



FRIENDS OF THE MIDDLE NEWSLETTER #187 — JULY 23, 2012

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The Race Heats Up

(posted by Steven W. Baker / SteveB, July 23, 2012)

I thought this article, mainly from the Republican perspective, did a good job of summarizing, in detail, where the campaigns stand at this point in time. There seems to be an impression of bumbling—on the part of both candidates.

"Mitt Romney Searches for a Hit, Scores on an Error" by Jason Linkins and Elyse Siegel, Huffington Post

July 20, 2012, (http://www.huffingtonpost.com/2012/07/20/mitt-romney-barack-obama_n_1690835.html?utm_hp_ref=politics&utm_hp_ref=politics)

(The 2012 Speculatron Weekly Roundup For July 20, 2012)

As we've said before, the first set of tasks in a political campaign are simply summarized: Define yourself, define your opponent, define the stakes of the race. The 2012 race has been fairly interesting thus far, in that the challenger candidate, Mitt Romney, has not seemed able -- or perhaps the right word is "willing" -- to engage in these tasks.

For his nominal allies, it has not been an easy spectacle to watch. That said, there's some indication that Romney has figured out that he's supposed to be doing at least some of this sort of work.

For some time now, conservatives have been somewhat aggrieved by the way the Romney camp hasn't done much to establish his core identity in the race. We've sort of generically dated the beginning of this outpouring of discontent with Peggy Noonan's June 1 op-ed, in which she wrote, "Mr. Romney has to give us a plan. He has to tell us his priorities. To lead is to prioritize, to choose."

From there, it became rather popular for conservative pundits to raise the same concerns. The matter escalated considerably when Team Obama Re-Elect mounted its attacks on Romney's history with Bain Capital, and Romney responded by ... conceding the space to Obama's allies to make the attacks.

Things came to a head this week, when Charlie Cook's observations on the matter started off the news cycle with this detonation:

The strategic decision by the Romney campaign not to define him personally -- not to inoculate him from inevitable attacks -- seems a perverse one. Given his campaign's ample financial resources, the decision not to run biographical or testimonial ads, in effect to do nothing to establish him as a three-dimensional person, has left him open to the inevitable attacks for his work at Bain Capital, on outsourcing, and on his investments. It's all rather inexplicable. Aside from a single spot aired in the spring by the pro-Romney super PAC Restore Our Future, not one personal positive ad has been aired on Romney's behalf. The view that any day or dollar spent on talking about anything other than the economy is a waste has been taken to such an extreme that Romney has no positive definition other than that of being a rich, successful, and presumably smart businessman. People see and feel the reasons for firing Obama every day in the economic statistics and the struggle that so many Americans face daily. The Romney campaign seems focused on reinforcing a message that hardly needs reinforcing, while ignoring a clear and immediate danger to its own candidate's electability.

Businessweek's Joshua Green followed hard upon this with an article about Romney's "wimp factor," and the news cycle evolved into a steady drumbeat of GOP figures badgering Romney for his failure to release tax returns -- a tangential matter, but one that still related to Romney's unwillingness to fill the vacuum.

But now that the murmur had built itself into a din, the Romney camp finally acted. Its initial response, however, was a little lacking: Romney's team indicated that it was poised to go "full Breitbart" and resurrect the old, wild-eyed nonsense of the 2008 campaign. The name "Tony Rezko" got dropped on a conference call. Campaign surrogate John Sununu got deep into the Dinesh D'Souza weeds, calling Obama un-American. The Romney camp seemed, for a time, to be genuinely poised to unleash a barrage of negativity -- the kind that frosts the affections of independent voters. As Kevin Drum put it: "Operation 'Pi*s Off Mitt' Seems to be Working."

We eyerolled, "Wow, Obama should *be* so lucky." But the luck didn't endure, and after a couple decent weeks on the offensive, the president gave Romney the material he needed to get off his duff and start hustling again, when Obama, riffing on a set of themes concerning the interplay between government and the public's largesse in making the private sector a success, offered up this statement: "If you've got a business, you didn't build that. Somebody else made that happen."

Slate's Dave Weigel traced the way that statement slowly made its way into Romney's consciousness. It doesn't really need to be said that we've got another one of those examples of merely poor phrasing that ballooned into a *reductio ad absurdum* political weapon.

At the same time, is anyone really surprised that Obama wields this sort of language with considerably less deftness than, say, Elizabeth Warren? The irony here is that while Romney wants to depict Obama here as the embodiment of class warfare run amok, the president actually does not have a deep connection to or facility with these kinds of populist arguments. But he ends up getting portrayed by Romney as a wilder, more radical version of himself, anyway.

But Romney was smart to seize the moment and make hay. He ends the week with all those tormentors on the right off his back and back to cheering him from the sidelines.

The one thing we'd point out, however, is that Romney is still reacting instead of acting. Sure, the points you score when your opponent turns the ball over get counted. They're not unimportant.

But Romney still needs to start creating his own shots. And he still needs to take a proactive stance on defining who he is at his core and what he wants to do. David Brooks still wants Romney to provide an affirmative defense of Bain Capital(ism).

Peggy Noonan, in all likelihood, still wants priorities. The fact that it seemed as if the first nonpassive move for members of the Romney camp was to briefly rush off into 2008's fever swamp is telling; they don't seem to actually have a plan, yet.

Primary Colors

Or maybe Romney does have a strategy? It could be that the lesson that the Romney camp has extracted from the primary season is that he can withstand all manner of personal attacks so long as he has 10 times the amount of cash on hand at the right moment to drown out his competition. That's easy enough to do when you're facing Rick Santorum and Newt Gingrich and they're either close to skint or upside down in debt.

But Obama will have cash to toss around, too -- even at the end. In general, we're not inclined toward this strategy. But candidates with the sort of wealth that Romney commands are very rare. For all we know, the rules don't apply.

The Bain of Fact-Checkers

Is everyone done talking about Bain Capital, yet? Ha, ha: No. Not by a long shot. That's a product of Romney providing the press with an interesting puzzle to solve and then not filling in any of the details affirmatively, when he's been given a million chances to do so.

So, the extant question is and shall remain: What involvement did Mitt Romney have with Bain Capital during the period he was tending to the Olympics. The Romney camp's generic response has been to wave the matter away by saying that he had no time to do anything else but bring bobsledding to America, a curious admission from a guy seeking the ultimate multitasking job.

Still, it's sort of understandable. Bain Capital is presumably staffed by capable managers who can tend to the matters of Bain Capital whether Romney is micromanaging their efforts or not. Everyone can get their head around that. It's still pretty clear that Romney's involvement with Bain is not "the null set," however. His name went on various and sundry filings, he was offered up as the Head Capitalist in Charge to various regulators, and there were presumably moments when Romney was briefly briefed on how things were going.

Romney has been periodically under attack for the goings-on at Bain during his Olympics work, dating back to his gubernatorial bid. His defense is well-worn and was sufficiently backed up so that when the attack came again from Team Obama Re-Elect, fact-checkers were well-armed to slap Romney's tormentors with Pinocchios.

Funny thing, though, about reporters. They keep reporting. And over the past few weeks, they've been working at adding to what we know about Romney's Bain involvement and when Romney was involved.

Brendan Nyhan noted that this matter has demonstrated that our fact-checking industry has limits to its utility. Fact-checkers, Nyhan observed, often "help create controversies that paradoxically increase the attention paid to misleading charges." That, in turn creates incentives for political dark artists to "intentionally make misleading claims" in order to run up the "earned media" scoreboard.

Nyhan went on to point out that it's important to remember that fact-checkers and reporters are not on the same team, and that even as the fact-checkers were rendering judgments, reporters were picking over the ticktock of Romney's involvement with Bain, and taking up Romney's "lack of consistency in describing his role at Bain in the 1999-2002 period."

This week, *Daily Intel*'s Jonathan Chait sort of got caught between and betwixt with the Bain story as it was developing, and responded to the new revelations with his typical thoughtful candor. When Chait started off on his effort to explain "What's True and False in Obama's Bain Attacks," he came down hard on Obama: "President Obama and his allies instead have attacked Romney's record itself," wrote Chait, "And what they're saying is, on the basis of the facts available to us, untrue."

In the hours after Chait published, however, a lot of interesting new facts became available. Chait went back and added an update: "Numerous revelations today cast severe doubt on Romney's claim to have abandoned any role with Bain in 1999. I'll reevaluate again soon, but as of now it looks like the rigid distinction between Bain's work before his leave of absence and after -- the distinction that forms the basis of all the fact-checkers' judgments that Obama's ad is false -- has crumbled."

