



FRIENDS OF THE MIDDLE NEWSLETTER #140 — MAY 17, 2012

Welcome to always lively political discussion and whatever else comes up.
<http://www.FriendsOfTheMiddle.org> FriendsOfTheMiddle@hotmail.com

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'Willard the Bain'



Look Out! Here They Come to Rape and Pillage! (Viking Raiding Party Enactment)
<http://www.solarnavigator.net/history/vikings.htm>

(posted by Steven W. Baker / SteveB, May 17, 2012)

If this is what you want done to America, I guess you should vote for R0mney.

I think he wants to run us through the ringer and downsize us rather immediately.

Business, like sitting in a Hanoi prison, does not prepare one to be President of the United States. We are not a business, we are a nation. I know the Republicans want those two to become one, but that is one type of marriage Democrats will simply not permit.

The only part of "nation" or government Romney seems to understand is how to sell it to the Super-PACs and his rich buddies. Maybe he can turn a profit on the Presidency?

"If You Know Anything About the Vikings, You Know Everything You Need to Know About Willard Romney and Bain Capital!" by Jillian Barclay, OpEdNews

May 15, 2012, (<http://www.opednews.com/articles/If-You-Know-Anything-About-by-Jillian-Barclay-120515-583.html>)

Bain Capital and Willard Romney think they have a great track record? Maybe they do. They made a lot of money for themselves and their investors. While their investors didn't make nearly as much as Romney and the other Bain principles, they saw a hefty profit. But where did the Romney/Bain business model originate? Who thought of it and actually put it into practice first?

Those ever-lovin' Vikings! No, not the football team, but the real Vikings! You know, those Middle Ages, free-market capitalists with the big ships and long swords. Their business plan was very similar to Romney/Bain's, and surely they deserve most of the credit for Willard the Bain's success.

The Vikings' concept of a leveraged buyout was simple (simpler times).

The Vikings would search out villages, some small, some big. The villages or towns were doing fairly well, had resources or something of value and in the early morning hours, the Vikings would swoop in and attack. They murdered the men in their sleep and then raped and killed the women. Most of the time they killed the babies, too, but many times, they kidnapped older children so they could turn them into slaves. Then the Vikings would take anything of value, leave the village in flames and be on their merry way with the spoils (profit).

One of the Vikings was SO well-versed in the art of the leveraged buyout that he eventually became the King of England! King? President? The Viking king's name was Knut the Great and even though he was more well known for slicing open the heads of his enemies with an axe than with a sword, he became a King! While Knut the Great was not the first of the Vikings to employ the successful model of leveraged buyouts, he was the best, in my opinion! He became a very powerful king and along the way, he stopped killing everyone. He soon evolved into a brute that only killed those who needed to be killed and, he gave tons and tons of the gold he had stolen to the churches. Although he never called it tithing, the gold-giving kept the churches on his side. What a smarty pants (politician) he became! Arguably, he could have gone to Harvard and gotten a couple of degrees...A full 99% of his subjects were poor because Gnut the Great took everything of value, but with churches on his side (while sharing in the loot), what could those subjects do?

Willard the Bain's leveraged buyouts are not quite as brutal as the Vikings. In fact, they seem boring by comparison. So boring, that very few people even understand what happens with a modern leveraged buyout, but minus the killing and raping, there is plenty of slashing, burning and looting. The fun stuff still plays a role.

Willard the Bain's concept of the leveraged buyout might seem, on its face, to be complicated (times are not so simple now). Just keep in mind the business model of the Vikings, and you will have no trouble with the plan that made Willard the Bain so wealthy.

Willard the Bain doesn't use the term leveraged buyout too much. Instead, you will hear the phrase, private equity (but they are basically the same). Private equity deals focus on debt-heavy leveraged buyouts of slightly troubled companies that have some wealth or resources that can be used as collateral for borrowing. The first thing Willard the Bain did was swoop in, usually while everyone was asleep, and start to restructure; cutting costs and eliminating jobs. Restructuring and cutting jobs tends to make a company appear financially healthy enough to borrow money on its collateral (wealth and resources) and that borrowed money went to pay off Willard the Bain's investors, principles and of course, Willard the Bain. Then, when the leveraged companies had serious financial troubles (who coulda predicted that?), Willard the Bain would file bankruptcy for the company and run away with the spoils (profits), leaving the company in flames and the workers unemployed.

See how simple that is?

The Wall Street Journal took a close look at Willard the Bain's top 77 deals and found out that those deals made "the Bain" most of his well over \$200 Million dollars. The companies? The companies didn't do so well.

The *Journal* pointed out that within 8 years of Willard the Bain's leveraged buyouts, 22 percent of the companies filed for bankruptcy or closed their doors. Another 8 percent were so bad off that Willard the Bain lost his company's investment.

There were also those companies where the pension funds were looted... It's all good, though, because the taxpayers picked up the cost. Pension plans were never a big part of the Viking business model, anyway, so I hesitate to even talk about them. Maybe next time...

Some have called Willard the Bain a vulture capitalist. I prefer to call him a Viking, and much like Gnut the Great, Willard the Bain wants to be King! He may wear a suit, but he carries a long sword, maybe even an axe, and just like Gnut the Great, Willard the Bain's subjects will be poor because he and his comrades will slash, burn and loot. It is what he knows!

Oops, almost forgot! Willard the Bain will tithe...

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<u>20120516-01</u>	09:18	SteveG	Fw: Consumers Union Action: Tell Congress to Pass the Medical Device Safety Bill!
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from Consumers Union:

You wouldn't buy a new car with a known safety defect. You'd expect the problem to be fixed first.

