Friends of the Middle
Newsletter #108 — Apr. 3, 2012

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How Billionaires Destroy Democracy

(posted by Steven W. Baker / SteveB, Apr. 3, 2012)

At least one inescapable conclusion will be reached in November: Americans will decide that one party represents most of the rich and the crazies, while the other party represents some of the rich and the rest of us. Perhaps all is not as it should be, but I know which party will receive my vote. Personally, I'm sick and tired of the rich grabbing a bigger and bigger share of the "pie" at the same time working people receive less and less, prices rise, resources for the poor and needy are reduced, while the rich continue to eat more caviar. Here's my prediction: after the election, something is going to be done about this!

"How Billionaires Destroy Democracy" by Linda McQuaig and Neil Brooks, Salon

Apr. 1, 2012, (http://politics.salon.com/2012/04/01/how_billionaires_destroy_democracy/)

(Wealthy Wall Streeters have rigged the economy and the government against the people. Here's how they did it.)

There are many words that could be used to describe Barack Obama, but one adjective decidedly doesn't fit: Aggressive. So it was more than passing strange when a prominent member of Wall Street — Stephen Schwarzman, chairman of the private equity giant Blackstone Group — compared actions by President Obama to one of the most notoriously aggressive acts by one of history's most aggressive villains. Speaking to the board of a nonprofit group, Schwarzman fiercely denounced initiatives by the Obama administration: "It's war. It's like when Hitler invaded Poland in 1939."

In the arena of political commentary, few things are considered more clearly below-the-belt than comparing an opponent to Hitler. So there was a small stir in August 2010 when it was reported that Schwarzman — whom *Time* magazine had included on its 100 most influential people list only three years earlier — had likened Obama to the Nazi strongman. Schwarzman acknowledged making the remark and then apologized for it, while reaffirming the sentiment behind it. But what was striking about the Hitler comment — besides its sheer viciousness and absurdity — was what had provoked it. Schwarzman wasn't complaining about undue military force, torture, or ethnic cleansing. He was likening the president to the most reviled man in history on the grounds that Obama was trying to close a tax loophole that allowed hedge fund and private equity managers (like Schwarzman) to pay tax at a rate that Warren Buffett famously noted was lower than that paid by their secretaries.

In an era marked by gluttony and hubris, Steve Schwarzman has still managed to stand out.

His 60th birthday party in Manhattan in 2007 was so lavish — with live performances by Rod Stewart and Martin Short — it became Wall Street legend. Then there's Schwarzman's 35-room Park Avenue residence, his sprawling estate in Saint-Tropez, a spectacular spread in Jamaica, and his massive Palm Beach estate, where the executive chef says it typically costs about $3,000 a weekend to feed just Schwarzman and his wife.

Schwarzman is a major figure in private equity, part of the surging field of "alternative asset" financial institutions that, along with hedge and real estate funds, appeared on the horizon two decades ago and now control trillions of dollars in assets. While hedge funds are well-known for contributing to the subprime mortgage crash, private equity funds are notorious for taking over established firms with borrowed money and essentially pillaging them. The bought-out companies are typically saddled with increased debt from the takeover and forced to make massive dividend and fee payouts to the private equity managers and their investors, while employees are shedded and union contracts gutted. The companies are usually chopped up into smaller pieces and sold soon afterwards at inflated prices, creating another windfall for the private equity managers. By 2007, the Blackstone Group had taken control of more than 112 companies worth nearly $200 billion. In 2011, Schwarzman ranked 169th on Forbes' worldwide billionaire list, worth an estimated $5.9 billion.

Schwarzman may be rougher at the edges than most of the hedge fund and private equity crowd. But his outburst against Obama reminds us of the "war" he and others — by themselves or by proxies — have been engaged in to minimize their contribution to the public treasury. It's an all-too-familiar tale of how effective the rich are at getting their way, even when the battle is being played out in a very public arena where a small group of billionaires advancing their own self-interest would seem a very tough sell.

Victor Fleischer didn't set out to be a 21st-century Robin Hood. His real aim was just to get tenure.

Fleischer joined the New York law firm Polk Davis in the late 1990s, working on the formations of private equity and venture capital funds. He was struck by the very low rates of tax paid by fund managers, even compared to the already low tax rates being paid by executives receiving corporate stock options. Fleischer wasn't discovering something new; the rules had been in place since 1954. Nor was he outraged or even particularly interested in the question of tax fairness. At the time, he was simply interested in the impact that the tax rules governing so-called "carried interest" might have on the law firm's clients.

The question stayed in Fleischer's mind after he left Polk Davis in 2001 and became a law professor specializing in taxation. Hoping to get a paper published to improve his chances of securing tenure, Fleischer put together his thoughts on the taxation of private equity funds. Now that he was no longer constrained by working for people in the private equity field, he started to pay attention to what seemed to him to be a "quirk" in the law that distorted tax principles while undermining distributive justice.

He identified the fact that managers of private equity, venture capital and hedge funds were claiming a significant part of their incomes as capital gains (taxed at 15 percent), rather than treating them as regular income (taxed at 35 percent). That substantial difference in rates was magnified by the enormity of the incomes in question. A private equity manager receiving, say, $600 million as a capital gain would pay $90 million in tax. If the same income were treated as income from salary, it would be taxed at 35 percent (and also be subject to a 2.9 percent payroll tax), bringing the private equity manager's tax bill to $227.4 million — almost $140 million more.

