasoline prices to \$2.50/gallon, and the vaginas of American women must be closely monitored by the government.

"Rush Limbaugh, Media Victim" by Mary Elizabeth Williams, Salon

Mar. 9, 2012, ([http://www.salon.com/2012/03/09/rush\\_limbaugh\\_media\\_victim/](http://www.salon.com/2012/03/09/rush_limbaugh_media_victim/))

(A *Washington Post* writer apologizes to Rush for an error. Because Limbaugh takes nothing more seriously than truth!)

Don't you just hate it when someone in the media reports something about you without checking the facts first? Isn't it a cheap shot when you're inaccurately depicted as some kind of opportunistic jerk? My God, isn't that just the worst? No wonder poor, misunderstood Rush Limbaugh is upset. No wonder he had no recourse but to take to what's left of his airwaves Thursday to clear his name after *Washington Post* writer Alexandra Petri erroneously stated that his show "targets jerks." And did you see how the guy with a bit of an image problem with the ladies was forced to bust out the "B word"?

Writing about the way advertisers have been dumping Limbaugh's show like it's toxic waste – exactly like it's toxic waste, really – Petri had reported that among his new sponsors, "So far, he's picked up AshleyMadison.com, the site where you go to cheat on your wife, and another web site that is explicitly for sugar-daddy matchmaking." Except that Limbaugh had done no such thing. Why, it's as if Petri thought Limbaugh had no integrity or something.

So horrified was Limbaugh at this besmirching of his character that he addressed it at length on his show Thursday, explaining, "We do not sponsor companies that help people cheat on their spouses." He then added, "It's an out and out lie complete with your b-i-itchy opinion in it and it is untrue." He then condemned Petri's "snarky, lying, full-of-holes" reporting by vowing, "I guarantee you, she'll run another story tomorrow saying I made this all up." He guaranteed it! In a totally non-snarky, non-lying, non-full of holes way.

On Friday, Petri did not, in fact, accuse Limbaugh of making things up. Instead, she penned a mea culpa to the noted Viagra aficionado, saying, "In the age of instant deadlines, when the correct time to have written about something is yesterday at 3 a.m., it's easy to make mistakes, and the thing to do is admit them, fix them and do better." She even offered to buy Limbaugh a conciliatory sandwich, which proves she may just have the strongest stomach in the Beltway.

What a harrowing ordeal it must have been for Limbaugh — a man who prides himself on being "huge on personal responsibility and accountability" — to have his reputation so falsely tainted. What an awful thing for a human being to endure. It'd be like, oh I don't know, being called a slut and a whore and prostitute from some whimsical blowhard's personal sniper tower for three days in a row. It'd be like having someone declare that you'd testified before Congress that you were "having so much sex" that you were "going broke buying birth control," that you "must be paid to have sex," and that you "want to be paid to have sex," even when, of course, nothing could be further from the truth. Isn't it disgusting when people use their platform to spread misinformation? Isn't it vile when they brag about their blatant character assassination, and then try to act like it never happened? Keep calling it like you see it, Rush, and don't let the b-i-itches get you down. We'd hate for anybody to get the idea that you're some kind of whiny, dish-it-out-but-can't-take-it dirtbag.

## FotM NEWSLETTER #93 (Mar. 13, 2012)—HYPERTEXT INDEX

<u>DATE-ID</u>	<u>TIME</u>	<u>FROM</u>	<u>SUBJECT/TITLE</u>
<a href="#">20120313-00</a>		SteveB	<b>Rush Limbaugh Is a Victim</b> by Steven W. Baker / SteveB ("Rush Limbaugh, Media Victim")
<a href="#">20120312-02</a>	17:22	Dennis	Video: When Bank of America Takes Your House...
<a href="#">20120312-03</a>	17:26	Dennis	"What If the 'Broken Windows' Theory Were Applied to Wall Street?"
<a href="#">20120312-01</a>	06:58	Tom	Laura Ingraham and the War on Women
<a href="#">20120312-04</a>	20:35	SteveB	"Steve Jobs & American Jobs"
<a href="#">20120312-05</a>	23:59	SteveB	Photo: Tarija, Bolivia

<a href="#">20120312-02</a>	17:22	Dennis	Video: When Bank of America Takes Your House...
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Answer: Ya gotta find a new place to live, don't ya?

Mar. 12, 2012, by OccupyTVNY, ([http://www.youtube.com/watch?v=jUzMLu4K\\_2o](http://www.youtube.com/watch?v=jUzMLu4K_2o))

A crew of occupiers makes a home of a Bank of America lobby with a couch, a coffee table, a rug and a potted plant. "Bank of America took our homes so we thought we'd move in here!" Join them March 15 as America turns the tables on the nation's largest bank!