So why is Congress planning to let medical device manufacturers keep selling implants – from hip replacements to heart defibrillators to surgical mesh – without having them fix the safety flaw first?

Tell your Senators and Representative: Fix the Flaw!

<https://secure.consumersunion.org/site/Advocacy?cmd=display&page=UserAction&id=2665&JServSessionIdr004=wpi6vpz473.app243a>

This week the Senate could vote on the bill that sets safety standards for the medical device industry. Lobbyists have managed to keep this gaping safety loophole from being fixed in the bill, and we need consumers to speak out today before it's too late.

Manufacturers love the loophole because they can put an implant on the market just by showing that it's 'substantially equivalent' to one already approved – even if the implant they're modeling it on was recalled for safety problems! And the FDA can't make the company prove they've fixed the flaw or do clinical safety testing before the device is sold to you!

The consequences are serious. Tens of thousands of women have various vaginal mesh implants inside them based on a 1999 recalled product. Last year the FDA warned about bleeding, infections and organ perforation from the

mesh deteriorating, and many women require multiple surgeries to repair the damage. The FDA should have the authority to demand flaws like these be fixed before allowing the devices to be sold.

Congress: Fix the Flaw with medical devices, and hold industry responsible for safety!

It's important you get your Senators' attention on this matter, or the loophole might just slip quietly through. Consumers' emails have already made the safety bills stronger, so please forward this to others so they can add their voice to this critical issue.

Sincerely, Lisa McGiffert, SafePatientProject.org

20120516-02 10:36 SteveG Fw: CREDO Action Petition: Reject the 'Bombs Not bread' Budget!

from CREDO Action:

How cruel and heartless are the Tea Party Republicans in Congress? The extreme right wing leadership of the House of Representatives just passed a budget plan that cuts off 300,000 kids from free school lunches at a time when one in five children lives in poverty.¹ And all to give more money to the Pentagon's already bloated budget.

In last summer's deal on the debt ceiling, the House and Senate agreed to mandatory future cuts to both the military and social programs. While painful, this represented a much better deal than anything under consideration by the Super Committee because the cuts to military spending were so deep — and it effectively spared Social Security, Medicaid and Medicare benefits from cuts.

But now House Republicans have passed a sweeping budget reconciliation bill reneging on the debt ceiling deal to cut military spending. Their latest budget bill increases Pentagon spending above the agreed-upon levels in the debt deal that would enact \$1.2 trillion in cuts over 10 years, split evenly between Pentagon spending and domestic programs.²

Tell Senators Patty Murray and Maria Cantwell: Reject the House Republican's cruel budget plan. Say no to a heartless tea party budget that pays for Pentagon increases by taking food and health care away from children.

Click here to sign the petition:

<http://act.credoaction.com/r/?r=6887341&id=40192-3891339-LeDFTOx&t=11>.

The Republican budget is a Tea Party wish list. It increases an already bloated military budget and pays for it by taking away funding for food stamps, wiping out key parts of the federal health care law including health care for children, and slashes funding designated to reign in Wall Street.

Specifically the GOP budget package would cut \$36 billion from the food stamp program by reducing benefits and tightening eligibility, \$23.5 billion from Medicaid and children's health care, \$4.2 billion from hospitals that serve the poor and uninsured, and \$2.8 billion from a program that helps homeowners facing foreclosures.³ We need to organize today and make sure that this cruel and heartless House GOP budget plan dies in the Senate.

The deal was already made last summer. It was a compromise, but because it mandated equal cuts to military spending and social programs it was a better deal than Democrats imagined was possible on the deficit. Now we have to defend that deal to make sure Republicans don't block the required military cuts. If these cuts are rolled back, then all the required deficit reduction will come on the backs of children, the working class and the poor. It is urgent for us to speak up now to let the Senate know we will not stand for a compromise on the compromise.

Tell Senators Patty Murray and Maria Cantwell: Reject the House Republican's cruel budget plan and hold the line on mandated military cuts. Click here to automatically sign the petition.

America already has the world's biggest economy and the most advanced and powerful military. No other country — including China — comes close. Reigning in the Pentagon budget won't change that. Keep in mind our military and defense spending played a significant role in increasing the national debt — over the last decade. The wars in Iraq and Afghanistan contributed to record deficits. The U.S. defense budget is six times that of China's and equal to that of more than the next 17 highest spending countries combined.⁴

A consensus appears to be emerging among Americans with overwhelming support for military spending cuts. A recent nationwide poll showed that "not only does the public want deep cuts, it wants those cuts to encompass spending in virtually every military domain — air power, sea power, ground forces, nuclear weapons, and missile defenses."⁵ According to that poll in which respondents were told about the size of the budget as well as shown expert arguments for and against spending cuts, two-thirds of Republicans and nine in 10 Democrats supported making immediate cuts.⁶ A chorus of security experts have also come out in support of a more streamlined military budget.⁷

Tell Senators Patty Murray and Maria Cantwell: Reject the House Republican's cruel budget plan. Say no to a heartless tea party budget that pays for Pentagon increases by taking food and health care away from children.

Senate Majority Leader Harry Reid rose up last week and blasted the House Republicans for trying to fatten up the Pentagon spending at the expense of our kids, seniors and so many others who could least afford it. He called them out on the Senate Floor for failing a "basic moral test" and said that pushing a "one-sided solution to across-the-board cuts would take from the many to give to the few."⁸

It is time for rest of Senator Reid's colleagues in the U.S. Senate to come out and denounce this budget as a non-starter.

