



FRIENDS OF THE MIDDLE NEWSLETTER #145 — MAY 24, 2012

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Higher and Higher Education

(posted by Pam McRae, May 24, 2012)

Now that I've read the whole article on student study time ["Is College Too Easy? As Study Time Falls, Debate Rises." in FotM Newsletter #144], I have a couple more observations. A school like DePauw is cut off from the larger world, students don't typically have jobs, and everyone lives on or near campus and stays put on the weekends. When I was a freshman, my sorority required us to spend so many hours in the library each weekday night--studying. We had to sign in and sign out. There was lots of friendly competition for top grades, and classes were small. Everyone who was admitted was expected to graduate in four years.



My, how times have changed. UNCG, where I taught for nearly 30 years, is typical. It is located in a city, with other schools and all the distractions a city provides; many more students are admitted than are ever expected to graduate, though great effort is made at "retention." What this boils down to is, students are seduced to campus by fancy apartment-like dorms with tons of amenities, often including giant flat-screen TVs. The Rec Center is state

of the art, and a new, even fancier, one is being built. The Athletic Department and the administration continue to hire new people at big salaries, even as programs, like the Writing Center, are eliminated. Faculty hasn't had a raise in several years. To pay for the comforts students have come to expect and to keep expanding the administrative bureaucracy tuition continues to outpace inflation and student fees keep rising. The state legislature makes budget cuts every year (for the past several years), but the campus serves more students than ever, and new buildings are going up everywhere. To keep this enterprise afloat it is necessary to have bodies in seats, if not boots on the ground. Classes often exceed 100 students, especially lower-level ones. Research trumps everything; student evaluations keep untenured faculty at the mercy of those they are expected to judge; many departments rely on adjunct faculty, who can be let go at any time and often are. Most students have jobs, sometimes more than one; they often have families. The ones with families are, in fact, often the best students, who win the top academic awards. The Honors College works to ameliorate the deficiencies of the larger university by offering smaller seminar-type classes taught by the best faculty, who compete for Honors classes. This is where a real liberal education happens. Students have to meet and maintain high standards, are expected to live in the Honors dorm (newly refurbished) at least for their freshman year, and many have scholarships, obviating the need to work. I could go on and on about the benefits of the Honors College, but in the end, it provides a balance between serious academics and the "Animal House" aspect of the university. It is evident that UNCG does care about its bright students, and it has to compete with bigger-name schools for top achievers, schools like Chapel Hill, Duke, and Davidson. This competition is a healthy goad to faculty excellence, and many of NC's best students choose UNCG precisely for its Honors College and the lower price tag that goes with a mid-level state school. Meanwhile, the university is run more and more like a corporation, with the same pressure to produce salable commodities and bring in as much money as possible. This corporatization is very often antithetical to real learning for all students. Students are divided into the best and the rest, and the vast majority are seen primarily as income producers. The more students the university admits, the more money the legislature allocates. It's a simple matter of profit and loss.

We talk about the pernicious influence of money in politics, but we need to remember that the same dynamic operates in education as well. Businesses need consumers; universities need students. What does a company do when it wants to attract customers? It offers irresistible goodies and puts the customer first. The motto of UNCG until last year was "Students First," and it is a "student-centered" institution. I see this trend toward education as customer satisfaction as inevitable, and, except for the thousands of students who beggar themselves with crushing debt to pay for their entree into the middle class, it undoubtedly does more good than harm. We should, however, be less hypocritical about what universities provide and more transparent about they operate. As in everything, the rich manage to get the best--every time. The top schools now charge upwards of \$50,000 per year. As my mother used to say, "You get what you pay for."

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20120523-09	16:43	SteveB	Re: Higher and Higher Education (reply to Pam, above)
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20120523-09	16:43	SteveB	Re: Higher and Higher Education (reply to Pam, above)
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I too lament the way higher education has become just another business. I guess that's what happens when there is not enough government involvement and profits start to rule and education becomes watered down. I'm proud of DePauw!