The ostensible purpose of the lower capital gains rate is to compensate investors for the risk they take in investing their capital. But private equity and fund managers aren't investing their own capital. They're investing other people's capital. They're simply money managers. By claiming capital gains treatment, they are passing off regular income as capital gains, simply to save themselves taxes.

The fund managers insist that their compensation is still very risky; while some deals may lead to huge profits, others prove disastrous. True. But risk is hardly confined to fund managers. And at lower income levels, the risks are far larger. Indeed, in the last 30 years, vast swaths of the economy could be designated as risky for those needing to earn a living. The sort of stable, lifelong jobs that were common a generation ago have been largely replaced by contract or part-time work, with little or no security. A layoff can mean the loss of the family home or health benefits, or even destitution — far more serious plights than anything likely to befall a hedge fund manager. (For that matter, no one ever seems to argue for special low tax rates for the real risk-takers among us — miners, oil-rig workers, acrobats, firemen, window washers working on tall buildings.)

The so-called "carried interest" loophole enjoyed by hedge fund and private equity managers raises the larger question of whether capital gains — even real ones — should ever be taxed at lower rates. On the face of things, the lower rate seems patently unfair. Why should someone earning income by investing their fortune be taxed at a substantially lower rate than those earning income from the sweat of their brows or from using skills they've spent years acquiring? The fairness argument has essentially been set aside, however, as business has relentlessly promoted the notion that such preferential treatment is necessary to coax those with capital to invest it. But do investors really need coaxing? Warren Buffett, one of the world's savviest investors, doesn't think so. "I have worked with investors for 60 years and I have yet to see anyone — not even when capital gains rates were 39.9 percent in 1976-77 — shy away from a sensible investment because of the tax rate on the potential gain," Buffett argues.

Our business culture tends to portray investors as modern-day heroes who put their hard-earned capital into worthy high-risk ventures that lead to path-breaking discoveries that enrich the lives of all of us. Sadly, the vast majority of investments don't fit into this category (and those that do qualify for additional tax incentives). Rather, as former mutual fund manager John C. Bogle notes, "most capital gains are made from gambling in the stock market." So the ultimate function of the special low rate on capital gains is to save our wealthiest citizens billions of dollars a year on their winnings in the Wall Street casino.

Fleischer's paper found its way into the hands of congressional Democrats at a time when they were looking for fresh sources of revenue to pay for the expansion of the State Children's Health Insurance Program and the Earned Income Tax Credit. The juxtaposition of high-flying hedge fund managers and children without health care seemed like a public relations nightmare for the Wall Street crowd.

Schwarzman himself helped put an unsavory face on the fund manager set with his plan to turn Blackstone into a publicly traded company in the spring of 2007. The plan would not only allow Schwarzman and other top Blackstone executives to continue to qualify for the low capital-gains rate as fund managers, but would also allow their new multi-billion-dollar publicly traded company to largely avoid paying corporate taxes. If Schwarzman won the approval of SEC regulators, he and Blackstone co-founder Peter Peterson would receive billions of dollars worth of stock, plus hundreds of millions in cash. And this would surely set a precedent, enticing other private equity funds, as well as investment banks — including giants like Goldman Sachs and Morgan Stanley — to reorganize themselves along similar lines, making the paying of corporate taxes almost optional for Wall Street institutions.

Schwarzman's move had pushed the issue of sweetheart taxation for private equity kings from law school reviews to the front pages of newspapers. A bill to stop Schwarzman — dubbed the Blackstone bill — quickly appeared in Congress.

Momentum seemed to be building against the Blackstone deal and more broadly for a bill, sponsored by Democratic congressman Sander Levin that would shut down the fund manager loophole completely. But Wall Street quickly organized a counterattack. Some of the largest private equity firms formed the Private Equity Council, and, within six months, the Council had retained four top lobby firms to handle the case. Labor and public interest groups lobbied from the other side, presenting a letter to Congress signed by more than a hundred organizations across the country urging that the loophole be closed. But private equity had resources that were probably 1,000 times greater, according to Steve Wamhoff, legislative director of the Washington-based group Citizens for Tax Justice.

No argument seemed too extreme or silly to advance in defense of maintaining the loophole. Lobbyists insisted, for instance, that the tax break was crucial in the fight against cancer, pointing to the fact that the loophole also applied to those running venture capital funds, which sometimes invest in high-risk start-up firms — including those developing products to fight cancer. Private equity was trying to make the case that showering tax breaks on all fund managers, some of whom might be investing their funds in firms involved in fighting cancer, was an effective way to subsidize the fight against cancer — rather than simply increasing direct subsidies to cancer researchers or start-up firms.

In the end, the weakness of the case for maintaining the loophole didn't matter. In three years of Congressional battles over the issue — with the Democrats mostly voting to shut down the loophole, and Republicans voting to keep it alive — the House passed a bill to shut it down three times. But Democrats finally abandoned attempts to overcome Republican obstacles in the Senate in June 2010. So, even with the Democrats holding the White House, the House and the Senate (including 60 seats for a while), "they were still incapable of closing the most indefensible loophole in existence," notes Wamhoff.

In the run-up to the debt-ceiling crisis in the summer of 2011, the most indefensible loophole in existence was once again in the spotlight. Figures from the Congressional Budget Office showed that closing the loophole could save $21 billion over 10 years. That wouldn't eliminate the debt, of course, but given the scope of the debt problem, it seemed a lot of money to simply ignore. New York Times columnist Nicholas Kristof devoted a column to the tax break, awarding it the grand prize for the "Most Unconscionable Tax Loophole." The president himself zeroed in on it again. "How can we ask a student to pay more for college before we ask hedge fund managers to stop paying taxes at a lower rate than their secretaries?" Obama said in an address to Congress in July.