Thank you for fighting back against Republican extremists.

Murshed Zaheed, Deputy Political Director, CREDO Action from Working Assets

Sources:

¹Jonathan Weisman, "House Approves \$310 Billion in Cuts, but Passage in the Senate Is Very Unlikely," *The New York Times*, May 10, 2012.

²Rosalind S. Helderan, "GOP plan would forestall Pentagon cuts," *The Washington Post*, May 9, 2012.

³Weisman, "House Approves \$310 Billion in Cuts, but Passage in the Senate Is Very Unlikely."

⁴Zaid Jilani, Memo To The Media: The U.S. Spends Six Times More On Military Than China, ThinkProgress.com, August 25, 2011 and the Economist online, "Defence costs," Economist.com, June 8, 2011.

⁵R. Jeffrey Smith, "Public overwhelmingly supports large defense spending cuts," iWatchNews.org by The Center for Public Integrity, May 10, 2012.

⁶Id.

⁷National Security Network, "Background Brief: Military and Bipartisan National Security Experts Agree: It's Time to Reduce Military Spending," October 25, 2011.

⁸"Reid: Democrats Will Not Go Back On Tough But Balanced August Budget Deal To Benefit Billionaires, Defense Contractors," Democrats.Senate.gov, May 9, 2012.

20120516-03	12:12 SteveB	Fw: USAction Action: Donate \$5 to Defeat Bush 2.0!
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from USAction:

WE DON'T NEED BUSH 2,0!

Last week President Obama made history when he announced to the American people, "I think same sex couples should be able to get married." We couldn't agree more and applaud Obama for his bold leadership on this issue.

Meanwhile, former President George W. Bush endorsed Mitt Romney for President yesterday. And while Bush's announcement should come as no surprise, let us not forget that it was Bush and Karl Rove who used the issue of gay marriage to divide our country in 2004.

All people are created equal. Period. Help us elect a President who stands up for equal rights. Donate \$5 now to help elect President Obama to a second term.

Coming on the heels of President Obama's historic announcement, Bush's support paints a contrast between the two candidates voters will be presented with this November.

A bold leader who bravely stood up for equality for all Americans, or a bully who pinned down a young gay boy and cut off his hair as a young man. The president who helped save the American economy or a vulture capitalist who amassed wealth by laying off workers and shipping jobs overseas. A commander-in-chief who ended the War in Iraq and has a plan to get us out of Afghanistan, or an ideologue who wants to send our sons and daughters to Iran.

The choice for us is clear. Donate \$5 right now so we can help re-elect President Obama. Your donation goes towards our critical election work around the country. Our affiliates are on the ground NOW in 8 of the 12 swing states -- New Hampshire, Michigan, Ohio, Wisconsin, Virginia, Iowa, Florida, and Pennsylvania. They are registering and contacting voters NOW -- at least 7500 per state, where additional progressive votes can push Obama and other progressive candidates over the top. We are one of the only groups doing voter registration in Florida --- a closely divided state we know can come down to hundreds of votes, so the 25,000 African Americans we're registering in the Tampa area could make the difference there. Or registering and turning out 25,000 single women in New Hampshire, a closely divided state that went Bush, Kerry, Obama but has Romney up 3 points right now.

It's fitting that Bush has endorsed Romney, he represents the same failed policies of the past.

Unpaid wars. Massive debt. Tax cuts for the richest few. And blatant disregard for our basic civil rights.

That is the Bush legacy and it will be the Romney legacy unless we stand up and rally around the progress President Obama has created these last four years.

We can help re-elect President Obama – a champion for the 99% but only with your help. Donate \$5 now to make it happen:

<http://act.truemajority.org/dia/track.jsp?v=2&c=2M8xw9eMRCsjj8E7%2BmDmpz2kFc%2BNvULu>.

Sincerely, David Elliot, USAction Fund for a TrueMajority PAC

20120516-04	12:14 Bill	Fw: Secret Service Scandal
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Irony:

The Secret Service scandal was discovered when a disagreement on how much a prostitute wanted for her services came to light. She wanted \$800. The Secret Service agent offered \$30. How ironic is it that the only person in Washington willing to cut spending gets fired?

20120516-05	12:20 Pam	Franz Fanon
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I really like the article on corporate colonialism. It rings true to me. I always feel like a conspiracy nut until I see someone else who is respectable saying the same things that I think. I've often thought that our politics is a side show, designed to keep us occupied while the real business goes on in boardrooms around the globe. Perhaps our elections are as mythical as those in Russia or Saudi Arabia. I don't really believe it's as bad as that, but if you look at history over the last 100 years or more, business has been the tail that wags the dog, and the tail is now bushy as hell. Is there anything that can curb corporate recklessness, and I include our amalgamated banks in that category? Glass-Steagal, Dodd-Frank, the Volker Rule--have any of them accomplished what they set out to do? I wonder why that is? Our best and brightest have been sucked into the vortex of never-ending expansion and growth. They get to stay in the calm middle, while the outer fringes get flung to the winds of chance. I know history is supposed to be directionless, with no inevitable forces pace Marx, but overall it's always been the wealthy and the political elites (usually one and the same) who get what they want. Tear down one system, as in Russia, and another rises to take its place, i.e., the current Russian oligarchy with its gangster millionaires.