The whole education problem is such a shame because it seems like we used to have it more figured out than we do now.

It doesn't have too much to do directly with your subject, exactly, but one of the best ideas I've heard is government 0% loans to college students. They give those to banks and it seems to be doing nothing for our economy or future. The rich aren't investing in America. Maybe it's time taxpayers demand that government invest in our students?

The cost of health care and education are in the control of the highly vaunted "private sector" and have spiraled wildly, until both are threatening to become out of reach for average Americans. Such a thing could be the death of America.

And if public education K12 is also allowed to be controlled by the "private sector"...well, all I can say is, "Look out for your jobs, janitors!"

But it's amazing to me that people like my old professors at Purdue and IU would ever have allowed education to become watered-down...yet that has apparently been the case...everywhere, almost, in some kind of slow erosion of standards, all the way up and down the line, it seems. One of the reasons being that education has, perhaps, become more egalitarian.

20120523-01	07:55	SteveB	Re: "Obama Spending Binge Never Happened" (reply to Art, Fotm Newsletter #144)
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Very good article! This will come in handy as we near the election. Thanks, Art!

20120523-02	11:30	Art	Fw: Efficient Airport Security
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[Source of original email unknown. –SteveB]

Israel's new Cutting Edge Airport Security

(TEL AVIV) The Israelis are developing an airport security device that eliminates the privacy concerns that come with full-body scanners. It's an armored booth you step into that will not X-ray you, but will detonate any explosive device you may have on your person.



Israel sees this as a win-win situation for everyone, with none of this crap about racial profiling. It will also eliminate the costs of long and expensive trials.

You're in the airport terminal and you hear a muffled explosion. Shortly thereafter, an announcement: Attention to all standby passengers, El Al is proud to announce a seat available on flight 670 to London. Shalom!

[Well, Snopes.com says no, <http://www.snopes.com/crime/deserts/booth.asp>, but the thing just seems like a joke to me. I guess some people take it seriously. Actually, I think it's a very good idea, and the technology is easy and readily available. In Arab countries, the clean-up time between "customers" will need to be reduced, and you might want to keep your kids away from the area during the blow-up and wash-down. –SteveB]

20120523-03 11:43 Pam Re: Efficient Airport Security (reply to Art, above)

FANTASTIC!!

20120523-04 13:47 SteveB "New Study Confirms (Again): Keystone XL Would RAISE Gas Prices"

"New Study Confirms (Again): Keystone XL Would RAISE Gas Prices" by Dennis Kucinich, NationofChange

May 23, 2012, (<http://www.nationofchange.org/new-study-confirms-again-keystone-xl-would-raise-gas-prices-1337778028>)

("There was never any doubt that the Keystone XL pipeline would increase the price at the pump for consumers.")

Congressman Dennis Kucinich (D-OH) today released the following statement after a study by the Council showed once again that the Keystone XL pipeline would raise gas prices for American consumers. Kucinich has frequently argued this point on the House floor, in an editorial in the *Cleveland Plain Dealer*, and in public statements:

There was never any doubt that the Keystone XL pipeline would increase the price at the pump for consumers. In fact, TransCanada, the company that wants to build the pipeline, told Canadian regulators that the pipeline would allow TransCanada to raise the United States energy bill by \$4 billion per year by limiting the supply of Canadian crude to Midwest refineries and rerouting it to Gulf Coast refineries.

A foreign-owned oil company is playing us for fools. In order to convince Americans to accept a pipeline that will result in higher gas prices, we have been bombarded with a public relations campaign to convince us that the pipeline is a good idea.

It may be a good idea to foreign investors, but the Keystone XL pipeline is a bad idea for American consumers, a bad idea for America's fledgling economy, a bad idea for our health and a bad idea for our environment. Say no to the Keystone tax.

Researchers at the Cornell University Global Labor Institute also published a report confirming that the Keystone XL Pipeline would increase U.S. gas prices by 10 to 20 cents per gallon across the U.S. The greatest price increase – twice as much according to one estimate - will occur in 15 states, including Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, South Dakota, Tennessee, and Wisconsin.