But the Tea Party crowd now becoming power players in the Republican Party was as resistant to compromise as Obama was prone to it. They blamed the mounting deficit entirely on Obama (even though George W. Bush had added $5.07 trillion to the debt, primarily due to his tax cuts and military spending, while Obama had added just $1.44 trillion, mostly fighting the recession). Spotting an opportunity to use the deficit to achieve deep spending cuts, hard-line Republicans refused to raise the debt ceiling without a long-term strategy for debt reduction, which they insisted be entirely achieved through spending cuts. In the final deal, signed into law just hours before the deadline for a Latin American–style default, the hijackers appeared to win, with $917 billion in deficit-reduction measures all to come from spending cuts (and another $1.5 trillion to be worked out by a bipartisan committee). The radical Republicans had turned the fairly routine business of raising the debt ceiling — something Republicans had agreed to 87 times since World War II — into a bloodbath of spending cuts.

An observer could easily conclude that all this simply shows how resistant Americans have become to tax increases. But in fact it shows no such thing. In the years leading up to the debt-ceiling showdown, Americans have repeatedly told pollsters that they support higher taxes *on the rich* as a way to reduce the deficit. A Washington Post-ABC News poll reported in July 2011, as the crisis reached a crescendo, found that 72 percent supported raising taxes on those earning more than $250,000 a year.

What the debt-ceiling fiasco really showed was how a band of Republican extremists had effectively taken the U.S. political system hostage and were moving to enact the Right's long-time fantasy of dismantling popular New Deal programs — particularly Social Security — which had been politically untouchable since the 1930s. Americans were told that these programs were simply no longer affordable — even though the country had grown considerably richer over the decades. In fact, what had changed was not the affordability of the programs but the intransigence of the nation's elite to paying taxes.

So while programs helping students, the elderly, and the poor were to be picked over by deficit-cutting politicians with surgical precision, private equity and hedge fund mangers were to be spared any increase in taxes. They could get back to work pillaging companies and destabilizing financial markets with full peace of mind, knowing they'd continue to enjoy a tax rate lower than the mechanics who service their private jets.

Indeed, only a month after the debt-ceiling crisis, Stephen Schwarzman was back on the offensive, no longer just defending the special tax break that saved him millions of dollars a year, but now insisting on the need for broad tax reform — *so that low-income people would pay more*. Schwarzman's concern was that many Americans manage to avoid paying income tax at all because their incomes are so low. His solution was a flat tax, so that everyone would pay some income tax. "If some people are left out and some people have special deals, it doesn't feel like the kind of situation where everyone's going to get on board," Schwarzman told CNBC." For Schwarzman, "special deals" aren't loopholes for billionaires but exemptions for those with low incomes — mostly the elderly, people with children, and the poor — who've been dubbed "lucky duckies" by the *Wall Street Journal* for their apparent tax-free status.

Having rebuffed Obama's invasion, the Wall Street crowd was now itching to launch a counter-invasion. No longer was the goal just to protect their own loopholes. They now sought to solve the deficit crisis, which they had greatly contributed to with their reckless financial speculation, by digging into the empty pockets of low-income Americans. It wasn't that the rich weren't paying enough tax; it was that others weren't paying enough. It was time to go after the lucky duckies. A new rallying cry could be heard rumbling from the boardrooms of Wall Street: *Make the Poor Pay!*

Barely a month after Barack Obama had been sworn in as the 44th U.S. president, riding a wave of immense popular support with his "Yes, we can" rallying cry echoing around the country and the world, a voice seemed to appear from nowhere saying, "No, actually you can't." Ostensibly, it came first from Rick Santelli, a relatively obscure investment manager-turned-commentator on CNBC, who denounced Obama's plans to help struggling American homeowners as "promoting bad behavior." In a wide-ranging rant from the floor of the Chicago Mercantile Exchange on February 19, 2009, Santelli said, "We're thinking of having a Chicago Tea Party in July. All you capitalists that want to show up to Lake Michigan, I'm gonna start organizing." Within hours, a protest movement had swung into action on the Internet, talk radio, and cable TV, and rallies were scheduled across the country for the following week.

The apparently spontaneous outburst of disaffected Americans was greatly helped along by an organized and sophisticated campaign ultimately funded by two of America's richest men, Charles and David Koch.

In many ways, the emergence of the Tea Party as a potent force in American politics can be seen as the culmination of almost four decades of behind-the-scenes effort on the part of the billionaire brothers. The political views of the Koch brothers have always been on the extreme right, nurtured by their father, Fred Koch, a cofounder of the ultra-right-wing John Birch Society. Since inheriting his massive privately held oil fortune in the late 1960s, the brothers have been pouring untold millions of dollars into promoting libertarian causes. The probing of Ames and Levine, as well as a comprehensive, investigative piece by Jane Mayer in the New Yorker in August 2010, have shown that the brothers established a vast network of ultra-conservative political organizations, advocacy groups, publications, and think tanks. Included in this network is the high-profile Cato Institute, which has aggressively pushed for an end to Social Security, and the Mercatus Center, located at George Washington University, which has been a leading advocate of environmental deregulation and inaction on climate change.