I've never read Fanon and always thought of him as a wild-eyed radical, taught to suggestible college students by left-wing professors, but now that I think about it, the person who led me to believe that is a conservative, Catholic Republican. Hmmmm. I agree with Fanon's analysis of revolutions, and, like him, I think we're going to have to have one if things are going to improve. I also hope that the revolution can be accomplished without violence, without rancor, always keeping in mind and protecting those who stand to be hurt the most by major change. People must adapt. Harness makers aren't needed as they once were. But can't we, with all our brains and resources, figure out a way to ease the transition from the horse and buggy to the Concorde? Do we have to throw whole generations under a bus in order to keep moving? Both of our political parties rattle on about values, standards, and morals, but politics is all about words and as little as possible about action. And why is it always the sons of bitches who accomplish good things--like Lyndon Johnson or Huey Long? If we're honest, how can we conclude anything but that the strong will always crush the weak, and the ruthless will always prevail above the good? Revolution we must have, but with responsibility. I'm not very sanguine about either.

Don't you just love my cheerful rants?! Sorry, guys. I'm really a pretty happy person. :-)

[20120516-06](#) 13:11 SteveG Re: Franz Fanon (reply to Pam, above)

All of Dodd-Frank and the Volker Rule have not been fully implemented and there is strong lobbying to keep them from being implemented. JP Morgan Chase has spent over \$20 million in lobbying against full implementation, they do say they agree with 70 % or so of the new rules – that was before the disclosure of the \$2 billion dollar loss within 6 weeks.

[20120516-07](#) 13:17 Pam Re: Franz Fanon (reply to SteveG, above)

Don't you love it?! Reforms have been watered way down, and what's left doesn't go into effect until 2014. By then the lawyers will have had a chance to dilute them even more. What did MLK used to say? "Justice delayed is justice denied."

[20120516-08](#) 13:23 SteveG Re: Franz Fanon (reply to Pam, above)

It is all a sorry state of affairs. This is the middle of May and Bonehead has said what he will do/not do between now and December. Read a biography of LBJ a few months ago – master of getting legislation done – learned from his dad and perfected as he worked his way up the ranks in Washington. Do not think many people have spent the time or energy to learn the trade since. Narcissism comes to mind as a good term to define current politics.

[20120516-09](#) 14:15 SteveB "Public vs. Private Morality"

["Public vs. Private Morality" by Robert Reich, NationofChange](#)

May 16, 2012, (<http://www.nationofchange.org/public-vs-private-morality-1337170668>)

("Romney has come out strongly against same-sex marriage. He's also against abortion. He has no problem with government intruding on the most intimate of decisions a person makes.")

Mitt Romney's reaction to J.P. Morgan Chase's mounting losses from reckless trades is "the market will take care of it." His spokesman says "no taxpayer money was at risk" so we don't need more financial regulation. Romney has even promised to repeal Dodd-Frank if he's elected president.

Yet at the same time, Romney has come out strongly against same-sex marriage. He's also against abortion. He has no problem with government intruding on the most intimate of decisions a person makes.

He's got private and public morality upside down. He doesn't want to regulate where regulation is necessary — at the highest reaches of the economy, where public immorality has cost us dearly, and will cost even more unless boardroom behavior is constrained. Yet he wants to regulate where regulation is least appropriate — at the level of the individual, in bedrooms and other intimate spaces, where private morality should govern.

This is a dangerous confusion. It should be a matter of personal choice whom to marry and when to have children. But it is undoubtedly a matter of public choice whether big banks should be allowed to take the kind of risky bets that plunged the economy into the worst downturn since the Great Depression, and whether people with great wealth and should be able to buy our democracy with huge campaign contributions.

Please see the attached video and pass it on:

http://www.youtube.com/watch?v=4TB73Lw1XtE&feature=player_embedded.

20120516-12	15:11	SteveB	From the Right: "JPMorgan Proves We Don't Need More Regulation"
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"JPMorgan Proves We Don't Need More Regulation" by David Harsanyi, *Human Events*

May 15, 2012, (<http://www.humanevents.com/article.php?id=51525>)

When banks generate huge profits, they are exploiting the American people, engaging in unadulterated greed and, needless to say, in need of more regulation. And when banks lose too much money? Yep, they're being insatiably greedy -- but stupid, too -- and, naturally, in need of more regulation.

The unscrupulous can't win for losing, apparently. [Hahahaha! -SteveB]

So when JPMorgan Chase & Co. suffers about \$2 billion in losses (probably more) via complex derivative trades that were used by an obscure unit within the bank to hedge against risk, everyone in Washington seems quite excited about the political possibilities. Yet, JPMorgan's problems prove that finance works without any meddling from Washington.

Rather than have someone point out the obvious -- "hey, that's how it's supposed to work"; "that'll teach 'em"; "neat, someone made 2 billion bucks on JPMorgan's stupid bets" -- we have the Justice Department opening an inquiry into the matter, the president calling for tighter regulations, Republican Sen. Bob Corker calling for hearings and a bunch of pundits falsely claiming that if the Wall Street reform bill had been fully implemented, we wouldn't have these kinds of "risky" transactions -- as if we should want to stop them in the first place.

The \$2 billion hasn't sunk JPMorgan (and with \$127 billion in equity, it hasn't come close), but if this kind of thing constitutes a national emergency, we should have better sense than to allow folks who squander \$2 billion on their lunch breaks to concoct the solution.

Unlike our friends in Washington, JPMorgan Chase paid a price for its bad choices; in this case, it cost a couple of billion dollars, caused the company's stock to drop, caused some executives to lose their jobs and damaged the reputation of the firm (though not very much) -- and if shareholders don't like how their money is being handled, they can take their business elsewhere or vote to make changes. This is how it would occasionally work without politics distorting the process.