<a href="#">20120312-03</a>	17:26	Dennis	"What If the 'Broken Windows' Theory Were Applied to Wall Street?"
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Applying a theory on blue collar crime to Wall Street...

"What If the 'Broken Windows' Theory Were Applied to Wall Street?" by William K. Black, New Economic Perspectives/Alternet

Mar. 6, 2012, (<http://www.alternet.org/story/154426/>)

James Q. Wilson, who died recently, was a political scientist who often studied the government response to blue collar crime. The public knows him best for his theory called "broken windows." The metaphor explains what happens to a vacant building when broken windows are not promptly repaired. Soon, most of the windows in the abandoned building are broken. The criminals feel little compunction against petty destruction because the building's owners evince no concern for the integrity of their building. Wilson took social norms, community, and ethics seriously. He argued that as community broke down, fewer honest citizens were active in monitoring and policing behavior. The breakdown in community led to widespread serious blue collar crime. Wilson urged us to take even minor blue collar crimes and breaches of civility seriously and to demand that they be contained through social pressure and policing.

New York City's police strategy embraced "broken windows," making it a priority to respond to even minor offenses that upset the community – like "squeegee men," graffiti, and street prostitution. Reported blue collar crime fell. It also fell sharply in most other cities, which did not implement "broken windows" programs, but Wilson and the NYPD got the credit and popular fame. Wilson became one of the most famous blue collar criminologists in the world.

Wilson's broken window theory remains controversial among many blue collar criminologists. As a celebration of his life and research, I offer this discussion of applying "broken windows" theory and policies to elite white-collar crime.

Wilson was strongly conservative, and his research focus in criminology was almost exclusively blue collar crime. That was a shame, because "broken windows" theory is most compelling in the context of elite white-collar crime.

Such an application, however, would have been outside Wilson's comfort zone. Wilson tended to use the word "crime" to refer exclusively to blue collar crime and his emphasis was on very low status criminals. In *Thinking About Crime*, Wilson argued that criminology should focus overwhelmingly on low-status blue collar criminals.

This book [does not deal] with "white collar crimes".... Partly this reflects the limits of my own knowledge, but it also reflects my conviction, which I believe is the conviction of most citizens, that predatory street crime is a far more serious matter than consumer fraud [or] antitrust violations ... because predatory crime ... makes difficult or impossible maintenance of meaningful human communities (1975: xx).

I am rather tolerant of some forms of civic corruption (if a good mayor can stay in office and govern effectively only by making a few deals with highway contractors and insurance agents, I do not get overly alarmed)...." (1975: xix)

Notice that Wilson's explanation is antithetical to his "broken windows" reasoning. There are, of course, relatively minor white-collar crimes. Wilson emphasized that it was the willingness of society to tolerate relatively minor blue collar crimes that led to social disintegration and epidemics of severe blue collar crimes, but he engaged in the same willingness to tolerate and excuse less severe white collar crimes. He predicted in his work on "broken windows" that tolerating widespread smaller crimes would lead to epidemic levels of larger crimes because it undermined community and social restraints. The epidemics of elite white collar crime that have driven our recurrent, intensifying financial crises have proven this point. Similarly, corruption that is excused and tolerated by elites is unlikely to remain at the level of "a few deals." Corruption is likely to spread in incidence and severity precisely because it undermines community and the rule of law. It is likely to grow more pervasive and harmful the more we tolerate it.

"Broken windows" theory, in the white collar crime context, would lead us to make the prevention and deterrence of consumer frauds and anti-trust violations through prosecutions a high priority because of their tendency to produce a "Gresham's" dynamic in which businesses or CEOs that cheat gain a competitive advantage and bad ethics drives good ethics out of the markets. These offenses degrade ethics and erode peer restraints on misconduct.

The ongoing crisis demonstrates that anti-consumer frauds are a direct assault on community. Mortgage fraud – and it was overwhelmingly the lenders and their agents who put the lies in millions of liar's loans – physically and socially destroy community by producing mass defaults, homelessness, and vacant homes.