The brothers have mostly stayed out of politics directly (apart from David Koch's stint as the vice presidential candidate for the Libertarian Party in 1980, positioned to the right of Ronald Reagan). Perhaps the Kochs sensed how politically toxic a couple of billionaires could be to a movement whose central aim has been slashing taxes on the rich and dismantling programs, like Social Security, that keep millions of Americans out of poverty.

In fact, the Kochs were really just one — although a leading one — of the ultra-rich U.S. families that in the 1970s turned their attention and directed their wealth to the task of pushing American politics sharply to the right and putting in place policies that more clearly favored their own interests.

The business elite is and always has been the most powerful force in U.S. politics, by virtue of its dominant role in the economy. But what is striking — and perhaps inspiring to revisit — is the extent to which the power of business was somewhat curtailed in the 1930–1970 period, and the extent to which this allowed policies favoring other members of society to flourish.

But by the early 1970s, with postwar growth starting to stall, business had an opening. It also had a growing sense that it was losing ground to a broader anti-business movement that came out of the mass student protests over U.S. involvement in Vietnam. The movement's ostensible leader, Ralph Nader, was attracting widespread support and sympathetic media coverage for this freewheeling campaign against "corporate power." The threat felt by business leaders was captured well in an eight-page memorandum written in 1971 for the U.S. Chamber of Commerce by Lewis Powell, a prominent Virginia, attorney who served on a number of corporate boards (and later on the Supreme Court). The memo, expressed a feeling of being under siege. It amounted to a manifesto warning business that "the American economic system is under broad attack" and the assault was gaining influence "from the college campus, the pulpit, the media, the intellectual community…and from politicians." Powell echoed Goldwater's earlier condemnation of "scared-e-cat" businessmen, urging them to "stop suffering in impotent silence, and launch a counter-attack."

Powell laid out a comprehensive plan that bears an uncanny resemblance to what actually happened. He argued that business largely owned, funded, or had influence over the key media, religious, and academic institutions in society, and should use its leverage to counter what he perceived as the liberal, anti-business bias of these institutions. He advocated explicit business intervention in the political sphere, where he said the American businessman had become "truly the forgotten man." This had to be countered with concrete steps — expanding the "role of lobbyist for the business point of view" — in order to regain political clout with governments. It was time, wrote Powell, for business to learn that "political power is necessary; it must be used aggressively and with determination — without embarrassment and without reluctance which has been so characteristic of American business."

Powell's manifesto reverberated powerfully within business circles. Along with the Koch brothers, a number of America's biggest corporate dynasties came forward to inject massive funds into the cause of pushing the country sharply to the right. The Olin family, owner of a giant chemical and munitions business, provided tens of millions of dollars to think tanks, organizations, and programs at major universities aimed at inculcating right-wing ideas and policy solutions. Huge financial support for libertarian and conservative causes (and later the attempt to impeach Bill Clinton) also came from Richard Mellon Scaife, heir to the massive Mellon banking, aluminum, and oil fortune. Joseph Coors, who had inherited the brewery fortune, described how he was "stirred up" by reading the Powell memo and wondered why businessmen were "ignoring a crisis."

Freshly stirred by Powell's call to arms, Coors became a key figure in establishing the Heritage Foundation, which was to become an influential promoter of radical pro-capitalist ideas as well as "the Judaeo-Christian moral order." The foundation quickly attracted major corporate funding from Dow Chemical, General Motors, Pfizer Mobil, Chase, and the Manhattan Bank. Du Pont CEO Charles McCoy became one of the instigators of the Business Roundtable, an exclusive group of CEOs of leading U.S. companies, who planned to use their economic clout to gain access to top government and congressional leaders.

The war chest of funds from wealthy families and corporations provided the seed money for a huge new infrastructure of organizations, think tanks, publications, and "astro-turf" campaigns funded by the wealthy but designed to appear as grass-roots movements. With this massive effort to reshape the debate and politics of America, the wealthy elite was investing in a deliberate long-term strategy — exactly what Powell had called for — realizing that institutions shaped by liberal values wouldn't change over night, but could be completely overhauled over time through determined push-back from business. The media, owned by business interests, quickly became a helpful collaborator, and the buzzwords of free-market ideology were soon dominating the airwaves. The rightward drift accelerated after media mogul Rupert Murdoch hired former Republican strategist Roger Ailes to launch Fox News in 1996 with an aggressive conservative message that pushed the media concept of balanced coverage ever farther to the right.

The impact on the Republican Party has been the most profound, with conservative money ensuring that moderates in the style of Dwight Eisenhower — or even George H. W. Bush — are increasingly blocked from winning their party's nominations. The impact of conservative money on the Democratic Party has also been immense. With increasingly expensive political campaigns in the TV age, business gained a huge advantage with cash-hungry Democratic candidates, particularly after labor's economic clout and financial contributions diminished. As labor faded, the well-financed voices of business grew louder and more persistent, aggressive, and ubiquitous. Democrats became the new scared-e-cats, retreating in lockstep as the conservative juggernaut advanced, putting up scant resistance as the goalposts were moved ever farther to the right. The Democrats largely abandoned support for important labor policies, allowing the minimum wage to languish, supporting trade deals that encouraged privatization and favored corporate interests, and even emerging as the leading proponents of financial deregulation in the 1990s. This brought in huge campaign support from the financial industry, realigning the party with Wall Street, particularly under the influence of powerful Democratic senators Charles Schumer and Joseph Lieberman.