New York Times columnist Paul Krugman [See FotM Newsletter #139. –SteveB], who believes trillions of taxpayer dollars should spread haphazardly around the economy as stimulus, also believes that a \$2 billion loss by a private equity firm is why Washington must regulate. "Banks are special," you see, "because the risks they take are borne, in large part, by taxpayers and the economy as a whole." (Banks are special. Select car companies are special. The health care sector is special. The energy sector is special. Boeing is special. Etc. You may have noticed many industries getting special attention.)

If banks are too big -- and many economists I trust say they are -- they've only gotten bigger of late. The nation's five largest banks held assets of about 43 percent of the economy before the bank bailouts. They now control assets of 56 percent of the economy. And big is how Washington likes them. It's this kind of "special" relationship that allows politicians easier control and offers pliable donors in return. In the end, we are institutionalizing Too Big To Fail.

Richard W. Fisher, president of the Federal Reserve Bank of Dallas, and others argue that massive banks are incubators for crony capitalism and bad decisions and should be broken up. Sounds like a good idea.

But the kerfuffle surrounding JPMorgan's losses helps ensure that politics will become an even bigger part of finance. Whereas Washington once created an environment in which big banks could act recklessly knowing full well they would be saved by taxpayers, now CEOs, such as JPMorgan's Jamie Dimon, may find themselves increasingly shying away from taking smart risk (or from hedging risk, which credit default swaps do), because any loss will be scrutinized by regulation-happy politicians looking to score points.

Now, I have no idea whether JPMorgan Chase is a "well-managed" bank as the president claims, but rather than turning banks into "special" cases, Washington should be working to let them sink or swim on their own.

20120516-10	14:30	SteveB	"Tax Plan Attacked by Big Business"
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I believe the last paragraph says it best.

"Tax Plan Attacked by Big Business" by Eileen Appelbaum, NationofChange

May 16, 2012, (<http://www.nationofchange.org/tax-plan-attacked-big-business-1337175050>)

("On Wednesday, CEOs of 18 of the nation's largest companies sent a letter to Treasury Secretary Timothy Geithner objecting to the proposal to raise the 15 percent tax rate on dividends and capital gains for households making more than \$200,000 (\$250,000 if married).")

In February, President Obama laid out his framework for reforming corporate taxes. He proposed a substantial cut in the corporate income tax rate from 35 to 28 percent—a boon to companies, especially small businesses that lack the opportunities for tax avoidance that major companies regularly exploit.

As I wrote at the time, the president proposed to make this tax cut revenue neutral so it doesn't increase the deficit. He called for reforming many of the provisions of the tax code that create significant inequities and economic distortions.

Last week, big business responded.

On Wednesday, CEOs of 18 of the nation's largest companies sent a letter to Treasury Secretary Timothy Geithner objecting to the proposal to raise the 15 percent tax rate on dividends and capital gains for households making more than \$200,000 (\$250,000 if married). These CEOs claim that bringing the taxes of high-income households more in line with everyone else's will reduce investment "when we need capital formation here in America to create jobs and expand our economy." It's a claim that rings hollow. U.S. companies are currently sitting on a mountain of cash that they aren't investing, and many are engaged in buying back their own shares. This artificially raises share prices and serves no useful purpose, but it does increase the value of CEO stock options. The higher taxes might put a crimp in the lavish lifestyles of the wealthy, but they are unlikely to affect the investment behavior of companies. Notably, this change in the tax code would not affect anyone with household income under \$200,000 a year or whose money is invested in a 401(k) or an individual retirement account.

And earlier in the week, Ernst & Young put out a report conducted on behalf of the Private Equity Growth Capital Council that challenged the administration's proposal to limit the tax deductibility of corporate interest payments. This change to the corporate tax code would reduce the disparity in the tax treatment of debt and equity financing of investment. The administration did not specify what the limit might be, but Sen. Ron Wyden, a Democrat from Oregon, and Sen. Dan Coats, a Republican from Indiana, have proposed reducing the deduction from 100 percent of interest paid to 75 percent. This provision would have its greatest effect on private equity companies, which engage in leveraged buyouts that use lots of debt to acquire businesses for the portfolios of their investment funds. The ratio of debt to the enterprise value of publicly traded companies is about 14 percent, while companies acquired in leveraged buyouts have a debt-to-enterprise value of about 67 percent.

The Ernst & Young report claims that as a result of the Wyden-Coats tax plan, "the corporate capital stock in the United States would be smaller. ... A smaller corporate capital stock would adversely affect worker productivity and, ultimately, living standards." Sounds scary, but is it true?

As Dan Primack observes in his Fortune Term Sheet column, "The implementation of such a proposal need not lead to lower ROI prospects and, thus, less investment. Instead, it simply could result in private equity firms altering their equity-to-debt ratios [to take better advantage of the changes in the tax code]."

"In other words," Primack concludes, they could "put more equity and less debt into deals."

This could be good news for companies and communities. A recent study of 2,156 highly leveraged companies found that a very high proportion experienced financial distress. Default rates among these companies are very high, ranging from 12.3 percent for leveraged buyouts completed in 2001 to 31.6 percent for those completed in 1997. Looking at the recent period, the study found that a quarter of the highly leveraged companies in the study defaulted between 2007 and 2010. Defaults can end in bankruptcy, but even when they don't, they lead to serious cutbacks that negatively affect lenders, customers, workers, and communities.

Not only would the president's proposal to limit the interest deductibility of debt make the tax treatment of debt and equity more equitable, but more equity and less debt would reduce the rates of financial distress and bankruptcy. That would be good news for the communities that depend on these businesses for jobs and services.