So here's one important lesson: We too often give fact-checkers the "final say" on an issue. We shouldn't necessarily do that, though. Reporters are still reporting!

Nyhan moved to this question, posed by Nick Baumann: "Is it possible that even without day-to-day managerial control, Mitt Romney may bear some moral or personal responsibility for the actions of Bain Capital post-1999, given that no one is disputing that he benefited financially from its actions and that his name was on the door? Is that question even fact-checkable?"

And Nyhan responded thusly:

The answer to the latter question, in fact, is no, which highlights the second limitation of fact-checking. Readers are often frustrated with the narrow and seemingly pedantic nature of fact-checking by watchdogs like PolitiFact and Factcheck.org, which typically focus on the specifics of a given claim rather than the larger issue or debate in question. But there's a good reason for the narrow focus of the genre -- broader questions about significance and responsibility are simply beyond their purview and cannot be answered within the realm of facts.

Right there is the path forward to the larger and more interesting question for Romney. Does Romney not believe in what Bain was doing? Does he disagree with the business practices that were practiced during the 1999-2002 period? Did Bain suddenly become something in which he could no longer take pride? Something that would prompt him to make the claim that he had "retroactively retired?"

And we can extract a pretty important question from Chait's work as well -- to be directed at the Obama campaign. As Chait wrote, "The existence of a 'larger truth' does not justify the Obama campaign's ads that assume a role that they haven't proven and probably isn't accurate." Our question would be "Did the Obama camp know that there was enough left for reporters to uncover, beyond what the fact-checkers had found, when they made the attacks? If so, did the Obama campaign help those reporters out? If not, didn't they just luck out, after playing fast and loose with the facts?

New Polling Woes for Obama

So, welcome, everyone, to the end of the Bain attacks life cycle of effectiveness. (Maybe.) This week is ending with a spate of bad polling news for Obama. Once again, the race is tightening, with Romney taking a lead in the latest CBS/*New York Times* poll. (Once again, Obama's ahead in the Fox News poll and behind in the New York Times poll, making everyone question their tribal politics.)

As Sam Stein reported, Obama's having trouble with the economy. (As always, we'll point out that Obama's "trouble with the economy" is not the same "trouble" that the rest of you are experiencing.):

Romney leads Obama among respondents by a margin of 49 percent to 41 percent on who can best handle the economy and jobs. People who think the economy is getting better dropped from 33 percent in April to 24 percent now -- owed largely to a series of bad jobs reports.

Obama is perceived as the candidate who can best help the middle class, with 52 percent citing the president on that question, including 15 percent of Republicans. But even then, he gets a heaping of blame for not turning the economy around. Almost two-thirds of respondents said the president's policies contributed to the economic downturn. Only 17 percent of respondents said the president's policies on the economy were "improving it now."

Per Stein: "The economy, in short, is drowning out the political conversation surrounding Romney's private equity career, at least on the national level." Of course, that is as it should be. And the "Bain attacks" should be understood in this context: They are a tactical gambit, designed to give Obama time and space to close the gap on the larger matter of the economy.

Additionally, the "Bain attacks" should be understood as part of a larger series of strategic moves that will eventually end in a poorly defined Romney holding the bag for a whole slew of unpopular GOP "solutions." Already, Team Obama Re-Elect is moving to a discussion of what Romney would do to Medicare, which is the next part of a longer game plan.

Still, the nation is now leaving the fiscal quarter that political science has found is most critical to voters as they decide on whether they'll leave Obama in charge or not. Was the economy particularly awesome during these past three months? Not really.

There's also something to be said about how costly a negative attack can be on the negative attacker. (Though we'd gently criticize the piece from The Week -- which takes up that matter -- for persisting in its belief that Obama, in 2008, wasn't a negative campaigner. He was.)

Moving Around the Wealth

Rich people are doing very awesomely. As Ezra Klein reported (and graphed), "in 2010, 93 percent of income gains went to the top 1 percent."

In other words, the very rich had a bad 2009, but an incredible 2010. Their share of national income bounced back to 19.77 percent. So inequality is marching upward once again. And there's reason to believe this will keep going.

It sure seems awfully silly that Joe the Plumber was so concerned over Obama's talk of "moving the wealth around." The wealth is clearly moving in the precise direction Joe the Plumber wanted. (Which is, specifically, "away from actual plumbers.")

A Sign of Gary Johnson's Potency?

Interesting confluence of small-ball news stories this week. Libertarian candidate Gary Johnson is polling at about 5 percent nationally. In New Mexico, where he served as governor, he's up to 13 percent. Meanwhile, President Obama's lead in New Mexico, over Romney, is shrinking.

According to the conventional wisdom, this isn't what's supposed to be happening. Johnson is supposed to help deliver New Mexico's votes to Obama. But Johnson has never characterized himself as an election-year spoiler and has always maintained that he'd pull votes from both Romney and Obama.

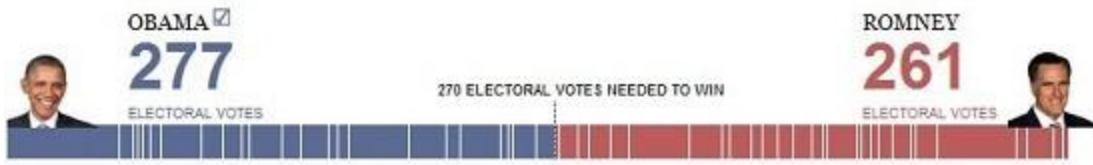
As Johnson told our own Lucia Graves, "The idea is to actually win." He's not crazy for suggesting this was possible. Unlike the lion's share of vapid, third party efforts (looking at you, Americans Elect!), Johnson has been very careful, thoughtful, and specific in defining the ways he presents a contrast to both the big party candidates.

You can read Lucia's interview with Johnson here: http://www.huffingtonpost.com/lucia-graves/gary-johnson-2012_b_1672175.html.

Electoral Projection

Okay, time once again for your Speculatronners to make their trademarked Electoral College projection, which is -- as always -- a mix of careful poll study, an analysis of prevailing economic trends, guesstimates and careful study of animal entrails under the guidance of experienced augurs from ancient legend.

So, this week, the economy is dragging Obama down. Romney is faring better in New Hampshire and Virginia. Obama shows life in Nevada and Wisconsin. New Mexico's tightening. So, we'll go with this:



Share your
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Pick a scenario

■ Obama ■ Romney ■ Undecided

State Up for grabs, according to HuffPost
Pollster analysis of opinion polls

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[20120722-01](#) 06:05 SteveB Bolivian Cookie Biz — Update

Well, it's been a very busy week, but we've made a lot of progress. The remodeling is essentially complete, except for a little touch-up that will be required after the gas installation is completed, and that should be on Monday. The plumbing and painting are finished. The sign painter, a very sweet old guy named Raúl Huanca, finished his work in just one day.

Our colors are ING orange and Hershey chocolate, so we had Raúl paint "GOURMET COOKIE FACTORY" in chocolate on orange above our big front window, and "CAFÉ 7-558-9914" over the entrance. I must say, it looks very good! The neighbors have been stopping-in regularly to complement us on how good our place looks and to ask what we're up to. Now, everyone on our busy street will know.

Later next week, our big fancy sign will be installed—large 3D, backlit block letters—"Snicker-Doodle".

Jesus and his crew were such a blessing to our enterprise, and they have deservedly come by other work as a result of the job they did for us. What a fine bunch of young men! We are very proud of them and so happy to find people with such pride in their work. These kinds of things, I have always found, are one of the great rewards of having a

business. You get to meet and get to know a lot of interesting people. We miss having our work crew on the job already, but they all promised to stop by and grab a cookie whenever they're in the area.

The misadventures of the week were all focused around our fancy marble sink and special commercial kitchen-grade spray faucet. I think I told you already that we had to have a piece of marble kludged to the back in order to use the \$270 faucet we had already purchased. We were told this was necessary because they couldn't drill through the concrete-reinforced marble making up the flange of the sink.

Yet when we picked the sink up for a second time, that is exactly where they had drilled, AND the kludge has also been added. We swore and got out of there with the sink as soon as possible. It still looked good and we were relieved to have any fix to our problem.

The installation by Jesus' plumber went well, but when we started-up the system, the sink leaked and the hose didn't have as much pressure as we really wanted. So...a guy will have to come and fix the leaks (easy with this kind of sink) and we'll work with the water pressure as it is for now (not much of a problem), working toward an eventual solution in the background of all the other daily tasks needed to be completed if we are to bake cookies by August 1, and open soon after. We still have, by far, the best looking restaurant sink in town! And since we're a "Visible Cookie Factory" where we do everything in sight of the people in the Café and on the street, it's good if things look good.