The campaign to roll back the postwar egalitarian advances, starting in the 1970s, gained momentum in the following decades as the rich got vastly richer and invested heavily in a sophisticated political infrastructure to advance their cause. Their political victories not only enriched themselves further but weakened other segments of society, creating economic insecurity for millions of Americans. That insecurity left ordinary Americans frightened, short of resources, and no longer inclined to trust and rely on unions, which seemed increasingly impotent in the face of rising business wealth.

The 2008 financial crash and its brutal aftermath has raised the possibility that the pendulum might swing back, once again diminishing the wealth and power of the elite. This hasn't happened yet — although the Occupy Wall Street demonstrations in the fall of 2011 point to a building storm.

So far, however, the privileged elite have mostly managed to protect and even enhance their financial position, with the Wall Street crowd using its clout to win a massive $4.7 trillion bailout. The elite have also managed to derail attempts to raise their taxes. The very rich seem poised to dismantle programs that are vital to the well-being of millions of ordinary Americans and that for decades seemed politically untouchable.

Mark Hanna may well have identified a crude truth about American politics when he said "There are two things that are important in politics. The first is money and I can't remember what the second is." Perhaps the second thing, which the Republican strategist so casually forgot, is that it matters how widely money is distributed. We therefore offer up a corollary to Hanna's rule: When money is distributed more equally in society, ordinary citizens speak with louder voices, making meaningful democracy possible.

(Excerpted from *Billionaires' Ball: Gluttony and Hubris in an Age of Epic* Inequality by Linda McQuaig and Neil Brooks. Copyright 2012. Excerpted with permission by Beacon Press. Linda McQuaig, the author of seven best sellers and winner of a National Newspaper Award, has been a national reporter for the *Globe and Mail*, a senior writer for Maclean's magazine, and a political columnist for the *Toronto Star*. The author of three books, Neil Brooks is director of the graduate program in taxation at Osgoode Hall Law School in Toronto. He has participated in building projects relating to income tax in Lithuania (through the Harvard Institute for International Development), Vietnam (Swedish International Development Agency), Japan (Asian Development Bank), China (AUSAid) and Mongolia (AUSAid).)

FotM NEWSLETTER #108 (Apr. 3, 2012)—HYPERTEXT INDEX

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20120402-03	08:43	SteveB	Re: 50's Car Test (reply to GaryF, above)
20120402-04	10:53	Ben	This Will Stretch Your Imagination
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20120402-10	20:07	SteveB 10	Re: Not Wanting to Offend Anyone (reply to Marci, above)
20120402-09	19:39	Marci 9	Fw: Canadian Billboards Are Hilarious!
20120402-13	23:59	SteveB	Photo: F*cking Caviar!

20120402-01	06:05	SteveB	"Five Preposterous But Persistent Conservative Myths"

"Five Preposterous But Persistent Conservative Myths" by Paul Buchheit, NationofChange

Apr. 2, 2012, (http://www.nationofchange.org/five-preposterous-persistent-conservative-myths-1333375542)

1. Entitlements Are the Problem

> **Beyond the fact that we're '<u>entitled</u>' to Social Security and Medicare <u>because we pay for them[!!!!]</u>**, these two government-run programs have been largely self-sustaining while supporting the needs of millions of Americans.
>
> Medicare is much less costly than private health care. Social Security, which functions with a surplus, would not be in danger of a long-term shortfall if the richest 10% (those making over the $106,800 cutoff) paid their full share.
>
> The Center on Budget and Policy Priorities recently reported that 91% of entitlements go to the elderly or disabled, or to members of working households needing supplemental assistance. Only 9% of entitlement dollars go to non-working but employable individuals, and most of that is for medical care, unemployment, and survivor benefits.

2. Charter Schools Are the Answer

> Free-market adherents have a lot of people believing that the public school system needs to be 'saved' by charter schools. That belief is not supported by the facts. A Stanford University study "reveals in unmistakable terms that, in the aggregate, charter students are not faring as well as their traditional public school counterparts."
>
> A Department of Education study found that "On average, charter middle schools that hold lotteries are neither more nor less successful than traditional public schools in improving student achievement, behavior, and school progress."
>
> Charter schools also take money away from the public system. For example, the Los Angeles Unified School District loses nearly $7,000 in state money for each student who transfers to a charter. In Florida, the entire

$55 million budgeted in 2011 for school maintenance went to charters. Governors in several states plan to direct money to schools that serve upper-middle-income families.

Furthermore, charter school teachers have fewer years of experience and a higher turnover rate, and according to one study were less likely to be certified.

Perhaps most damning are studies by the University of Colorado and UCLA which found that some charter schools segregate students by race and income. Said researcher Gary Miron of Western Michigan University, "Parents are selecting schools where their child will experience less diversity."

3. Corporate Taxes Are Too High

This one is easy. The facts can be found in U.S. Office of Management (OMB) figures, which show a gradual drop over the years in Corporate Income Tax as a Share of GDP, from 4% in the 1960s to 2% in the 1990s to 1.3% in 2010. That's one-third of what it used to be.

Also coming from the OMB is the percent of Total Tax Revenue derived from corporate taxes. The corporate share has dropped from about 20% in the 1960s to under 9% in 2010.

Finally, in a U.S. Treasury report of global competitiveness, it is revealed that U.S. corporations paid only 13.4% of their profits in taxes between 2000 and 2005, compared to the OECD average of 16.1%. A similar PayUpNow.org analysis of 100 of the largest U.S. companies found that less than 10% of pre-tax profits in 2010 were paid in non-deferred U.S. federal income taxes.

Corporate tax avoidance is rampant at the state level, too. A new study by Citizens for Tax Justice, which evaluated 265 large companies, determined that an average of 3% was paid in state taxes, less than half the average state tax rate of 6.2%.