Corporations and wealthy households trying to hang onto their unfair tax breaks want to label these changes in the tax code as "job killers." As usual when this claim is made, nothing could be further from the truth.

20120516-11

14:38 SteveG

"As Congress Continues Its Witch Hunt, Here Are 5 Things You Should Know About Clean Energy Investments"

"As Congress Continues Its Witch Hunt, Here Are Five Things You Should Know About Clean Energy Investments"
by Stephen Lacey. NationofChange

May 16, 2012, (<http://www.nationofchange.org/congress-continues-its-witch-hunt-here-are-five-things-you-should-know-about-clean-energy-investment>)

In an attempt to keep the political war against renewable energy in the headlines, Republicans are holding another hearing to question the value of government investments in the sector.

Looks like ten political sideshows on Solyndra weren't enough.

If tomorrow morning's hearing were being used as a chance to objectively assess where the industry stands, that would be one thing. But the title of the meeting gives away the real political intent: "The Obama Administration's Green Energy Gamble: What Have All The Taxpayer Subsidies Achieved?"

Actually, those green energy investments have yielded substantial returns. And before the political grandstanding begins in the House of Representatives tomorrow, here are five important things you should know about how promotion of clean energy has supported American businesses and consumers:

1. The 1603 grant program supported up to 75,000 jobs and 23,000 renewable energy projects during the height of the recession.

When the recession hit, it was very difficult for project developers to find banks that were willing to utilize tax credits. So a cash grant program was created to give companies an easier way to finance projects. While it's very difficult to know the exact influence of the grant on each project, the program played a major role in maintaining momentum — helping support \$25 billion in gross economic activity, according to the National Renewable Energy Laboratory.

2. The production tax credit helps leverage up to \$20 billion in private investment annually.

With this key tax credit in place, the wind industry has dropped costs by 90% over the last few decades. It's helped states like Iowa reach 20% wind penetration — bringing that state over 215 businesses that support 5,000 workers. Across the rest of the U.S., the entire industry supports 75,000 jobs, with 30,000 in manufacturing. However, up to 37,000 of those jobs could be due to Congressional lawmakers' inability to extend the tax credit.

3. The loan guarantee program is expected to cost \$2 billion less than budgeted.

This program has gotten a black eye due to the bankruptcies of a few companies — most famously Solyndra — that received guarantees. But according to John McCain's National Finance Chairman, Herb Allison, the cost to taxpayers will likely be far less than initially thought. In fact, over the last 20 years of experience, the U.S. government has shown a knack for managing risk — with loans and loan guarantee programs only costing tax payers 94 cents for every \$100 dollars invested.

4. Home weatherization grew 1000% from April to June of 2011, creating 14,800 jobs.

After a slow ramp-up, efficiency programs supported by the stimulus package have helped weatherize hundreds of thousands of homes. In addition to supporting the retrofits of individual homes, the Obama administration has supported the Better Buildings Initiative, a program that has leveraged to upgrade more than 4 billion square feet of public and private buildings in the next two years. That's enough demand to support over 100,000 jobs.

5. ARPA-E has supported dozens of potentially groundbreaking technologies in advanced materials, renewable fuels, electricity generation, waste heat, and battery storage.

Helping enhance America's lead in technological innovation, the Advanced Research Research Projects Agency for Energy — initially funded through the stimulus package — has helped inventors, companies, and university labs boost their work. This program has immense bi-partisan support for promoting the "innovative research that makes America great and has fueled our economic growth for generations."

Despite these successes, Republicans continue milking the Solyndra bankruptcy for an election-year story that doesn't hold up — dragging the rest of the clean energy industry into the mud.

The sector has gone through some high-profile shake-ups and bankruptcies, so it's the duty of lawmakers to understand how taxpayer dollars are being deployed. That's a supportable endeavor. But holding yet another hearing to lambast the President for a so-called "gamble" in clean energy isn't productive for anyone.

[20120516-13](#) 16:40 SteveBA "Thinking the Unthinkable"

"Thinking the Unthinkable" by David Kotok, Cumberland Advisors

May 16, 2012, (<http://www.cumber.com/commentary.aspx?file=051612.asp>)

Chapter two of our old book on Europe outlined the benefits of convergence. Charts and data displayed the boost to growth that occurs when interest rates coalesce at a lower level and when credit spreads narrow. The multiplier effect is huge. Europe experienced it during the formative stages in the last decade. Those were the good times.

All that has changed. The unthinkable has occurred.

We now have Divergence instead of CONvergence. We now have DISintegration instead of Integration. The Eurozone is coming apart.

The book that Vincenzo Sciarretta and I wrote is out-of-date. Its value is to read it in reverse. By doing so, one can estimate the pain that still lies ahead for the countries of Europe which are still engaged in extending public debt burdens, high taxation, failure to rein back spending and deferral of confrontation with the reality of the situation. They are ignoring the old adage: "If you find you are in a hole and if it is getting deeper, stop digging."

Greece is no longer the issue. It is already dead. Its banks are bleeding. Liquidity to keep them from a collapse is provided through the mechanism of the Emergency Liquidity Assistance (ELA) funding. It allows the central bank of Greece to lend euro to its member banks against pledges of questionable value. Without ELA the Greek banking system would collapse.

In Greece, we have reached the "Endgame" as John Mauldin calls it in his book. Greece is doomed.

The issue for other Eurozone members is played out in Spain, Portugal and now, Italy. Portugal has experienced repudiation in the credit markets. Spain is getting it, too.