We also got our custom counter ordered this week. It will have a marble top to match the sink. Very attractive.

Next, we get the gas work done, bring in a cleaning crew, then we'll be ready, late this coming week, to start moving in equipment, including the monster oven that we must remove door and window to accommodate. It will also need a good exhaust pipe up through a hole in the ancient tile roof above our pride and joy, and many virgin acolytes to keep the fiery monster fed with sacrificial grain and cane and soda, so that the gods will continue to rain down upon mankind the miracle of the cookie—up to 10,000 per day!

Here's a video about our oven: http://www.progas.com.br/2010/video.php?id_produto=134.

20120720-01 06:30 MarthaH "Are Bachmann and Sununu Attacks Part of a New McCarthyism?"

Where's HONOR?

"Are Bachmann and Sununu Attacks Part of a New McCarthyism?" by Mary C. Curtis, *The Washington Post*

July 19, 2012, (http://www.washingtonpost.com/blogs/she-the-people/post/are-bachmann-and-sununu-attacks-part-of-a-new-mccarthyism/2012/07/19/gJQAVULZvW_blog.html)

John Sununu apologized, not for the sentiment but for these words: "I wish this president would learn how to be an American."

The former New Hampshire governor and White House chief of staff was speaking as a Mitt Romney surrogate, and the message was an old one, heard since Barack Obama was a presidential candidate. "This guy is not really one of us. He's someone and something else." Got it. Heard it. Sure we'll hear it again and again. Birth certificates are no longer enough. From now on, one must pass the Sununu citizenship test.

Even for those who accept that Barack Obama was born in Hawaii, it is, don't you know, a state unlike any other – multiracial, multicultural and in the middle of the Pacific Ocean. Sununu, who was born in Havana, Cuba, has looked at the president's background and decided it doesn't fit, all irony apparently lost amid the bluster.

His guy Romney, whose father was born in Mexico, mostly stood back looking sheepish. Plausible deniability is what it's usually called.

In another case of “are you now or have you ever been,” a voice rising in defense of the latest accused American was Republican Sen. John McCain of Arizona, living up to his one-time maverick label.

He strongly defended Secretary of State Hillary Rodham Clinton aide Huma Abedin against unproven accusations that tie her to a supposed conspiracy of the Muslim Brotherhood to infiltrate the U.S. government.

McCain said on the Senate floor: “Huma represents what is best about America: the daughter of immigrants, who has risen to the highest levels of our government on the basis of her substantial personal merit and her abiding commitment to the American ideals that she embodies so fully.”

While that should be the end of it, with Rep. Michele Bachmann (R-Minn.) and other members of Congress floating the charges and asking for investigations, the issue is not likely to die. All it takes is murky guilt by association and a dose of hysteria.

I’m still trying to figure out these new rules. What do they mean? That some later additions to the United States — we’re talking Alaska, home of Sarah Palin — are unquestionably American. Presumably, extreme weather conditions, oil pipelines and the whole shooting wolves from helicopters thing help it pass muster. While Hawaii, after all its years flying the American flag, remains a nice place to visit but you can’t trust anybody who lives there kind of place.

And some children of immigrants, Gov. Bobby Jindal (R) of Louisiana, who is on Romney’s vice presidential short list, and Gov. Nikki Haley (R) of South Carolina are loyal Americans, while others are security risks. It helps if you’re a conservative Republican governor.

What sounds silly at first, the blunders of clumsy political opportunists, is starting to veer into frightening and familiar territory, a throwback to a part of life in the 1950s for which no one should harbor any nostalgia.

Americans aren’t endorsing a return to the “Red Scare,” when being a union or civil rights activist could be enough to warrant an appearance before the House Committee on Un-American Activities. But plenty of people are shouting accusations of communist, socialist and fascist from placards and rooftops. At the top of their list is the democratically elected president of the United States.

You would think Obama’s achievements and the life he’s made with his wife and children illustrate the fulfillment of the American dream — a man without family name or fortune rising through hard work and education to the nation’s highest office — even if you disagree with his economic plan or health-care law and want to vote him out in November.

But some opponents need to make him a man without a country, to use the ugly language of an ugly time to do it and to put his supporters in the same boat, preferably one headed away from U.S. shores.

This year, Rep. Allen West (R-Fla.) echoed the language of senator Joe McCarthy when he said, “I believe there is about 78 to 81 members of the Democratic Party that are members of the Communist Party,” and he didn’t back down.

It’s troubling when Sununu, Bachmann, West and so many others are only too willing to take on the un-American job of deciding who belongs in America, the first and only one rule being, agree with us on matters of politics and policy or — as West instructed liberals — get out.

Where are all the voices of reason to pull them back, to ask, as the Army’s lawyer Joseph Welch once asked of McCarthy, “Have you no sense of decency?” McCain has stepped up; who’s in line behind him?

[20120720-02](#)

12:24 SteveB

Fw: USAAction Action: Make Calls to Congress to End the Bush Tax Cuts for the Richest 2%

from USAAction:

End the Bush tax cuts for the top 2%!

This is it. Join thousands of other concerned Americans for our National Call Congress Week to end the Bush tax cuts for the richest 2%.

When you call Congress – remember that you're speaking on behalf of the other 98%. That's the secretary that pays higher income taxes than her CEO, the schoolteacher that pays more taxes than some big corporations, and the millions of Americans that want to see an end to tax breaks for people that don't need them.

You, along with over 32,000 USAAction members, have already sent messages to Congress demanding an end to the Bush tax cuts for the richest 2%. So thank you. Now, let's back up those messages with personal calls to have even more impact.

Call our toll free line today and make your voice heard — (888) 744-9958:

<http://www.americansfortaxfairness.org/action/call/>.

Now more than ever it's important for supporters of tax fairness to rally and stand up for what's right. The U.S. Senate will vote as early as July 23rd about whether to extend the Bush tax cuts. The U.S. House will vote the week of July 30th.

Tell Congress to support President Obama's proposal to save \$1 trillion by ending the Bush tax cuts for the richest 2% now.

Remember, people who earn more than \$1 million a year get an average tax break of about \$143,000 from the Bush tax cuts. People making about \$50,000 a year get an average tax break of only about \$1,000.

When the rich get tax breaks they don't need and the country can't afford — hard-working, middle-class Americans like you and me have to make up the difference — and that's not fair.

Let's make some calls.

Sincerely, Ross Wallen, USAAction / TrueMajority

20120720-03 13:06 SteveB "Want A Real Recovery? Raise the Minimum Wage."

Greed!

"Want A Real Recovery? Raise the Minimum Wage." by Terrance Heath, NationofChange

July 20, 2012, (<http://www.nationofchange.org/want-real-recovery-raise-minimum-wage-1342791951>)

Scratch the surface of just about any economic debate this election year, and you'll find one issue that goes all the way to the core: the yawning gap between the 1% and the rest of us, as skyrocketing income inequality. A new report from the National Employment Law Project (NELP), "Big Business, Corporate Profits, and the Minimum Wage," shows the extremes of that divide, and makes the case for raising the federal minimum wage as a means of closing that gap, and putting the national economy on the road to a *real* recovery.

The report explores the connection between stagnant —and falling — wages, and its central finding explodes the argument that raising the minimum wage will cause employers to stop hiring, and the hurt small businesses that opponents of a minimum wage increase (and of the idea of a minimum wage itself) claim are the primary employers of low-wage workers.

The central finding of this report is that the majority of America's lowest-paid workers are employed by large corporations, not small businesses, and that most of the largest low-wage employers have recovered from the recession and are in a strong financial position.

The data in the report only strengthens the case:

- The majority (66 percent) of low-wage workers are not employed by small businesses, but rather by large corporations with over 100 employees.
- The 50 largest employers of low-wage workers have largely recovered from the recession and most are in strong financial positions: 92 percent were profitable last year; 78 percent have been profitable for the last three years; 75 percent have higher revenues now than before the recession; 73 percent have higher cash holdings; and 63 percent have higher operating margins (a measure of profitability).
- Top executive compensation averaged \$9.4 million last year at these firms, and they have returned \$174.8 billion to shareholders in dividends or share buybacks over the past five years.

Got that? In a "recovery" in which most of the new jobs being created are low-wage jobs, the biggest corporations and biggest employers of low-wage workers are enjoying record profits — upwards of \$1.97 trillion in the third quarter of 2011, according to the report. Most of them have recovered. Most have been profitable for the last three years, and nearly all were profitable in the past year. Most of them have more money to spend on operations. Executive pay at these companies averaged nearly \$10 million last year, and shareholders enjoyed returns of nearly \$175 million.