4. Jim Crow Is Dead

Even though white Americans are the nation's most frequent drug users and dealers, the people in jail for these offenses are overwhelmingly black. In some states, African Americans make up 80-90% of all drug offenders sent to prison.

As a nation, we lead the world in rates of imprisonment, and drug offenses have accounted for two-thirds of the increase in federal inmates.

Once drug users are in prison, they're stigmatized for life. As stated by Michelle Alexander, author of "The New Jim Crow": "Rather than rely on race, we use our criminal justice system to label people of color "criminals" and then engage in all the practices we supposedly left behind...Once you're labeled a felon, the old forms of discrimination - employment discrimination, housing discrimination, denial of the right to vote, and exclusion from jury service - are suddenly legal. As a criminal, you have scarcely more rights, and arguably less respect, than a black man living in Alabama at the height of Jim Crow."

5. Poverty Is Declining Everywhere

There's something disturbing about World Bank researchers using mathematical functions to determine who's living in poverty. But free-market fanatic The Economist liked the results, proclaiming that "poverty is declining everywhere."

That's easy to say when the World Bank gets to set its own poverty threshold, at $1.25 per day. The organization admits there was little change in the number of people living below $2 per day between 1981 and 2008. And almost half the world lives on less than $3 a day.

Another fact is that the rapid growth of China accounts for most of the global poverty changes. China is where hundreds of millions of starry-eyed young people went from zero income on the farms to a few dollars a day under oppressive factory working conditions. The GDP may show a decline in poverty, but a "quality of life" index wouldn't make that mistake.

6 & 7. Evolution and Global Warming Don't Exist

These are just too preposterous for words.

Progressive activists continue to work toward the day when poverty is down everywhere, and minorities receive equal treatment, and education is properly funded, and tax subsidies rather than entitlements are minimized. But that day is being delayed by make-believe messages from the American conservative.

20120402-02	08:33	GaryF	Re: 50's Car Test (reply to SteveG, FotM Newsletter #107)

85% but had guess at lots of the early 50's cars as I must be a lot younger than most of you guys…

20120402-03	08:43	SteveB	Re: 50's Car Test (reply to GaryF, above)

Gee, thanks for rubbing it in. From my score, I must be the youngest. I had to guess because I wasn't even born then! Well…I was a baby…

20120402-04	10:53	Ben	This Will Stretch Your Imagination

I presume this is an April Fools' posting. But the site is registered to Virgin... so it's an OFFICIAL prank, if prank it is.

A celebrity quote from Tom Hanks, a master of the deadpan, is reassuring in its own way. Seth Green, of course, nails it down.

http://virginvolcanic.com/

20120402-05	11:31	Art	Re: Why Labels Can Be Misleading (reply to Pam, FotM Newsletter #107)

Wayward thinking?? Not you. Good luck with finding a way to talk to conservatives. For the most part my efforts have been a complete failure. I know it sounds smug, but the problem is they don't really seem to think much, and you are a thinker. Have you noticed while we on the so called "liberal" side wring our hands over the divide in America and actually write things and put down our own particular analysis of some specific issue such as unwed mothers or whatever, they never actually write anything. They just send along some copied e-mail (usually inaccurate) spewing hate and contempt for President Obama or liberals in general? And, if you do point out that the e-mail they sent is wrong by using SNOPES or FACT or FICTION, they never respond.

Hard to have a conversation under those circumstances.

20120402-11	20:09	Pam	Re: Why Labels Can Be Misleading (reply to Art, above)

But there must be SOME intelligent, thoughtful conservatives. David Brooks? George Will? I don't agree with him, but he's not dumb. Nor is William Kristol, though he's even more off base than Will. Maybe I'm a bit like Obama. I think he, too, wants to find a rapprochement with conservatives. It's a shame conservatives don't make more of an effort to convince people, rather than simply trying to scare them and stoke their hatred.   I'd be willing to listen to reasonable arguments, but, as you say, Art, I don't hear any. Looks like Newt is finally getting the hook, and about time. I think Romney getting the nomination is a bit like getting a PhD. Everyone knows you're going to get it, but they want to see you suffer first.

20120402-12	21:05	SteveB	Re: Why Labels Can Be Misleading (reply to Pam & Art, above)

It’s interesting to me that the right has pretty much deserted the field of logic, rational thinking, and argument. They have cleverly and carefully chosen a field of battle that lies beyond the realms of logical thought. Their arguments go to the guts of people who don’t want to bother with logic. Their lies hold no water, yet gain traction.

One small thing that makes me a little hopeful is the way our FotM Group Members from the Right have stood their ground and kept logically arguing their positions until we all understood their views.

NOT! They took their marbles and ran away. Seemingly all of them—friends or not. That’s a shame. I thought we were all quite nice to them, especially considering… But since their positions are based on emotion, faith in dogma, outright lies, and manipulation, what can they really contribute, other than the same name-calling over and over? To a Republican, calling an opponent a “socialist” apparently ends the discussion, in their view. (I would love to be proven wrong on this!)

Another small point of hope is that, surely in the fall, R0mney will have to debate the issues, right? He’s going to have to deal with logic. Right? Maybe. Yet you will be amazed at the lies which will spill from his patrician, power-hungry lips.

Meanwhile, my working Republicans friends, the billionaires steal more of your money every day. When will it be time to stop believing their lies?

Could you please pass that giant bowl of caviar, please? Thank you. Now go wash and wax my Mercedes.