Italy is the one to watch. It is the 800-pound gorilla and it is sick. Its economy is shrinking, not growing. It has failed to rein back the public expenditures. Its demographic composition is impossible to balance with a debt-to-GDP ratio above 120%. Italy is the world's third largest debtor. The test of "too big to fail" will come with Italy.

Credit spreads with Italy are widening. I recall that the difference between the ten-year German bond yield and the ten-year Italian bond yield once reached nine basis points. That is correct 9 basis points. The charts start on page 27 of my old book and depict the good old days. That was only 7 years ago. Look at today's pricing vs. the old pricing and play the movie backwards and one can see where this is headed. Things are going to get worse.

Investors are running from Europe. That is why the world's credit spreads are widening between the "good guys" and the "bad guys." We update them weekly on our website, www.cumber.com. The hits on the charts there are rising each week as global investors want to see these comparisons. Visitors are welcome.

We are very underweighted in Europe and believe it is too soon to "bottom fish". We believe the US economy and financial system has already discounted much of the turmoil.

The US has become the world's safer haven among the OECD mature economies. We remain overweighted in the US stock market. We remain invested in US dollar denominated bonds and favor the spread sectors over the US Treasury bonds and notes. We are using hedges where practical to dampen strategic interest rate risk.

20120516-14 17:17 SteveB Fw: MoveOn Action: Help Defeat Gov. Walker in Wisconsin!

from MoveOn:

BREAKING NEWS FROM WISCONSIN: The Democratic National Committee is refusing requests to fund the massive get out the vote effort planned in Wisconsin to recall Scott Walker.

Wisconsin is ground zero for Democrats this summer—and there are only three weeks before Election Day—which is why this breaking news just doesn't make sense.

Scott Walker and his right-wing allies have spent millions, and they'll spend millions more in the next few weeks. But Walker's poll numbers won't budge and if the Wisconsin Democrats can run the massive field program they have planned, we can win this.

Obama for America organizers are hard at work in the state, but the DNC's lack of support has left a huge hole in the get out the vote budget. So MoveOn members need to step up. Can you help recall Walker?

Chip in \$5 to the Wisconsin Democrats on ActBlue to beat Scott Walker.

Wisconsin citizens, with the support of activists from all around the country, have accomplished more than anyone thought possible. They've inspired all of us, and put fear into the hearts of other governors who wanted to attack the 99%. But if Walker survives the recall, we'll have wasted a year of effort.

With only a few weeks left, the DNC is feeling the heat and says they may provide more help, but we can't wait for them. We have to do it ourselves.

Can you chip in \$5 today via ActBlue to make sure that Scott Walker is finally recalled from office?

<http://www.moveon.org/r?r=275581&id=41553-20195165-99y8YKx&t=2>

Thanks for all you do.

—Daniel, Levana, and the rest of the team

Sources:

"EXCLUSIVE: Wisconsin Dems furious with DNC for refusing to invest big money in Walker recall," *The Washington Post*, May 14, 2012, <http://www.moveon.org/r?r=275547&id=41553-20195165-99y8YKx&t=3>.

"DNC is MIA in Wisconsin," Politico, May 16, 2012, <http://www.politico.com/news/stories/0512/76364.html>.

20120516-15 17:29 SteveG Fw: Breaking News from Dennis Kucinich

from Dennis Kucinich:

I would like to thank you for your support, and thank the tens of thousands of concerned Citizens for Kucinich who in the past few months have written, emailed and called to discuss my running for Congress in Washington State.

At the end of this term I will have served sixteen years in the House of Representatives, leading the way for peace, to bring an end to the wars, for workers' rights, for health care for all, for monetary policy reform and to end the corrupting influence which money has on our political decision-making process. My staff and I have worked to deliver a level of constituent service to the people of Cleveland, which most agree is unmatched for results. As testimony to our efforts in the Cleveland area I received about 75% of the vote from my present constituents who were included in the newly redistricted area in which I ran in March.

Because of my love of public service, I have given a great deal of time and much thought to the advice and encouragement I have received from so many people of good will in Washington State. I certainly want to continue to be of service to our country and to the working men and women who have built it.

After careful consideration and discussions with Elizabeth and my closest friends, I have decided that, at this time, I can best serve from outside the Congress. My commitments to peace, to workers' rights and to social and economic justice are constant and are not dependent upon holding an office. They are dependent upon my continuing to stand up, to speak out, to organize, to motivate and to inspire our nation as to its deeper potential. This I promise I will do with great energy and heart.

I will complete my service in the U.S. House on January 2, 2013, with the same passion and devotion to duty with which I began it on January 3, 1997. And when I do, I shall think of you and all those who have given me encouragement to continue to be of service, and I will smile, knowing that we shall meet again in our celebration of the potential of citizen activists to change the world.

Please continue to encourage your friends and family to sign up at www.Kucinich.us because we will need to continue to work together for change outside Congress, as we have worked for it from within. This is just the beginning!

Sincerely, Dennis

[Too bad he's not going to be out there in your state, SteveG. But it will be interesting to see what he gets up to next. He's a good man. -SteveB]

20120516-16 18:14 Charis "American Sits Almost a Year with No Charges in Isolated Bolivian Prison"
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"American Sits Almost a Year with No Charges in Isolated Bolivian Prison" by Terry Moran, ABC News

May 11, 2012, (<http://abcnews.go.com/International/american-investor-sits-year-isolated-bolivian-prison-uncharged/story?id=16329344&singlePage=true>)

(Jacob Ostreicher has been sitting in Palmasola Prison in Santa Cruz, Bolivia, for almost a year, uncharged, but accused by Bolivian authorities of money laundering.)