20120523-05	15:03	SteveB	Fw: USAction Action: Stop Outsourcing Our Jobs!
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from USAction:

Last week, Facebook's co-founder Eduardo Saverin made headlines worldwide for renouncing his U.S. citizenship to avoid paying taxes on stock before Facebook's much anticipated I.P.O. Saverin's actions are reprehensible but every day big corporations outsource not just profits but thousands of jobs — destroying whole livelihoods and communities in the process.

But to make matters worse, American companies that outsource jobs can write off the cost of moving personnel as a business expense, and therefore become eligible for a tax deduction. How absurd for someone to have to lose their job, and then pay for corporate tax deductions to ship that job overseas?

With unemployment still hovering around eight percent and millions of Americans still out of work, instead of giving incentives to companies that ship jobs abroad, we should encourage companies to bring jobs back home and a new bill introduced by Sen. Debbie Stabenow (D-MI) and Rep. Bill Pascrell (D-NJ) will do just that. Will you ask your Representatives and Senators in Congress if they will cosponsor the **Bring Jobs Home Act** today?

<http://act.truemajority.org/dia/track.jsp?v=2&c=or7%2Fi%2BxfqN5wDzmJvELs40sTXLbWvBP7>

The **Bring Jobs Home Act** will not only end this loophole, but would also give eligible firms a tax credit equal to 20 percent of the cost of relocating overseas jobs back to the U.S.¹ The **Bring Jobs Home Act** will directly reward companies who create jobs, not take them away.

Millions of Americans have lost their jobs because companies up and moved their operations to other countries like China and India. And plant closures can have a dire impact on middle class families and their communities.

According to a new study conducted by the National Bureau of Economic Research, the disappearance of U.S. manufacturing jobs frequently leaves former manufacturing workers unemployed for years, if not permanently.²

While manufacturing has started to rebound in some sectors, the dilapidated communities of Detroit are a chilling reminder of what's at stake.

Let's replace "outsourcing" with "reshoring" by encouraging companies to return to the United States and create jobs here at home. Help us gain more cosponsors for the **Bring Jobs Home Act** by contacting Congress today.

Sincerely, David Elliot, USAction / TrueMajority

¹<http://www.abc12.com/story/18503118/stabenow-bill-aims-to-bring-jobs-home>

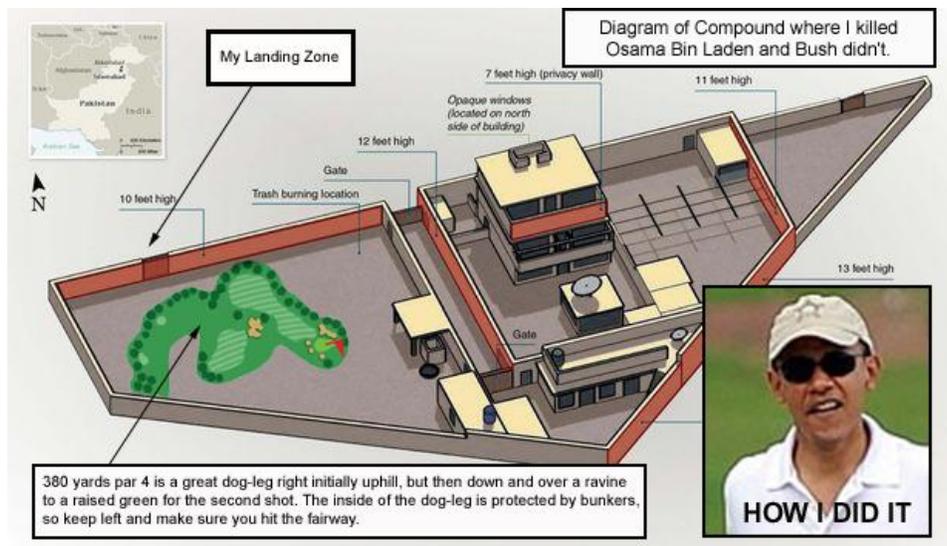
²<http://www.thefiscaltimes.com/Articles/2012/02/26/The-High-Price-of-Losing-Manufacturing-Jobs.aspx#page1>