(I'd love to know how many of these same corporations have nothing or next-to-nothing in taxes. But I'll have to find that in another report, or do the research myself. Still, I'm willing to bet that most of these companies aren't any better at paying taxes than they are at paying their employees.)

The losers in all this are the workers, the very people who are creating value for these companies. If they're getting paid the federal minimum wage, they're getting paid about \$7.25 an hour — hasn't been adjusted for inflation in 40 years. If it had, those workers would be earning about \$10.55 per hour. (It's even worse for workers like the waiters and waitresses with whom Mitt Romney recently said he sympathizes. The federal minimum wage for tipped employees like them is \$2.13., and in states like Florida — where tipped employees make just over twice the federal minimum wage for their jobs — the restaurant lobby fought to lower the minimum wage.)

They're working for a wage that put the basic necessities out of their reach. Health care and education are priced far out of their reach —not to mention things like milk and gas, as prices rise but paychecks don't. Most can't afford a two-bedroom apartment, even working 40 hours per week.

Meanwhile, as NELP reported around this time last year, nearly all the new jobs created in this "recovery" are low wage. In fact, the United States now leads the rest of the wealthy nations in the share of the workforce in low-wage jobs. In places like New York State, low-paying jobs have replaced high-paying jobs.

As NELP co-director Christine Owens pointed out, these companies can afford to pay fair wages, and give the economy a much needed shot in the arm.

"Large corporations employ the biggest share of low-wage workers in the U.S., but while those businesses have emerged from the recession with strong profits, their lowest-paid workers are still struggling to make ends meet," Owens said. "It's deeply worrisome that the very businesses that can most afford to pay fair wages and boost consumer demand are also driving the stagnant wage growth that is holding the economy back."

In other words, as income inequality grows as a result of a "recovery" that's mostly replacing high-paying jobs with low paying jobs, the result is also an increase in consumption inequality. In other words, people have less money to spend. Even those who have jobs or find jobs are being *paid* less, and thus have less to spend. In a consumer economy that means less demand for goods and services, which puts the brakes on what "recovery" there is to speak of.

Low wage workers aren't the only losers in this equation. We all lose.

It's no exaggeration to say that the business model of America's low-wage employers depends on a generous government safety net, since without that net many of their workers would not be able to survive. **So all of us are subsidizing the wealthy owners and executives of Wal-Mart, McDonalds, and Target.** Alas, few of us seem to realize this.

All of us are hurt, too, by the way that the low-wage model drags down economic growth. If you give a low-wage worker higher wages, they immediately pump that money back into the economy through more spending. But if you give a CEO another few million dollars in compensation, he'll most likely just plow that money into his stock portfolio or other savings vehicles, which doesn't do much for the economy since capital is cheap right now and customers are scarce.

If we want an economy with robust consumer demand, workers need to a bigger slice of the pie. Business leaders once understood that elementary fact.

In 2010, the many of the most high-profile GOP candidates opposed raising the minimum wage, even at though at the timetwo thirds of Americans supported an increase in the federal minimum wage. Now the "inevitable" Republican candidate for the White House, Mitt Romney actually flip-flopped to the right side of an issue, and at least supports automatically raising the minimum wage to keep pace with inflation. Mighty progressive, especially for a Republican.

It's been three years since the federal minimum wage was increased, during which economic realities have made Americans more sympathetic with low-wage workers (and turned many of them into low wage workers). There are now bills in both the House and the Senate to increase the federal minimum wage.

It's time to give working America a raise, for the good of our families, our communities, and our national economy.

20120720-04 13:16 SteveB "Obscuring a Debate Over Butlers" ('Competing' Tax Proposals)

A*s kissing!

"Obscuring a Debate Over Butlers" by David Sirota, NationofChange

July 20, 2012, (<http://www.nationofchange.org/obscuring-debate-over-butlers-1342792702>)

For all the superheated rhetoric of yet another election cycle, it's as clear as ever that the Republican and Democratic parties in Washington pretty much support the same economic policies. Indeed, any honest perusal of congressional votes proves that the party establishments are roughly the same when it comes to financial deregulation (less of it), job-killing free trade (more of it), bailouts (more of them) and corporate taxes (less of them).

Politicians and partisan media outlets deny this obvious reality, of course. But they do so because they have a vested interest in the red-versus-blue "polarization" narrative from which they generate campaign contributions and ratings, respectively. This is why their hysterical attacks on their foes — and their refusal to acknowledge the political duopoly — has such a grating "doth protest too much" quality. It's also why more Americans are wholly tuning out of politics — we're less and less interested in gazing at two heads of the same economic monster.

That said, if you are still gullible enough to believe the illusion of huge differences on economics, behold the "debate" over taxes that is now roiling the presidential race.

President Obama kicked it off with his claim last week that he wants to stop "another tax cut for the wealthy." As supposed proof, he asserts that by proposing to extend all of the Bush tax cuts except those applying to top

marginal tax rates, he will make sure everyone "making over \$250,000 a year (will) go back to the income tax rates (they) were paying under Bill Clinton." In response, Mitt Romney, who wants every Bush tax cut extended, played his role in the kabuki theater, claiming Obama "plans on extending (the tax cuts), just for certain classes of Americans" — an idea that the Republican presidential nominee says "will kill jobs." Not surprisingly, almost every news outlet echoed it all, insisting that this is an epic dispute over whether to only extend "the Bush-era tax cuts for people earning less than \$250,000 a year," as *The New York Times* put it.

There's just one problem: Obama, Romney and the media are all lying.

Because of America's progressive tax system, all taxpayers under Obama's plan — including those making more than \$250,000 a year — will get a tax cut on their first \$250,000 of income. According to the Institute for Taxation and Economic Policy, this means that **Obama's initiative, which would cost \$150 billion, will give a one-year \$20,130 tax cut to the top 1 percent of income earners. Meanwhile, the \$210 billion Republican plan would give that income group a \$70,790 tax cut.**

In other words, this supposedly monumental debate isn't over whether to punish or further enrich households in the top 1 percent — both proposals do the latter. Instead, this is a minute dispute over whether the tax code should give each of those households the equivalent salary of one butler (Obama's plan) or three butlers (Romney's plan). For every other income group, the two proposals are identical.

Now sure, at a time of deficits, Obama is right to oppose devoting an additional \$60 billion to giving the wealthy two more butler salaries on top of the one they will already get under his plan. And he's especially right when we know that, despite Romney's hysterical job-loss claims, the economy did far better when the rich were paying Clinton tax rates on their top income.

However, pretending this is some big divide is yet another farce. Both parties are proposing to enrich the already rich, meaning the whole conflagration is yet another attempt to hide the two-headed monster behind a mask of conflict.

Unfortunately, that monster is still under there — still rigging the economy against us.

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20120720-05

13:35 Dennis

Who Rules America?

<http://www2.ucsc.edu/whorulesamerica/>



Flowering Field near Volubilis, Morocco (by Dennis Cox, www.DennisCox.com)

20120720-06

13:37 Art

"Romney Adviser Stumped on How Romney Would Reduce the Debt"

For those who follow these things, one of the major questions I have for Candidate Romney, is "what are you going to do to address the deficit?" This has been a major talking point with Bonehead and the tea party House for some time now. Of course, they haven't actually done anything but that discussion is for another day.

The below is an interview with a Romney policy adviser on how Romney plans to address the issue. Note there is not one factual statement made throughout her entire dialogue. I certainly hope they have something better than this in mind.

"Romney Adviser Stumped on How Romney Would Reduce the Debt" by Travis Waldron, ThinkProgress

July 19, 2012, (<http://thinkprogress.org/economy/2012/07/19/547281/romney-adviser-cant-specify-how-romneys-plan-would-reduce-the-debt-because-she-is-not-an-economist/?mobile=nc>)

Mitt Romney's campaign has fired back at questions about his tenure at Bain Capital and his failure to release tax returns by blaming President Obama's campaign for not wanting to talk about the economy. Given a chance to talk about the economy this morning, though, a Romney adviser failed to deliver specifics about how his plan would boost economic growth while also balancing the budget, as Romney claims he will do.

As ThinkProgress has noted, Romney's plan to provide a massive tax cut to the rich would blow a hole in the federal budget. Romney promises to balance by 2020. When MSNBC's Luke Russert asked Romney adviser Tara Wall how Romney would offset the lost revenue, she failed to offer any specifics, telling Americans they could instead "research" his plan to find them. When Russert returned to the subject, Wall again failed to deliver an answer, saying Romney's business experience is the reason he would balance the budget:

RUSSELT: What are the offsets? What are we specifically going to do to balance the budget?