20120402-07	13:31	Jim	“Brain Wiring a No-Brainer?”

How (some of?) our brains are wired…

Fascinating study of the brain and how it is wired.

“Brain Wiring a No-Brainer?” by HIMH (contact: Jules Asher)

Mar. 29, 2012, (http://www.nih.gov/news/health/mar2012/nimh-29.htm)

The brain appears to be wired more like the checkerboard streets of New York City than the curvy lanes of Columbia, Md., suggests a new brain imaging study. The most detailed images, to date, reveal a pervasive 3D grid structure with no diagonals, say scientists funded by the National Institutes of Health.

“Far from being just a tangle of wires, the brain's connections turn out to be more like ribbon cables — folding 2D sheets of parallel neuronal fibers that cross paths at right angles, like the warp and weft of a fabric,” explained Van Wedeen, M.D., of Massachusetts General Hospital (MGH), A.A. Martinos Center for Biomedical Imaging and the Harvard Medical School. “This grid structure is continuous and consistent at all scales and across humans and other primate species.”

Wedeen and colleagues report new evidence of the brain's elegant simplicity March 30, 2012 in the journal *Science*. The study was funded, in part, by the NIH's National Institute of Mental Health (NIMH), the Human Connectome Project of the NIH Blueprint for Neuroscience Research, and other NIH components.

“Getting a high resolution wiring diagram of our brains is a landmark in human neuroanatomy,” said NIMH Director Thomas R. Insel, M.D. “This new technology may reveal individual differences in brain connections that could aid diagnosis and treatment of brain disorders.”

Knowledge gained from the study helped shape design specifications for the most powerful brain scanner of its kind, which was installed at MGH's Martinos Center last fall. The new Connectom diffusion magnetic resonance imaging (MRI) scanner can visualize the networks of crisscrossing fibers — by which different parts of the brain communicate with each other — in 10-fold higher detail than conventional scanners, said Wedeen.

Curvature in this DSI image of a whole human brain turns out to be folding of 2D sheets of parallel neuronal fibers that cross paths at right angles. This picture came from the new Connectom scanner. Source: Van Wedeen, M.D., Martinos Center and Dept. of Radiology, Massachusetts General Hospital and Harvard University Medical School

"This one-of-a-kind instrument is bringing into sharper focus an astonishingly simple architecture that makes sense in light of how the brain grows," he explained. "The wiring of the mature brain appears to mirror three primal pathways established in embryonic development."

As the brain gets wired up in early development, its connections form along perpendicular pathways, running horizontally, vertically and transversely. This grid structure appears to guide connectivity like lane markers on a highway, which would limit options for growing nerve fibers to change direction during development. If they can turn in just four directions: left, right, up or down, this may enforce a more efficient, orderly way for the fibers to find their proper connections — and for the structure to adapt through evolution, suggest the researchers.

Obtaining detailed images of these pathways in human brain has long eluded researchers, in part, because the human cortex, or outer mantle, develops many folds, nooks and crannies that obscure the structure of its connections. Although studies using chemical tracers in neural tracts of animal brains yielded hints of a grid structure, such invasive techniques could not be used in humans.

Wedeen's team is part of a Human Connectome Project Harvard/MGH-UCLA consortium that is optimizing MRI technology to more accurately to image the pathways. In diffusion imaging, the scanner detects movement of water inside the fibers to reveal their locations. A high resolution technique called diffusion spectrum imaging (DSI) makes it possible to see the different orientations of multiple fibers that cross at a single location — the key to seeing the grid structure.

In the current study, researchers performed DSI scans on postmortem brains of four types of monkeys — rhesus, owl, marmoset and galago — and in living humans. They saw the same 2D sheet structure containing parallel fibers crossing paths everywhere in all of the brains — even in local path neighborhoods. The grid structure of cortex pathways was continuous with those of lower brain structures, including memory and emotion centers. The more complex human and rhesus brains showed more differentiation between pathways than simpler species.

Among immediate implications, the findings suggest a simplifying framework for understanding the brain's structure, pathways and connectivity.

The technology used in the current study was able to see only about 25 percent of the grid structure in human brain. It was only apparent in large central circuitry, not in outlying areas where the folding obscures it. But lessons learned were incorporated into the design of the newly installed Connectom scanner, which can see 75 percent of it, according to Wedeen.

Much as a telescope with a larger mirror or lens provides a clearer image, the new scanner markedly boosts resolving power by magnifying magnetic fields with magnetically stronger copper coils, called gradients. Gradients make it possible to vary the magnetic field and get a precise fix on locations in the brain. The Connectom scanner's gradients are seven times stronger than those of conventional scanners. Scans that would have previously taken hours — and, thus would have been impractical with living human subjects — can now be performed in minutes.

"Before, we had just driving directions. Now, we have a map showing how all the highways and byways are interconnected," said Wedeen. "Brain wiring is not like the wiring in your basement, where it just needs to connect the right endpoints. Rather, the grid is the language of the brain and wiring and re-wiring work by modifying it."