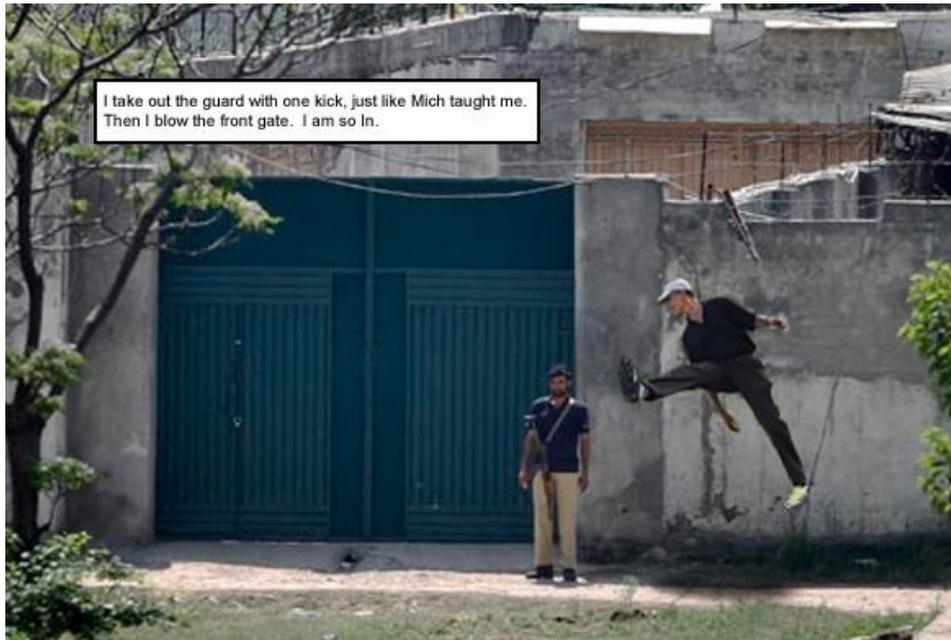
20120523-06 15:12 Dennis Fw: Golf with President Obama

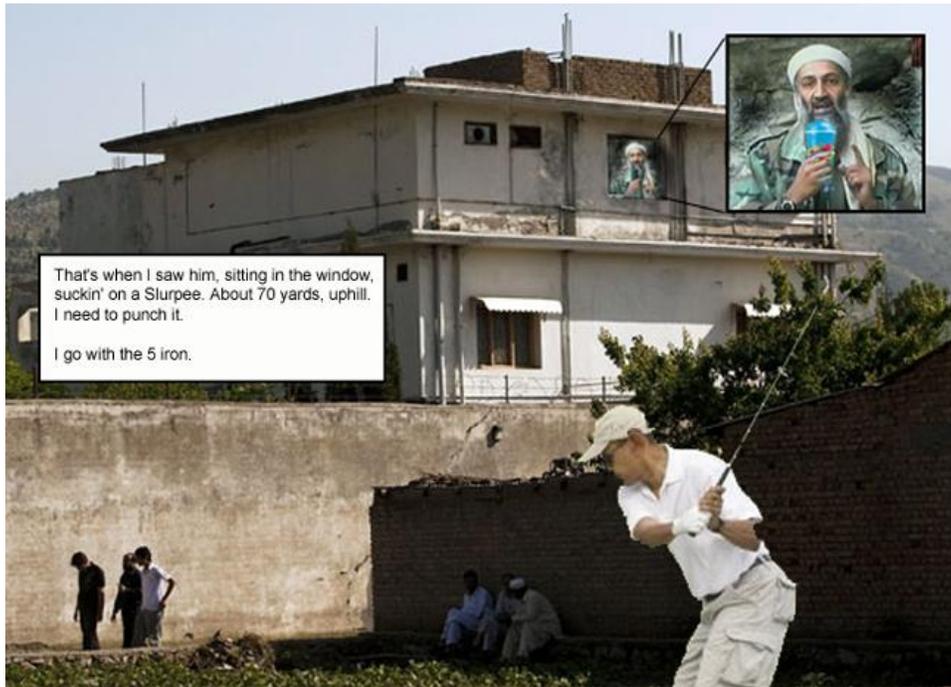
[Source of original email unknown. -SteveB]