WALL: Well, I believe Americans will hear a lot more about Governor Romney's plan, and if you want to see in depth what his plan is, you can certainly research that and look at that more in depth. But overall, there have been a number of new regulations, over-zealous regulations, on small businesses enacted by this administration, and we have to look at those things. [...]

RUSSELT: Even with those small business cuts you're talking about, they're in the billions. We're talking trillions with a T. Non-partisan: increase by the debt, Mr. Romney's plan with these tax cuts, by \$2.6 trillion. Why are there no specifics? You guys want to talk about big ideas, you don't want to talk about Bain and the tax issues. I don't want to talk about that. I'm asking you specifically: How does Mitt Romney's plan balance the budget by 2020?

WALL: I think, if you look at the economic numbers, I'm not an economist and I'm not going to play an economist, I think that Mitt Romney has a proven record of bringing economies back. He brought down unemployment as governor, he created jobs as a governor, he was effective as a businessperson overall, and I think you have to apply those concepts. [...] You can't discount that, and you can't discount the fact that we have to be able to look at how we begin solving the debt problem and bringing that down, and to do that, number one, is to start with streamlining our tax code, bringing down our marginal tax rate, the regulations that have been overburdensome, and making real true spending cuts.

Watch it: http://www.youtube.com/watch?v=u5bdjXF7Vyk&feature=player_embedded

Despite Wall's assertions, Americans can't research Romney's plan to offset the lost revenue from the tax cuts because he hasn't yet provided one. He has instead named just a few tax breaks he would end, but those would not generate nearly enough revenue to make up the cost of his tax cuts.

Wall isn't alone among Romney advisers, though. Multiple members of his campaign — including the candidate himself — have had the chance to describe in detail how his plan would reduce the deficit and balance the budget. But even though the Romney campaign claims to want to talk about the budget and economy, it has nothing to say when they actually become the topic of discussion.

20120720-08 13:55 Pam Re: "Romney Adviser Stumped on How Romney Would Reduce the Debt"
(reply to Art, above)

Double speak. No, triple speak. When in doubt, repeat the question and tell the interviewer to do his own research. Wow, how impressive can you get?! This lady ought to give classes in "How to use lots of words to say absolutely nothing." If these are the "arguments" Republicans are relying on, they are beyond--dare I say it?--stupid.

20120720-07 13:46 Pam+ Sen. Marco Rubio's View of 'Free Speech'

from Sen. Marco Rubio to SandyI:

Thank you for writing me regarding a constitutional amendment to regulate the spending in federal elections. I appreciate hearing thoughts of Floridians on important issues.

As you know, Senator Whitehouse of Rhode Island introduced the "Democracy Is Strengthened by Casting Light On Spending in Elections Act of 2012" or the DISCLOSE Act (S. 3369). If passed, this legislation would require additional information be given to the Federal Elections Commission, beyond what is already required, regarding political contributions. I believe this legislation is an attempt to restrict political activity and could threaten our first amendment right to free speech, for this reason, I voted against S. 3369.

I am a strong supporter of free speech in all forms, and I believe that speech includes political contributions. Free speech is vital to the elections process and should be vigorously defended. That being said, I respect and support the Supreme Court's ruling in favor of free speech in Citizens United vs. the Federal Elections Commission.

It is an honor and a privilege to serve as your United States Senator. Although we may not agree, I appreciate you offering your opinion on this issue. If I can ever be of any assistance to you, please do not hesitate to contact me.

Sincerely, Marco Rubio, United States Senator

Pam: Free speech, my a*s. I suppose offering bribes is free speech too...

Art: What the heck do secret political contributions have to do with free speech? Notice he blathers on about free speech after making that very vague connection. "I believe that speech includes political contributions" Another hack.

Pam: What is it with these people? I'm really trying to understand how seemingly normal, decent people can believe such garbage. My only conclusion is that they don't; therefore, they must have some nefarious intent to rig the system in their favor. I heard a comment on NPR this morning that summed up our political differences this way: There are those, like Romney, who believe successful people achieve so much because of hard work and commitment, that success is an individual matter that should be rewarded. Then there are others (like me/us) who believe that no one can achieve anything all on his own. Our success doesn't arise ex nihilo but is built on structures and institutions put in place by others. A successful society is one in which the least of us has a decent life unless he deliberately throws it away. The old individual vs. community conundrum. You'd think tea baggers had the moral reasoning of twelve year olds, who see things in black and white and are contemptuous of gray. Either we're free and leave the individual absolutely to his own devices, or we're socialists who coddle slackers. Where's the balance?

Didn't you just love it when Anne Romney told an interviewer that the American people know "all they need to know" about the Romneys' finances?! I am appalled that Romney and Obama are in a statistical dead heat. Romney moans about the last 3 1/2 years; what about the last ten?

There's an interesting article in this week's New Yorker about Grimms' Fairy Tales. I quote, "[fairy tales] do not detain us with hope but simply validate what is. Even people who have never known hunger, let alone a murderous stepmother, still have a sense--from dreams, from books, from news broadcasts--of utter blackness, the erasure of safety and comfort and trust. Fairy tales tell us that such knowledge, or fear, is not fantastic but realistic....Though Wilhelm [Grimm] tried to Christianize the tales, they still invoke nature, more than God, as life's driving force, and nature is not kind."

I just wanted to end on a cheerful note. ;-)

20120720-11 16:10 SteveG Re: Sen. Marco Rubio's View of 'Free Speech' (reply to all, above)

There were clips of a speech by Elizabeth Warren stating that no one makes it on their own – teacher, infrastructure, friends, banks, family, etc. all enable a person to make it . There are clips of Obama saying the same things in a speech and there are clips of Romney saying the exact same things in a speech. No one makes it in a vacuum, not even Romney.

This is a very good interview with David Stockman who is a former Congressman and was the Federal Budget Director under Ronald Reagan. He does a great job outlining the insanity that makes up the various markets of today in the context of history and what will inevitably happen if we stay on the same course of public and private overspending enabled by the Fed manipulation of interest rates. It is a pretty sobering reminder of where the stock market, treasury and corporate bond markets inevitably will end up if we continue with this status quo approach. I think it is a message we should all hear and remember since I read so frequently that US Treasury Bonds yields can't go too much lower than they are now. You can watch the interview or read the text of the interview at the bottom.

"David Stockman: Austerity Is Not Discretionary" (w/ video) by Alex Daley, Casey Research

July 18, 2012, (<http://www.caseyresearch.com/cdd/david-stockman-austerity-not-discretionary>)

Interview of David Stockman by Alex Daley, Chief Technology Investment Strategist, Casey Research:

Alex Daley: Hello. I'm Alex Daley. Welcome to another edition of Conversations with Casey. Today our guest is former Reagan Budget Director and Congressman David Stockman. Welcome to the show, David.

David Stockman: Glad to be here.

Alex: So we're here in Florida talking at the Recovery Reality Check Casey Summit. What do you think: is the United States economy on the road to recovery?

David: I don't think we are at the beginning of the recovery. I think we are at the end of a disastrous debt supercycle that has gone on for the last thirty or forty years, really. It started when Nixon defaulted on our obligations under Bretton Woods and closed the gold window. Incrementally, year after year since then, we have been going in a direction of extremely unsound money, of massive borrowing in both the private and the public sector. We now have an economy that is saturated with debt: \$54 trillion or \$53 trillion – 3.5 times the GDP – way off the charts from where it was for a hundred years prior to the beginning of this. The idea that somehow all of that debt is irrelevant, as the Keynesians would tell us, is fundamentally wrong – and the reason why the economy can't get up off the mat.

We're doing all the wrong things. We're adding to the problem, not subtracting. We are not allowing the debt to be worked down and liquidated. We're not asking people to save more and consume less, which is what we really need to do. And so therefore I think policy is just making it worse, and any day now we will have another recurrence of the kind of economic crisis we had a few years ago.

Alex: You paint a very stark picture, but if people just stop spending, start saving, won't companies like Apple see their earnings hurt? Won't the stock market then start to tumble, people's net worth fall? Isn't that a negative cycle that feeds on itself?

David: Sure it does, but you can't live beyond your means because it's pleasant. It's not sustainable. Clearly the level of debt that we have is not sustainable. We have a whole generation – the Baby Boom – that's about ready to retire, and they have no retirement savings. We have a federal government that is bankrupt, literally. Its [debt is] \$16 trillion and growing by a trillion a year. Something's going to give. We can't pay for all these entitlements. There won't be the revenue generation in the economy to do it.

So as a result of that, we are deluding ourselves if we think we can just continue to spend. Look at the GDP that came out in the first quarter of this year. It was only 2.2%. Most of it was personal consumption expenditure, and half of that was due to a drawdown of the savings rate, not because the economy was earning more income or generating more real output. It was because of a drawdown of savings. That is exactly the wrong way to go – an indication of how severe the crisis is going to be.