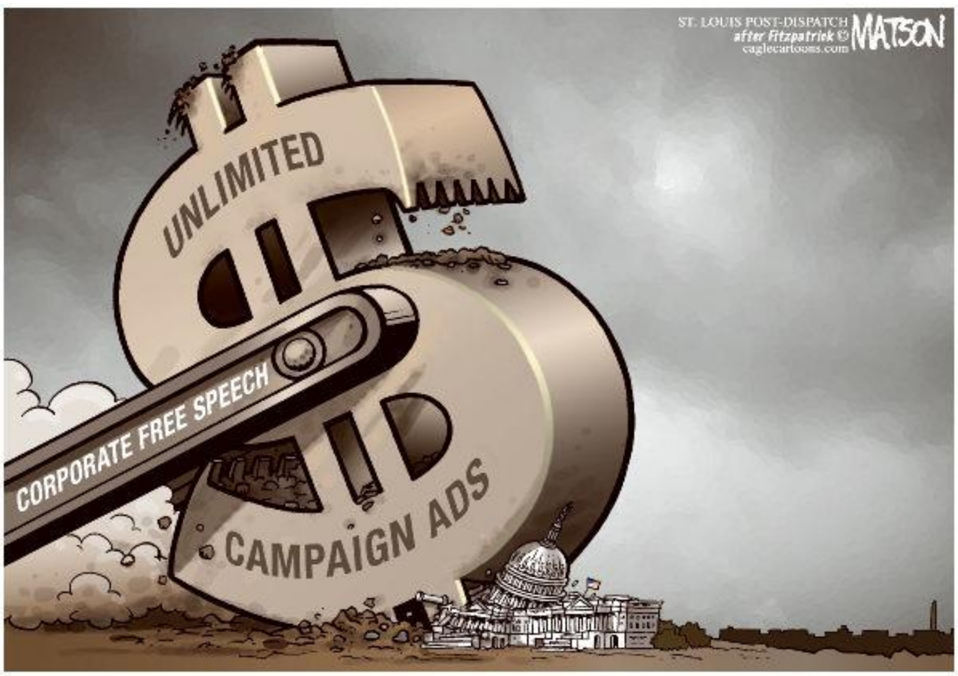
The mission of the NIMH is to transform the understanding and treatment of mental illnesses through basic and clinical research, paving the way for prevention, recovery and cure. For more information, visit the www.nimh.nih.gov.

The NIH Blueprint for Neuroscience Research is a cooperative effort among the NIH Office of the Director and the 15 NIH Institutes and Centers that support research on the nervous system. By pooling resources and expertise, the Blueprint supports transformative neuroscience research, and the development of new tools, training opportunities, and other resources to assist neuroscientists.

About the National Institutes of Health (NIH): NIH, the nation's medical research agency, includes 27 Institutes and Centers and is a component of the U.S. Department of Health and Human Services. NIH is the primary federal agency conducting and supporting basic, clinical, and translational medical research, and is investigating the causes, treatments, and cures for both common and rare diseases. For more information about NIH and its programs, visit www.nih.gov.

20120402-08	16:46	SteveG	Cartoon: Corporate Free Speech

Government is the prize…



20120402-06	13:26	Marci	Fw: Not Wanting to Offend Anyone

What do you think of this thing?

[Source of original email unknown. –SteveB]

When we get 100,000,000, that's one hundred million willing Christians to BOND together, voice their concerns and vote, we can take back America with God's help, Become one of the One hundred million, then lets get 200 million. It can be done by sending this email to your friends. Do the math. It only takes a willing heart and a fed up soul. God Bless America and Shine your light on Her..

In 1952 President Truman established one day a year as a "National Day of Prayer."

In 1988 President Reagan designated the First Thursday in May of each year as the National Day of Prayer.

In June 2007 (then) Presidential Candidate Barack Obama declared that the USA "Was no longer a Christian nation."

This year President Obama canceled the 21st annual National Day of Prayer ceremony at the White House under the ruse Of "not wanting to offend anyone"

BUT... on September 25, 2009 from 4 AM until 7 PM, a National Day of Prayer FOR THE MUSLIM RELIGION was Held on Capitol Hill, Beside the White House.

There were over 50,000 Muslims in D.C. that day.

HE PRAYS WITH THE MUSLIMS!

I guess it Doesn't matter if "Christians" Are offended by this event - We obviously Don't count as "anyone" Anymore.

The direction this country is headed should strike fear in the heart of every Christian, especially knowing that the Muslim religion believes that if Christians cannot be converted, they should be annihilated.

This is not a Rumor - Go to the website To confirm this info: http://www.islamoncapitolhill.com

Send this to ten people and the person who sent it to you!...to let them know that indeed, it was sent out to many more.

[Poor, unfortunate, persecuted Christians! Do I detect a lack of trust that I will complete my email work? I guess I'll just send it to all 300 or so of you, readers. Maybe then I will truly be blessed. –SteveB]

20120402-10	20:07	SteveB	Re: Not Wanting to Offend Anyone (reply to Marci, above)

Here are the facts: http://www.snopes.com/politics/obama/prayerday.asp.

Those Republicans are the world's biggest liars!

20120402-09	19:39	Marci	Fw: Canadian Billboards Are Hilarious!

[Forget the mashed potatoes and please pass me that caviar! –SteveB]

20120402-13	23:59	SteveB	Photo: F*cking Caviar!

http://www.luxury-insider.com/features/2007/fact-file-caviar

Some billionaires eat nothing but caviar. What a waste!

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

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Welcome to all our new members who may be here for the first time. We want to hear from YOU! To submit your comment, you can use the form on our website or blog, or reply to this email with your two cents worth. Be sure to sign with your desired user name.

Your email address will always be kept strictly confidential.

Feel free to forward this Newsletter to anyone you know on the Right or the Left, though your motives might be different in each case. Regardless, PASS IT ON! Help keep your friends and acquaintances informed and thinking.

http://www.FriendsOfTheMiddle.org
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