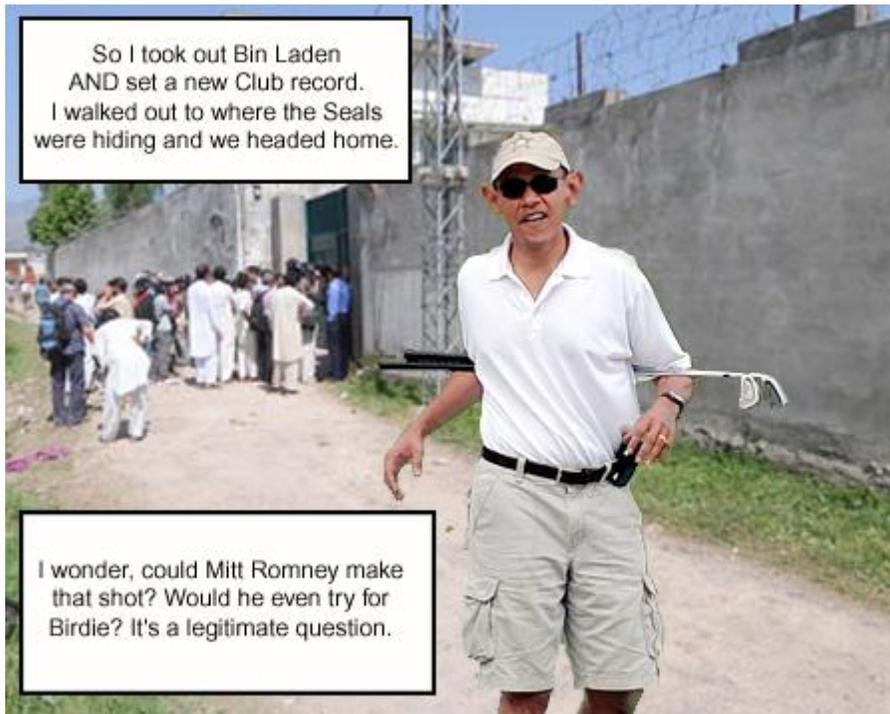
How It Really Happened.....

The real story as it came down.....Now you know!









[Good going, Mr. President. I knew you could do it! Actually, I don't think Romney would have the balls to set foot in either Afghanistan or Pakistan. In his life, has he ever? –SteveB]

[20120523-07](#) 15:17 Art Re: Golf with President Obama (reply to Dennis, above)

I love it but you know most of the Tea Party bozos will think the President really put this together as a campaign ad.

Now if we could just weave a basketball into this?????????

[20120523-08](#) 15:51 SteveB From the Right: "Keeping Business Honest"

This guy is just so wrong on so many levels, but worth a read. I think he needs to study a little history. You would also think reading a recent newspaper about Goldman Sachs or JP Morgan would be enough. What about Jon Corzine and Bernie Madoff? Read the fricking papers, Stossel! Do you think just saying BS makes it true?

"Keeping Business Honest" by John Stossel, *Human Events*

May 23, 2012, (<http://www.humanevents.com/article.php?id=51678>)

Instinctively, we look for people's motives. We need to know whom we can trust and whom we can't. We're especially skeptical of business because we know business wants our money.

It took me too long to understand that business's desire for profit is a good thing. To get our money, businesses -- if they can't look to the government for favors -- need to give us what we want. Then they must make continuous improvements and do it better than the competition does.