(SANTA CRUZ, Bolivia) In a grim Bolivian prison, a lone American man has languished for nearly a year, uncharged by authorities who have accused him of money laundering, but he says he is innocent of any wrongdoing and refuses to give in.

"It's an absolute nightmare," Jacob Ostreicher said. "I feel all alone most of the time. I'm begging the American people to try to help me."

"Nightline" traveled to Bolivia to hear Ostreicher's story firsthand. What we found was a man trapped in the web of a truly Kafkaesque prosecution, held inside of a prison like any in the world, where inmates roam free.

"Are you innocent?" I asked him.

"Absolutely 100 percent innocent," Ostreicher shot back. "And the prosecutors know I am 100 percent innocent."

Jacob Ostreicher is a 53-year-old flooring contractor from Brooklyn. It's a family business, selling and installing flooring mostly for commercial clients in the New York City area. In 2008, as the construction industry collapsed in the U.S., Jacob said he heard from a family friend -- a prominent lawyer in Switzerland -- about a promising investment opportunity: growing rice in Bolivia.

Ostreicher said he put \$200,000 -- his life savings -- into the venture and became a very junior partner in a \$25 million project.

He said things went well for a year or so. The first harvest yielded nearly 40 million pounds of rice. More than 200 Bolivian workers were employed in the business. Ostreicher helped manage it, traveling frequently to Bolivia.

Then in 2011, Bolivian police arrested one of Ostreicher's former employees and accused him of being involved with drug criminals. Ostreicher said he cooperated fully with police -- and then was arrested himself.

Prosecutors claimed they were investigating whether the \$25 million that started the rice business came from drug money.

"So we spent close to \$20,000 to get together 1,300 documents to show them the origin of the money," Ostreicher said. "We provided that to the judge. And the judge gave me my freedom."

But six days later, in an extraordinary move, the judge reversed his decision and Ostreicher was sent back to prison. The judge was later promoted to the appellate court, further delaying proceedings.

Former FBI agent Steve Moore, who helped clear Amanda Knox of murder charges in Italy, has investigated Ostreicher's case. He is brutally frank in his conclusions.

"The whole system is corrupt," Moore said.

What's happening here, according to Moore and other sources on Ostreicher's defense team, is an old-fashioned shakedown: Bolivian officials are demanding money.

"There's no evidence to convict him of anything," Moore says. "But here's a guy they see coming in from New York, who's got probably a lot of liquid cash or represents a lot of liquid cash, and they saw an opportunity."

Jacob Ostreicher Case: Videos and Documents:

<http://abcnews.go.com/International/jacob-ostreicher-case-videos-documents/story?id=16330955>.

According to Transparency International, a non-profit group that tracks corruption, Bolivia ranks as one of the most corrupt nations in the Western Hemisphere, and in a 2010 poll, Bolivians themselves rated the judiciary as the most corrupt institution in their country.

Today, Jacob Ostreicher remains in prison, no charges and no evidence brought against him. Bolivian authorities informed us that Bolivian law allows for the incarceration of people without charge for up to 18 months. Ostreicher has been in prison for 344 days -- over 11 months.

And what a prison. Palmasola, it's called. It adds a "Lord-of-the-Flies" quality to Ostreicher's nightmare.

Because in Palmasola, there are no guards inside the walls. Prisoners govern themselves. They walk around the streets and alleys between the pavilions of cells. Some bring their wives and children to live with them.

But murders are common. So are drugs. So is prostitution.

When "Nightline" visited, it was a surreal scene, like a small Bolivian village, with shops and even restaurants, and an unmistakable air of menace and fear lurking just beneath the surface.

"I never, never go out at night," Ostreicher said. "It is absolutely frightening, walking around, like what you -- wherever you walked today, at night, it's very scary."

Jacob's wife, Miriam Ungar, comes to visit him frequently in this wild and strange prison. Leaving him to return home is "torture," she said.

"I feel like I'm abandoning him," she said. "The pain of watching him watch me leave, he stands behind the gate, and I just stare at him and I walk backwards, because I don't want him to see my back when I walk out the door, and he sees my anguish, and he runs in to make it easier for me to leave."

The Ostreichers have five children and 11 grandchildren. The little ones don't understand what's happening. Jacob Ostreicher showed us a letter from his granddaughter, in which she wrote, "We keep asking grandma and mommy when you will come home. And they told me they don't know when. Grandpa, who knows the answer? I want you to come home today."

"My family keeps me going, because there's nothing else here," he said. "I'm the only American between 3,500 prisoners."

On the wall in the dining area near his cell, Ostreicher's fellow prisoners painted an American flag for him. It is an emotional talisman for him -- a slender, essential lifeline home.

"It means everything to me," he said. "This is what I got, is my flag. I will never look at the American flag the same way again... basically I'm hoping, one day, I will see this flag in my country."

That day is nowhere in sight.

For more information about Jacob Ostreicher's case, visit his website:

<http://www.freejacobnow.com/index.html>.

20120516-17 23:58 SteveG Quote: Warren Buffett on the Deficit

"I could end the deficit in 5 minutes. You just pass a law that says that anytime there is a deficit of more than 3% of GDP, all sitting members of Congress are ineligible for re-election."

~Warren Buffett



I ACKNOWLEDGE

CLASS WARFARE EXISTS



<http://www.mennoworld.org/2011/9/5/8-convicted-bolivia-rape-trial/>



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

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