Taking Wilson's "broken windows" reasoning seriously in the elite white collar crime context would require us to take a series of prophylactic measures to restore integrity and strengthen peer pressures against misconduct. Indeed, we have implicitly tested the applicability of "broken windows" reasoning in that context by adopting policies that acted directly contrary to Wilson's reasoning. We have adopted executive and professional compensation systems that are exceptionally criminogenic. We have excused and ignored the endemic "earnings management" that is the inherent result of these compensation policies and the inherent degradation of professionalism that results from allowing CEOs to create a Gresham's dynamic among appraisers, auditors, credit rating agencies, and stock analysts. The intellectual father of modern executive compensation, Michael Jensen, now warns about his Frankenstein creation. He argues that one of our problems is dishonesty about the results. Surveys indicate that the great bulk of CFOs claim that it is essential to manipulate earnings. Jensen explains that the manipulation inherently reduces shareholder value and insists that it be called "lying." I have seen Mary Jo White, the former U.S. Attorney for the Southern District of New York, who now defends senior managers, lecture that there is "good" "earnings management."

Fiduciary duties are critical means of preventing broken windows from occurring and making it likely that any broken windows in corporate governance will soon be remedied, yet we have steadily weakened fiduciary duties. For example, Delaware now allows the elimination of the fiduciary duty of care as long as the shareholders approve. Court decisions have increasingly weakened the fiduciary duties of loyalty and care. The Chamber of Commerce's most recent priorities have been to weaken Sarbanes-Oxley and the Foreign Corrupt Practices Act. We have made it exceptionally difficult for shareholders who are victims of securities fraud to bring civil suits against the officers and entities that led or aided and abetted the securities fraud. The Private Securities Litigation Reform Act of 1995 (PSLRA) has achieved its true intended purpose – making it exceptionally difficult for shareholders who are the victims of securities fraud to bring even the most meritorious securities fraud action.

The Supreme Court has held that banks and other entities that aid and abet securities fraud are immune from suit by the victims of securities fraud. Only the federal government may sue those that aid and abet fraud. The federal government has cut the number of financial fraud prosecutions by over one-half over the last twenty years even as financial fraud has grown massively. No elite CEO leading a control fraud that helped drive the current crisis has even been indicted. Elite CEOs can defraud with near impunity and become wealthy. Elite white collar fraud is a "sure thing" – the only strategy likely to make a mediocre CEO wealthy and famous.

Because Wilson did not research elite white collar crimes, he did not direct his formidable intellectual energies and expertise to the study of who could prevent the breaking of corporate windows and repair those that were broken. This was a great loss because his studies of varieties of police behavior in response to blue collar crime are justly famous among criminologists. The central truth he would have quickly recognized had he thought of seeking to reduce elite white collar crimes is that only the financial regulators can serve as the "regulatory cops on the beat." The police do not deal with elite white collar crimes. A small cadre of FBI special agents works on elite white collar crimes. There are roughly three special agents assigned to white collar crime investigations per industry in the U.S., so they never "patrol a beat." They investigate only when someone brings a possible white collar crime to their attention. That means whistleblowers, but it overwhelmingly means criminal referrals from the federal financial regulators. Financial institutions may make criminal referrals against their customers, but they will virtually never make them against their CEOs. Only the regulators can make the thousands of criminal referrals against elite white collar criminals essential to a successful prosecutorial effort against the epidemics of accounting control fraud that drive our worst financial crises. In the lead up to the ongoing crisis we gutted the federal regulators, preempted the state regulators, and appointed anti-regulators to head the agencies. A majority of the U.S. House of Representatives is trying to further gut the Commodities Futures Trading Commission (CFTC). If we want to stop the criminals who are destroying our economy and our communities by breaking windows on an epic scale the first step is to rebuild a regulatory force committed to serving as the essential "cops on the beat."

I listened in stunned amazement to the presentations of law professors who specialize in white collar crime and securities law at the two annual meetings that followed the ongoing financial crisis. Virtually every speaker presented arguments calling for reducing white collar criminal liability and liability for securities fraud. At the time they were speaking, the Justice Department had already ceased prosecuting major firms and the SEC brought a pathetically high percentage of its small number of enforcement actions against tiny firms with fewer than 10 employees.

We have systematically reduced effective peer restraints in our most important controls against financial fraud. Law firms, audit firms, and investment banks used to be professional partnerships. Each partner was potentially liable for any firm misconduct, which maximized the incentive to insist on higher levels of integrity. These firms are now virtually all corporations or limited liability partnerships. The incentive of partners to monitor other partners' actions to ensure their integrity has largely been lost.

In the elite white collar crime context we have been following the opposite strategy of that recommended under "broken windows" theory. We have been breaking windows. We have excused those who break the windows. Indeed, we have praised them and their misconduct. The problem with allowing broken windows is far greater in the elite white collar crime context than the blue collar crime context. The squeegee guys make tiny amounts of money and are hated and politically powerless. The mediocre financial CEO who engages in accounting control fraud because it is a "sure thing" causes the bank to report record (albeit fictional) profits and becomes wealthy and politically powerful. He uses his wealth to make charitable and political contributions that make him far harder to sanction. He claims that any crackdown on him is "class warfare" by "neo-Bolsheviks." Incredibly, the *Wall Street Journal* continues to serve as the cheerleader and apologist for those who become wealthy by breaking windows, communities, and economies.