That competition is enough to protect consumers. But that's not intuitive. It's intuitive to assume that competition isn't really consumer protection and that experts at the FDA, FTC, DEA, FCC, CPSC, OSHA and so on must protect us. These experts consult "responsible" businessmen for advice on creating rules to make sure businesses meets minimum "standards."

Unfortunately, this standardization stops innovation.

We are imprinted to be wary of newcomers, strangers. Newcomers by definition are less experienced. Maybe they'll do something unsafe or dishonest! We don't want government to stop them from doing business -- we just want consumers protected! Governments claim to do that by licensing businesses.

People like the idea of licensing. We license drivers. We license dogs. It seems prudent. People naively think this government seal of approval makes us safer.

This naivete is used to justify all sorts of rules that kill competition.

Las Vegas regulators require anyone who wants to start a limousine business to prove his new business is needed and, worse, will not "adversely affect other carriers." But every new business intends to beat its competitors. That's the point. Competition is good for us. Las Vegas' anticompetitive licensing rules mean limo customers pay more.

In Nashville, Tenn., regulators ruled it illegal for a limo to charge less than \$45 a ride. One entrepreneur had won customers by charging half that, but the new regulations mean the established car service businesses no longer have to worry about him.

Perhaps Nashville's and Vegas' regulators really believe "this is an area where the free market doesn't work," as the manager of the Nevada Transportation Services Authority put it. But it's fishy that charging big fees for licenses just happens to be a very effective shakedown operation. Vegas cab and limousine businesses give "substantial" donations to Vegas-area political candidates, according to the *Las Vegas Sun*.

Our big government has justified its existence (at least since the Progressive Era) by claiming it is a "countervailing influence" to corporate power -- when it is, in fact, incestuously entwined with corporations.

The list of business activities that government insists on licensing, supposedly for our sake, includes hair braiders in Mississippi, wooden-casket makers and florists in Louisiana and even yoga instructors in Virginia.

Established businesses always try to use government to handcuff competition. When margarine was first developed, the dairy industry got Wisconsin legislators to pass a law making margarine illegal. Several states ruled that margarine was "deceptive," since it might be mistaken for butter. Some required a bright pink dye be added to make margarine look different. An "oleomargarine bootlegger" was thrown in the U.S. Penitentiary at Leavenworth.

When supermarkets were invented, small grocers tried to ban them. "A&P will dominate the grocery business and destroy Main Street," the grocers claimed. Minnesota legislators responded by passing a law that forbade supermarkets to put food "on sale."

Established capitalists are often capitalism's biggest enemies.

I used to believe that licensing doctors and lawyers protected consumers, but now I realize that licensing is always an expensive restraint of trade. It certainly hasn't barred quacks and shysters.

Licensing is unnecessary. It creates a false sense of security, raises costs, stifles innovation and takes away consumer choice.

I don't deny that there is fraud in business. I won Emmys for exposing it. Fraud is one of three crimes that must be policed and punished for the market to function (theft and physical assault are the others). Once that's done, however, as long as there is open competition, honesty pretty much takes care of itself.

Free competition -- the striving for a good reputation -- protects consumers better than government ever will.

[Comments \(from the article\)](#)

Jacob Steelman: Who is being naive? Read *Triumph of Conservatism* by Gabriel Kolko, a left leaning if not socialist economist. The whole rationale of government is to intervene in favor of the politically connected at the expense of the voluntary marketplace. Why? Because as any business man or woman knows all too well consumers in a free market are much more demanding than any regulator. Fail to satisfy consumer demands and your business will be gone. Unless you are GM, Chrysler, AIG etc and have politically connected friends.

deeme: I trust any business in America and my own judgement ,over anything Uncle Sam wants to give me or take from me.

justinwachin: The government has a regulatory role over business. Trusting business to do the right thing is usually misplaced trust. Most businesses will find it more profitable to cut corners.

Based on Mr. Stossel's premise, big tobacco would have rushed to develop safer cigarettes once the medical community began to notice links between smoking and health problems. As we learned in the tobacco company trials of the 1980s and 90s, these companies were working on ways to make their products more addictive rather than safer. They used advertising and promotions to replace the customers which died as a result of using their products.