I'm not saying the economy should stop spending entirely. I'm only saying you can't save 3% of GDP and spend 97% if you are going to get out of this fix. As the savings rate goes up both in the public sector (which means reduction of spending and the deficit) and the household sector (to seriously reduce debt burden, which has not really happened) we are going to, on the margin, spend less, save more. It will slow down the economy. It will undermine profits, I agree. But profits today are way overstated. They're based on a debt-bloated economy that isn't sustainable.

Alex: So we can only live beyond our means for so long, as any family knows.

David: Yes.

Alex: Now, the government can reduce its expenses at any time by simply reducing spending, and it can reduce debt if it brings in more tax revenue. That's austerity – I think that's how they refer to it. But won't austerity cause massive joblessness? Won't there be millions more people in this country not receiving a paycheck?

David: Yes, but the critique, the clamoring and clattering that you hear from the Keynesians (or even mainstream media, which is pretty clueless economically) that austerity is bad forgets the fact that austerity isn't an elective course. Austerity is something that happens to you when you're broke. And yes, it is painful and spending will go down and unemployment will go up and incomes will be impaired, but that is a consequence of the excess debt creation that we've had for the last thirty years. So austerity is what happens when you break the rules.

And somehow we have this debate going on. They're making a mistake. They chose the wrong strategy. Do you think Greece chose the wrong strategy with austerity? No. No one would lend them money. That's why they ended up in the place they were. Do you think that Spain today is teetering on the brink because they said, "Oh, wouldn't it be a good idea to have austerity?" No, they had a gun to their head. They were forced to do this because the markets would not continue to lend, and even now their interest rate is again rising. The markets are losing confidence, and unless the ECB prints some more money and bails them out some more, they are going to have austerity. So the austerity upon us is the backside of the debt supercycle we had for the past thirty years. It's not discretionary.

Alex: Austerity hasn't been forced upon us yet. The dollar is up, people are continuing to buy Treasuries – both nations and banks are buying Treasuries. To all extents and purposes, people are continuing to show massive confidence in the US government, lend it money at extremely cheap interest rates, and letting it build up its debt.

So you are advocating that, unlike Greece or Spain taking it to the edge and having austerity forced on them, we should volunteer for austerity today? Instead of just kicking the can down the road and living high a little bit longer, until the bill collectors finally come knocking? Why go today, why start austerity now instead of doing what Greece did and going as long as you possibly can?

David: Because Greece is a \$300 billion economy. Tiny. A rounding error in the great scheme of things. It's – last time I checked – about eight and a half months' worth of Walmart sales. Okay? That's a little different than when you have the \$15 trillion heartland of the world economy, and the \$11 trillion Treasury market which is at the center of the whole global financial system buckle and falter. That's the risk you're taking if you say, "Mañana. Kick the can; let's just wait for something good to happen."

This market isn't real. The two percent on the ten-year, the ninety basis points on the five-year, thirty basis points on a one-year – those are medicated, pegged rates created by the Fed and which fast-money traders trade against as long as they are confident the Fed can keep the whole market rigged. Nobody in their right mind wants to own the ten-year bond at a two percent interest rate. But they're doing it because they can borrow overnight money for free, ten basis points, put it on repo, collect 190 basis points a spread, and laugh all the way to the bank. And they will keep laughing all the way to the bank on Wall Street until they lose confidence in the Fed's ability to keep the yield curve pegged where it is today. If the bond ever starts falling in price, they unwind the carry trade. They unwind the repo, because then you can't collect 190 basis points.

Then you get a message, "Do not pass go." Sell your bonds, unwind your overnight debt, your repo positions. And the system then begins to contract – exactly what happened in September and October of 2008. Only, that time it

was an unwind to the repo on mortgage-backed securities and CDOs and so forth. That was a minor trial run for the great unwind that is going to happen when the Treasury market is finally shattered with a lack of confidence because, on the margin, no one owns a Treasury bond: they just rent it on borrowed money. If the price starts falling, they'll get out of that trade as fast as they got out of toxic CDOs.

Alex: So when people run away from the US, they will run away all at once.

David: Well, if they run away from the Treasury, it sends compounding forces of contagion through the entire financial system. It hits next the MBS and the mortgage market. The mortgage market then scares the hell out of people about the housing recovery, which hasn't happened anyway. And if there isn't a housing recovery, middle-class Main-Street confidence isn't going to recover, because it is the only asset they have, and for 25 million households it's under water or close to under water.

Alex: We saw something much like that in 2008. All the markets correlated. Stocks went down. Bonds went down. Gold went down with them. It sounds like what you're saying is that the Fed is effectively paying bankers to stay confident in the Fed, and that the moment that stops – either because the Fed stops paying them or something else shakes their confidence – this all goes down in one big house of cards?

David: Yes, I think that's right. The Fed has destroyed the money market. It has destroyed the capital markets. They have something that you can see on the screen called an "interest rate." That isn't a market price of money or a market price of five-year debt capital. That is an administered price that the Fed has set and that every trader watches by the minute to make sure that he's still in a positive spread. And you can't have capitalism if the capital markets are dead, if the capital markets are simply a branch office – branch casino – of the central bank. That's essentially what we have today.

Alex: Last night you told our audience that if you were elected president, the first thing you would do is quit. Or at least demand a recount, I believe were your words, which I thought was telling. Are you saying there are no policy changes we could make today that would get us out of this? Or at least that wouldn't get you assassinated?

David: Yeah, there is a paper blueprint. People who believe in sound money and fiscal responsibility, that you create wealth the old-fashioned way through savings and work and effort and not simply by printing money and trading pieces of paper – there is a plan that they could put together. One would be to put the Fed out of business. You don't have to "end the Fed," although I like Ron Paul's phrase. You have to get them out of discretionary, active, day-to-day meddling in the money markets. Abolish the Open Market Committee.

The Fed has taken its balance sheet to \$3 trillion. That's enough for the next 50 years. They don't have to do a damn thing except maybe have a discount window that floats above the market, and if things get tight, let the interest rate go up. People who have been speculating will be carried out on a stretcher. That's how they used to do it. It worked prior to 1914. That's the first step: abolish the Open Market Committee. Abolish discretionary monetary policy.

Let the Fed, if you're going to keep it – I don't even know that you need to do that, but if you are going to keep it – be only a standby source. As Badgett said (Walter Badgett, the great 19th-century British financial thinker): provide liquidity at a penalty rate to sound collateral.

Now, that's what J.P. Morgan did in 1907, in the great crisis of 1907, from his library. He didn't have a printing press. He didn't bail out everybody. He didn't do what Bernanke did and say: "Stop the presses, freeze everybody, and prop up Morgan Stanley and Goldman Sachs and all the rest of the speculators." The interest rate, the call-money interest rate, which was the open-market interest rate at the time, some days went to 30, 40, 70% – and they were carrying out the speculators left and right, liquidating margin debt, taking out the real estate speculators. Eight or ten railroads went bankrupt within a couple of months. The copper magnates got carried out on their shields.

This is the only way a capital market can work, but it needs an honest interest rate. And we have no interest rate, so therefore we solve nothing and we have the kind of impaired, incapacitated markets that we have today. They're

very dangerous, because they're all dependent on twelve people. It is what I call "the monetary Politburo of the Western world," and they are just as dangerous as the Politburo in Beijing or the Politburo of memory in Moscow.

Alex: A twelve-person Open Market Committee determining the future of our economy by manipulating rates. Sounds like central planning to me.

David: It is. They are monetary central planners who are attempting to use the crude instrument of interest-rate pegging and yield-curve manipulation and essentially buying debt that no one else would buy, in order to keep this whole system afloat. It's Ponzi economics. Anybody who had financial training before 1970 would instantly recognize this as Ponzi economics. It is only because of the last twenty years we got so inured to prosperity out of the end of a printing press and massive incremental debt that people lost sight of the fundamental principles of sound money, which, there's nothing arcane about it. It's just common sense. It is not common sense to think that 50, 60, 70% of all the debt that's being created by the federal government can be bought by the Federal Reserve, stuffed in a vault, and everybody can live happily ever after.

Alex: So the government has certainly put us in a precarious position, but I don't think they alone have put America in this position, have they? You mentioned consumer debt becoming a major burden on the economy. How do we shed ourselves of that? I mean, the federal government can repudiate its debts if we walk away from it. We might see a few wars or something from that. It could inflate its way out of it. It can tax its way out of it. But how do households get out from under the debt burden that they have today?