Wilson warned of blue collar "super predators." He called them "feral" – wild animals. These criminals are in fact dangerous, but they are odd candidates for the title of "super predators." Wilson noted that they were disproportionately black and that they were confined almost entirely to the poorest neighborhoods in America where their pickings are poor. Accounting control frauds occupy Wall Street and other financial centers – the richest neighborhoods in the world. Their "take" from fraud is extraordinary. The blue collar criminals that occupied

Wilson's attention late in his career were politically and socially powerless. The fraudulent CEOs that drive our recurrent, intensifying financial crises are wealthy and socially and politically dominant.

Wilson had a fabulous career and added greatly to the policy debate about how to respond to blue collar crime. Our most fitting tribute to him and contribution to his legacy would be to apply his "broken window" theory to the elite white collar crimes and criminals that drive our financial crises. The troubling paradox is that the strongest proponents of "broken windows" theory and policies in the blue collar crime context are the strongest opponents of applying analogous policies in the elite white collar crime context. The *Wall Street Journal* is the most prominent example of this class-based incoherence.

(Bill Black is the author of *The Best Way to Rob a Bank is to Own One* and an associate professor of economics and law at the University of Missouri-Kansas City. He spent years working on regulatory policy and fraud prevention as Executive Director of the Institute for Fraud Prevention, Litigation Director of the Federal Home Loan Bank Board, and Deputy Director of the National Commission on Financial Institution Reform, Recovery and Enforcement, among other positions. Bill writes a column for Benzinga every Monday. His other academic articles, congressional testimony, and musings about the financial crisis can be found at his Social Science Research Network author page and at the blog New Economic Perspectives.)

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<a href="#">20120312-01</a> 06:58 Tom Laura Ingraham and the War on Women
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A great Conservative newsletter that can give our "FotM" a different perspective (Please note call of the day w/ Karen). Enjoy.

[about Laura Ingraham:](#)

Laura Ingraham is the most listened-to woman in political talk radio in the United States. "The Laura Ingraham Show" is heard on hundreds of stations nationwide and has been addicting legions of listeners since its launch in 2001. Always smart and entertaining, Laura is a regular Fox News contributor and the principal substitute host on The O'Reilly Factor. She is the #1 *New York Times* bestselling author of five books: *The Hillary Trap*, *Shut Up & Sing*, *Power to the People*, *The Obama Diaries*, and new smash hit *Of Thee I Zing: America's Cultural Decline from Muffin Tops to Body Shots*. A former litigator and Supreme Court law clerk, Laura is a graduate of University of Virginia School of law and Dartmouth College. She is also an avid supporter of our troops and a variety of military organizations. Laura lives in the Washington, D.C. area with her three children.

Audio: "Karen on the Real War on Women" – Mar. 12, 2012,  
([http://fetch.noxsolutions.com/laura/mp3/031212\\_cotd.mp3](http://fetch.noxsolutions.com/laura/mp3/031212_cotd.mp3))

<http://www.lauraingraham.com/calloftheday?pid=12511>

<a href="#">20120312-04</a> 20:35 SteveB "Steve Jobs & American Jobs"
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"Steve Jobs and American Jobs" posted by Robert Kuttner, Huffington Post

Mar. 11, 2012, ([http://www.huffingtonpost.com/robert-kuttner/american-jobs-apple-foxconn\\_b\\_1338144.html](http://www.huffingtonpost.com/robert-kuttner/american-jobs-apple-foxconn_b_1338144.html))

(The agony and the ecstasy of Steve Jobs: How manufacturing jobs could be restored.)

The economy added another 227,000 jobs in February, the Labor Department reported Friday. That's good news, sort of. It means that the recovery is slowly progressing. At this rate, we will be back to pre-recession employment levels sometime around 2018.

However, this growth in jobs was not enough for wages to keep pace with inflation; nor did the unemployment rate drop, but stayed stuck at 8.3 percent. Why? Because folks who had given up have started entering the labor force again, but the percentage of people in the labor force is still two points lower than it was before the recession began. A new study by the Economic Policy Institute reports that earnings declined over the past decade even for college graduates -- so much for the education cure.

In short, the recession made a bad problem worse, but the economy on the eve of the recession was nothing to be proud of. Throughout the first decade of the new century, before the recession hit, wages lagged behind living costs for the vast majority of Americans -- because those in the top one percent were capturing such a large share of the economy's total productivity gains.