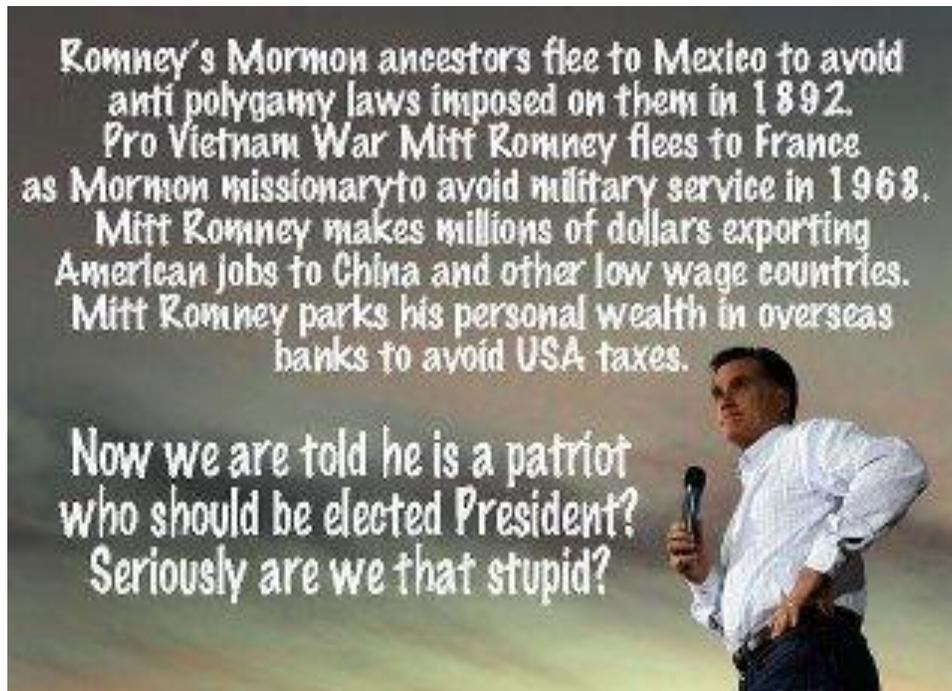
I will agree that government has a way of overreaching when they start creating legislation, but many times the legislation addresses abuses which free enterprise is incapable of curbing on their own.

I kind of like knowing that medicine matches what the label says and that it was tested for safety and accuracy of claims before I bought it. I like the fact that food and drug acts have curbed the employee abuses and adulterated products which ravished our nation 100 years ago.

Ed_USA: "That competition is enough to protect consumers."

Your childlike naivete is so charming, and I hate to be the one to spoil your innocence, but you need to learn sometime. As a gentle introduction, google "ADM lysine" and read about a typical price fixing conspiracy. Then read about some of the practices of Microsoft when they were trying to kill Netscape. Finally, have a look at the history of the NYSE before the SEC.

Left to themselves, businesses will often choose the route of zero risk and high profit instead of relentless competition. It's far easier and more profitable. That's why market capitalism requires regulation. If you look to F. A. Hayek instead of Ayn Rand for your economics then you'll learn that. Even Hayek's popular writing is harder going than Rand's romance novels, (and fewer steamy sex scenes, I'm afraid), but the economics isn't a cartoon caricature like it is with Rand.



"Tall Tales About Private Equity" by Steven Rattner, *The New York Times*

May 22, 2012, (http://www.nytimes.com/2012/05/23/opinion/creating-jobs-wasnt-romneys-job.html?_r=2)

President Obama started his general election campaign by taking aim at Mitt Romney's job creation record at Bain, setting off a lively debate over the fairness of the attacks.

I am among those who have been drawn into the argument — there was even a snippet of me defending private equity in a Romney campaign ad.

As a former Obama administration official, I was uncomfortable about being used in a Romney ad in support of his position.