David: Well, it's very tough, and they were lured into it by bad monetary policy when Greenspan panicked in December 2000. The interest rate was 6.5%; we had an economy that was threatened by competitors around the world. We needed high interest rates, not low. He panicked after the dot-com crash, and as you remember in two years they took the interest rate all the way down to 1%, and they catalyzed an explosion of mortgage borrowing, which was crazy.

When they cut the final rate down to 1% in May, June 2003, in that quarter – the second quarter of 2003 – the run rate of mortgage borrowing was \$5 trillion at an annual rate. That was nuts! There had never been even a trillion-dollar annual rate of mortgage borrowing previously. In that quarter the run rate was \$5 trillion, 40% of GDP. Why? Because the Fed took the rate down to 1%. Floating-rate product got invented everywhere. Anybody that had a pulse was being given mortgage loans by the brokers. The mortgage brokers didn't have any capital or funding. They went to Wall Street. They got warehouse lines, and the whole thing got out of control. Millions of households were lured into taking on debt that was insane, and now we have a generation of debt slaves.

There are 25 million households in America who couldn't move if they wanted to, because their mortgages are under water. They cannot generate a down payment and the 5% or 6% broker fee that you need to move. So we've got 25 million households immobilized, paralyzed, and worried every day about when they are going to lose property, because of what the Fed did. It's a terrible indictment.

Alex: Mobility itself is the American dream, isn't it? It's the ability to pick up and find work and then move and do all that. So now we have people who are slaves to their debt. How do we get ourselves out of this? Is this just a matter of personal financial discipline? Is there a policy move that can happen?

David: It's policy. If we don't do something about the Fed, if we don't drive the Bernankes and the Dudleys and the Yellens and the rest of these lunatic money-printers out of the Federal Reserve and get it under the control of people who have at least a modicum of sanity, we are just going to bury everybody deeper.

It's unfortunate. The American people are as much a victim of the Fed's massive errors as anything else. People were not prudent when they took on debt at 100% of the peak value of their property at some moment in 2004 and 2005. They were lured into it. But now we're stuck with something that didn't need to happen.

Alex: The Federal Reserve was founded in 1914, and it saw America through World War I, World War II. It saw America through Vietnam, saw America through the biggest boom in the economic history of the world. Yet now, today, you are calling for the abolishment of the Fed. Wasn't the Fed here the entire time that America was a prosperous, growing, wealthy, technology-driven nation? What's changed?

David: The greatest period of growth in American history was 1870-1914 – the Fed didn't exist. Right after 1870, when we recovered from the Civil War we went back on the gold standard. It worked pretty well. World War I was a catastrophe for the financial system. The Fed financed it, but I don't give them any credit for that, okay? We shouldn't have been in that war. It was a stupid thing to get involved in. But once we got involved in it, the Fed printed money like crazy, it facilitated borrowing, set the groundwork for the boom of the 1920s and the collapse of the 1930s.

Even then though, we had great minds who coped with reality in a pragmatic way in the Fed. Even Marriner Eccles wasn't all that bad. He stood up to Truman in 1951, when Truman wanted to force the Fed to continue to peg interest rates at 2% or 2.5% when inflation was 5%. Then we had William McChesney Martin: brilliant, pragmatic. He wasn't some kind of gold-standard guy in a pure sense, but a pragmatic guy who understood that prosperity had to come out of private productivity, out of investment, out of risk-taking, and the Fed had to be very careful not to allow speculation to start or inflation to get ignited. In 1958, he invented the phrase, "The job of the Fed is to take the punchbowl away." And we had a small recession. Six months after the recession was over he was actually raising the margin rate on the stock-market loans in order to quell speculation, and raising interest rates so that the economy didn't start to inflate again.

Now that was the regime we had until, unfortunately, Lyndon Johnson came along with his "guns and butter," took William McChesney Martin down to the ranch, and beat the hell out of him and forced him to capitulate. But here's the point I would make: In 1960, at the peak of what I call the golden era – the twilight of fiscal and financial discipline – we had \$30 billion on the balance sheet of the Fed. It had taken 45 years to build that up. Then, as they began to rapidly expand the balance sheet of the Fed during the inflation of the '70s and the '80s, even then it took us until September 2008 – the Lehman collapse – to get to \$900 billion. Had the balance sheet only grown at 3%, which is what the capacity of the economy to grow, I think, really is, it would have been \$300 billion, so they were overshooting.

Alex: We're three times where we should be.

David: Where we should have been by the Lehman crisis event. In the next seven weeks, this crazy lunatic who's running the Fed increased the balance sheet of the Fed by \$900 billion, in seven weeks. In other words, they expanded the balance sheet of the Fed as rapidly in seven weeks as it had occurred during the first 93 years of its existence. And that's not all, as they say on late night TV: in the next six weeks they added another \$900 billion. So in thirteen weeks they tripled the balance sheet of the Fed.

Alex: Wow, that's an incredible...

David: So no wonder we are in totally uncharted waters, and it's being run by people who are clueless as to how to get out of the corner they've painted this country into. They really ought to be run out of town on a rail.

Alex: I think you'd find that a lot of our viewers would agree with you on that one. You know, the average American is suffering. It looks like the average American is going to have to suffer more to get us out of this, but it seems like the only thing the Fed is interested in these days is propping up the stock market. Why is that? Where does that come from?

David: The Fed has taken itself hostage with this whole misbegotten doctrine of wealth effects, which was created by Greenspan. In other words, if we get the stock market going up and we get the stock averages going up, people feel wealthier, they will spend more. If they spend more, there is more production and income and you get a virtuous circle. Well, that says you can create wealth through speculation. That can't be true, because if it is true, we should have had a totally different kind of system than we've had historically.

So they got into that game, and then the crisis came in September, 2008. They panicked and pulled out the stops everywhere. As I said, tripled the balance sheet in thirteen weeks, [compared to what] they had done in 93 years. They are now at a point where they don't dare begin to reduce the balance sheet, begin to contract, or they'll cause Wall Street to go into a hissy fit. They are afraid to death of Wall Street going into a hissy fit, **so essentially, the robots and the boys and girls and the fast-money traders on Wall Street run the Fed indirectly.**

Alex: So, in the 1960s, the Fed is taking away the punchbowl. Sounds like in 2010 the Fed is the one adding the alcohol. They are afraid to stop, lest everybody riot.

David: Yes, they got the party going, and they're afraid to stop it. As a result of that you have a doomsday machine.

Alex: At some point we are going to be forced to stop. Market forces will kick in and Europe and China and India will stop lending us money.

David: Yes. As I say, when the crisis comes in the Treasury market, it will be the great margin call in the sky. They'll start unwinding all of the carry trades, all of the repo. Asset prices generally will be affected, because this will ricochet and compound through the system.

Alex: When does this happen?

David: People looked at the housing market and the mortgage market way back in 2003 – there were some smart people looking at this. They looked at the run rate of gross mortgage issuance, the \$5 trillion I was talking about, and said: "This is insane, this is off the charts, this is so far beyond anything that has ever happened before, something bad is going to come of this." It's obvious, if you pour debt into markets... I mean a lot of people leveraged 98%, or whatever they were doing at the time with so-called mortgage insurance, and just high loan to value ratios. They were driving up prices, and so there was a housing-price boom going on. It was sucking the whole middle class into speculation. So that's the nature of the system, and now they don't know how to unwind it.

Alex: That's a pretty stark picture. So as an individual investor, what are we to do? How do we protect ourselves in this type of situation? Should I be owning bonds and staying out of stocks? Should I be owning stocks?

David: No, I would stay out of any security markets. These are unsafe markets at any speed. It's all tied together. As I was saying when the great margin call comes and they start selling the Treasury bond, they'll take everything else with it. Real estate is priced off Treasuries. Mortgaged-backed securities are priced off Treasuries. Corporates are priced off Treasuries. Junk bonds are priced off Treasuries. Everything. The stock market will go into a panic. We don't know when the timing will come – we've never been in a world where there is \$15 trillion worth of central-bank balance sheets, like we have today. The only thing I think you can conclude is preservation is the only thing you are about as an investor. Forget about yield. Forget about return. Just keep yourself liquid and preserve your capital, because you can't predict the day when, as I say, the great margin call in the sky comes down.

Alex: So if it's not about coming out ahead, it's about coming out not behind everybody else. It's just losing a little less. What's the most effective way to do that? Do you want to hold cash? Alternative options?

David: Yes. I don't even think there's nothing wrong with owning Treasury bills. I mean, if you want to get, for a one-year Treasury, what is the thing now? Twenty basis points or something?

Alex: So when the great Treasury crash comes, I should own Treasury bills?