Some of this trend was the result of globalization undercutting the bargaining power of U.S. workers; some of it resulted from weakened trade unions and minimum wage laws lagging behind inflation.

Flat or declining wages did not result from declining average productivity. So when we finally climb out of this jobs recession, perhaps we can belatedly confront these deeper trends.

I have been writing about the hotel workers union in New York City.

Thanks to an extraordinarily effective union, Local 6 of the hotel and restaurant workers union, nearly every large hotel in Manhattan is unionized, and everyone who works in these hotels, from dishwashers to room cleaners to doormen to banquet waiters earns a middle class wage. The union recently signed a seven year contract giving workers a 27 percent wage.

Local 6 is an exceptionally effective union, and New York is a unique tourist destination. But since the vast majority of jobs in America will soon be service sector jobs, not vulnerable to global competition, there is no good economic reason why they can't all be middle class jobs. The challenge is political. We as a society simply need to decide, as President Obama famously told "Joe the Plumber," that we want to "spread the wealth around" rather than having it concentrate at the very top. All service jobs could pay a living wage. How to do that? Unions, wage regulation, progressive taxation, and government using existing powers over contractors that it seldom exercises.

But what about manufacturing? This brings me to the other Jobs of my title, the late Steve Jobs.

The *New York Times*, in a two part series earlier this year on Apple's Chinese contractor, Foxconn, finally made front page news and added some telling detail to what was already fairly well known. The cool, must-have iPads, iPhones, and iPods to which we are increasingly addicted are manufactured with brutal sweatshop labor in Shenzhen, China, where 230,000 employees are making an average of less than \$2 an hour work in a single factory complex. Foxconn's dormitories now have nets outside to prevent suicides.

I recently saw a one-man show, Mike Daisey's amazing "The Agony and the Ecstasy of Steve Jobs," in which Daisey, a spellbinding monologue artist, recounts his own conversations with the workers of Foxconn in Shenzhen.

<http://mikedaisey.blogspot.com/p/monologues.html>

[http://mikedaisey.com/Mike\\_Daisey\\_TATESJ\\_transcript.pdf](http://mikedaisey.com/Mike_Daisey_TATESJ_transcript.pdf)

Daisey was on to Foxconn long before the *Times*. If you get a chance to see this show, which runs for one more week at New York's Public Theater and which will be on tour in Washington, D.C. and elsewhere later this year, don't miss it. Two weeks ago, Daisey made the stunning decision to put his script in the public domain, so that other performances could go viral.

Daisey wonders out loud: what if everyone who buys these products began upping the pressure on Apple to do right by its workers?

I would add: What if Apple made a decision to bring this work home, and to pay decent wages for it, say \$20 an hour. Right now, this is literally impossible, because the production facilities to make such products no longer exist in the United States. But the Pentagon has insisted that America hang on to production capacity for certain other sensitive micro-electronics products. And if hostilities escalated between the U.S. and Beijing, you can bet that we would see a crash program to restore more micro-electronics output at home.

Apple earns about \$600,000 per year per employee. It can well afford to share a little more of that with its workers.

The *New York Times* calculated that it would add only about \$65 to the cost of an iPad or iPhone to produce it at home at good wages. And over time, it would tend to cost less, since higher-paid workers lead the company to redouble its investment in automation.

Apple can certainly afford this transition. It is now the richest company in the world, sitting on a pile of nearly a hundred billion dollars in cash. If Apple led, it would become bad form for America's other prestigious companies to manufacture for U.S. markets in foreign sweatshops.

Ralph Nader recently published the most improbable of books, a novel titled *Only the Super-Rich Can Save Us*. Nader, looking at the grotesque economic and political power imbalance in the U.S., imagined that a cabal of billionaires led by Warren Buffet and Ted Turner have an outbreak of conscience and become crusaders for progressive reform. It's Nader's way of both laying out a reform agenda and spotlighting where the real power lies.

It's a lovely fantasy, but it's not going to happen -- any more than Apple, out of the goodness of its corporate heart, is about to decide to phase out its high-tech Asian sweatshops in favor of decently compensated production jobs in the United States.

But what could perhaps happen is a mass movement of Apple consumers, declaring that it's not cool to treat the people who build these products like beasts of burden or like expendable non-human parts.

Alternatively, as incomes keep falling further behind the cost of living for most Americans, we can comfort ourselves with the thought that we enjoy the coolest of gadgets and that others are even poorer than we are.

(Robert Kuttner is co-editor of *The American Prospect* and a senior fellow at Demos. His latest book is *A Presidency in Peril*.)

<http://columbusgvteam.com/journeys/bolivia08/living-in-tarija.html>



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

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