However, I was also concerned that the Obama ads, while narrowly accurate, might be seen to portray Bain Capital (and implicitly, private equity) in an ugly light because a few of the companies the firm invested in went bankrupt while Bain Capital still made money

On Monday, Mr. Obama struck the right balance, emphasizing that he wasn't attacking private equity but was questioning Mitt Romney's Bain Capital credentials to be the job creator in chief.

That's fair, particularly because Mr. Romney himself has been foolishly reweaving history to claim, as recently as last week, that he helped create 100,000 jobs during his time at Bain.

In fact, Bain Capital — like other private equity firms — was founded and managed for profit: ideally, huge amounts of gain earned legally and legitimately. Any job creation was a welcome but secondary byproduct.

The language in one prospectus seeking Bain Capital investors was clear: "The objective of the Fund is to achieve an annual rate of return on invested capital in excess of the returns generated" by other investments. Any job creation was accidental.

In Mr. Romney's case, his jobs assertion rests heavily on just a few early investments.

Originally hatched to provide venture capital to young enterprises, Bain Capital notched a few such successes, notably Staples and Sports Authority. These were small stakes in companies — about \$2.5 million in Staples — over which Bain had little influence.

While I defend the role financiers play in making our economy work, I also concede that Mark Zuckerberg was far more central to the success of Facebook and its 3,200 jobs than the venture capitalists who invested early.

Although Bain Capital sold off those early investments years ago, Mr. Romney takes credit for every job ever created at every company Bain Capital invested in during his tenure — while ignoring jobs eliminated after his departure.

"The steel factory closed down two years after I left Bain Capital," he said last week about GST Steel, the Kansas City, Mo., company that went bankrupt in 2001. "I was no longer there, so that's hardly something which is on my watch."

Meanwhile, when Staples went public in 1989, it had 1,100 employees; at the end of 1998, right before Mr. Romney exited Bain, it had 42,000 workers. Yet Mr. Romney takes credit for the 89,000 employed at the close of 2010.

As the years clicked by, Bain Capital and Mr. Romney smelled the chance to make more money by raising larger amounts. That, in turn, led them toward classic leveraged buyouts — the purchase, often heavily financed by debt, of more established companies.

These enterprises were often what Wall Street describes as "undermanaged," which means the Bain Capital team could take "aggressive action" that often included cutting costs — read: jobs — to increase profitability.

That's not wrong; it's part of capitalism. Whatever its flaws, private equity has made a material contribution to sharpening management. But don't confuse a leveraged buyout with job creation.

Under Mr. Romney's leadership, Bain Capital engaged in the less attractive practice of putting more debt on seemingly successful investments in order to take dividends out. In at least four instances of Bain Capital investments during Romney's tenure, these "recapped" companies, of which two were featured in the Obama ads, subsequently went bankrupt, costing thousands their jobs.

To be sure, some of Bain's large leveraged buyouts — notably, Domino's Pizza — added jobs. But Mr. Romney left Bain Capital two months after the Domino's investment (7,900 new jobs claimed) was finalized.

Aware of private equity's reputation, Mr. Romney still trots around the country erroneously calling himself a "venture capitalist."

And in a further effort to deflect attention from the Bain Capital debate, Mr. Romney last week argued that President Obama was responsible for the loss of 100,000 jobs in the auto industry over the past three years.

That's both ridiculously false (auto industry and dealership jobs have increased by about 50,000 since January 2009) and a remarkable comment from a man who said that the companies should have been allowed to go bankrupt and that the industry would have been better off without President Obama's involvement.

Adding jobs was never Mitt Romney's private sector agenda, and it's appropriate to question his ability to do so.

Other good, related articles:

http://www.huffingtonpost.com/2012/05/22/cbo-report-deficit-reduction-recession_n_1537774.html?ref=elections-2012

http://www.huffingtonpost.com/mike-lux/mitt-romney-bain-capital_b_1536631.html?ref=elections-2012

20120523-12 23:59 SteveB Painting: "Tranquility" by Ruthie Ashenurst

http://www.ashenurst.com/product.php?id_product=17



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

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