David: Well, it doesn't mean the price of the Treasury is going to crash, no.

Alex: Okay, so we are just going to see interest rates skyrocket on new issues. The US government is not going to be able to borrow.

David: That's why you're short. If you're in a thirty-day piece of paper, you're not going to lose principal.

Alex: What happens to the dollar in all of this? If I'm holding dollar denominated assets –?

David: Well, the dollar, in theory, people would think is going to crash. I don't think it is because all the rest of the currencies in the world are worse.

Alex: So once again, America is not that bad off.

David: Well, we're bad off because when the financial markets reprice drastically, it's going to have a shocking effect on economic activity. It's going to paralyze things. It's going to finally cause consumption to come down. It's going to cause government spending to be retracted.

You know, the Keynesians are right. Borrowing does add to GDP accounts. But it doesn't add to wealth. It doesn't add to real productivity, but it does add to GDP as it's calculated and published – because GDP accounts were designed by Keynesians who don't believe in a balance sheet. So they said, "If the public sector and the household sector are borrowing, let's say, \$10 trillion next year, run it though GDP, you'll get a big bump to GDP." But sooner or later your balance sheet will collapse. They forgot about that one. So my point is that we've gone through a thirty-year expansion of the balance sheet, an artificial growth in GDP; now we're going to have to be retracting the collective balance sheets. That means that GDP will not grow. It may even contract, and no one's prepared for that.

Alex: So the economy will collapse. The dollar will be okay, because we still need a medium of exchange and the dollar is the least-bad currency in the world. How does gold fit into the picture? Do you think that gold is a good asset?

David: Yes, I think that gold is a good asset. It's the only currency that anybody is going to believe in after a while.

Alex: Okay, so maybe hold that as an insurance policy. Do you own gold yourself?

David: Yes, as an insurance policy.

Alex: Where else do you invest in today?

David: I'm preserving capital. I'm in cash. I don't think the risk of the system is worth it.

Alex: So you are practicing what you preach, 100%?

David: Yes.

Alex: That's great. It's good to hear. This is excellent advice for our subscribers as well, to consider that there's a lot of potential energy built up in the system. You've articulated it well, a lot of painful policy moves ahead of us, and probably something that makes 2008 look like a preview, if you will.

David: It was just a warm-up.

Alex: Just a warm-up. Thank you very much.

David: Thank you.

20120720-10

15:50 Pam

Re: "David Stockman: Austerity Is Not Discretionary" (reply to Dennis, above)

OK. I think I understand maybe 2/3 of this. I am persuaded that all the speculation in recent decades has been a very, very bad thing. I had a student once--a kid of 19 or 20--who was day trading and raking in a ton of money. There's something about that that doesn't sit quite right with me. If I understand Stockman correctly, he's saying we need to put the kibosh on speculators, which we could do by letting banks lend money to folks they know and keeping the loans local. I'm so confused about whether the Fed. saved us from a depression or whether it's spinning plates in the air. I generally like what Robert Reich says about the economy: the government needs to spend to put people to work by investing in education, infrastructure, and maybe even some kinds of production (energy). That makes sense to me. Let the private sector take over once the ball gets rolling, as seems to be happening with the space industry. We need a bridge to get from here to there, and it looks to me like government spending is it. But I agree with everything Stockman says about wild speculation and the ridiculous housing

market. Didn't anyone's mother ever talk to them about being "house poor?" There's a greedy streak in most people, I guess. If they can game the system and get an advantage for themselves, they go for it, whether it's good for the community (nation) or not. Of course, government colluded in the great pyramid in the sky by making a fetish of home ownership (which I do believe in BTW). Rather than low-interest mortgages, we should have encouraged people to save up for a downpayment. When my ex- and I bought our first house (modest), the interest rate was 10%, and we didn't blink an eye. Now my husband is considering refinancing our house at 2.99%. I'd love a lower monthly payment, but doesn't this cheap credit just exacerbate the problem? I would really love to see Stockman and Reich sit down and discuss all this.

[20120720-12](#)

16:30 Dennis

Re: "David Stockman: Austerity Is Not Discretionary" (reply to Pam,
above)

None of Stockman's analysis is new to me since I've been reading all of this for the past ten years in investment newsletters, mostly written by libertarians. My only bone to pick with him is his discrediting or dismissing pro-stimulus (or anti-austerity) economists as being Keynesians. As I have written before, I believe Keynesian theory would have consisted of building up a surplus in prosperous times and not just borrowing (pump-priming) during recessions. From what Stockman is saying, he should agree with at least the first part and would be a semi-Keynesian (or half-ass Keynesian, if you prefer).

[20120720-13](#)

16:43 Pam

Re: "David Stockman: Austerity Is Not Discretionary" (reply to Dennis,
above)

That makes sense. Some days the whole human race seems more like Keystone Kops than Nobel laureates. It's a wonder we manage to accomplish anything.

[20120720-14](#)

17:22 SteveB

Fw: MoveOn Petition: Stand Against Gun Violence!

from MoveOn:

We all woke up to the tragic news of the killing of at least 12 people and the wounding of many more at a late-night screening of the new Batman movie in Colorado.

Reports indicate that the disturbed individual who committed this horrifying act had a bulletproof vest, used some kind of gas canister, and had multiple guns when he opened fire in the crowded theater.¹ A three-month-old is among the injured.²

We are immeasurably sad for those who lost their lives, those wounded, and their families—and for all those who experienced the horror of those terrible moments. Let our thoughts and prayers go out to them today.

We're also so angry. From children's lives lost in school shootings, to Trayvon Martin, the Representative Gabrielle Giffords attack, and this latest slaughter of innocents, we are not safe from gun violence.

Mayors Against Illegal Guns has been campaigning to put a stop to senseless gun violence like this with commonsense measures, like fixing gun checks to keep guns out of the hands of dangerous people. They've started a petition in SignOn.org to demand action on ending gun violence.

Sadly, it often takes moments like these to bring politicians to their senses about guns. And while signing a petition seems so inadequate in the face of what happened last night, it's important to do what we can. Today that means taking a small step toward preventing this kind of tragedy from happening again.

Sign the Mayors Against Illegal Guns petition to our leaders: "Join me in standing with the victims and families of the Aurora, Colorado shooting and pledge to end gun violence."

<http://www.signon.org/sign/stand-with-the-aurora?source=homepage>

The people who died at the Colorado theater last night are only 12 of the 34 people statistics tell us will die from gun violence today—and among 19,000 murdered with guns since the attack on Representative Giffords in Tuscon.³

And yet today isn't about statistics. It's about the pain of human loss—the loss suffered by the community of Aurora, Colorado. And the losses to gun violence suffered today and every day by other communities, whose tragic stories won't be covered on the news.

It's in the power of Congress to greatly reduce these senseless shootings and make tragedies like today's far less possible. They can start by enacting commonsense measures, like fixing giant loopholes in gun checks, that are supported by the vast majority of Americans—including gun owners.⁴

Let our anger today help give them the courage to act tomorrow.

Sign the Mayors Against Illegal Guns petition to our leaders: "Join me in standing with the victims and families of the Aurora, Colorado shooting and pledge to end gun violence."

The strength and support we draw from our friends, families, and communities are never more important than on days like today.

Thanks for all you do. —Justin, Robin, Ryan, Elena, and the rest of the team

Sources:

¹"Gunman turns movie into surreal horror: 'This is real,'" CNN, July 20, 2012,
<http://www.moveon.org/r?r=277858&id=46725-20195165-XVgYQGx&t=3>.

²"Gunman turns Batman screening into real-life 'horror film,'" CNN, July 20, 2012,
<http://www.moveon.org/r?r=277863&id=46725-20195165-XVgYQGx&t=4>.

³"Background Checks," Mayors Against Illegal Guns, accessed July 20, 2012
<http://www.moveon.org/r?r=277860&id=46725-20195165-XVgYQGx&t=6>.

⁴"Poll: Majority Of Americans, Including Gun Owners, Support Tougher Restrictions," The Huffington Post, January 18, 2011, <http://www.moveon.org/r?r=277861&id=46725-20195165-XVgYQGx&t=7>.

20120720-15	18:56	Art	Fw: Change.org Petition: Remove Michele Bachmann from the Intelligence Committee
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This is one we can all get behind. My reasoning was the contradiction in terms Bachmann - Intelligence???

<http://www.change.org/petitions/us-house-of-representatives-remove-michele-bachmann-from-the-intelligence-committee>

20120721-01	19:34	SteveB	"Is It or Isn't It? The Higgs Boson Story"
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"Is It or Isn't It? The Higgs Boson Story" by Brian Dodson, Gizmag

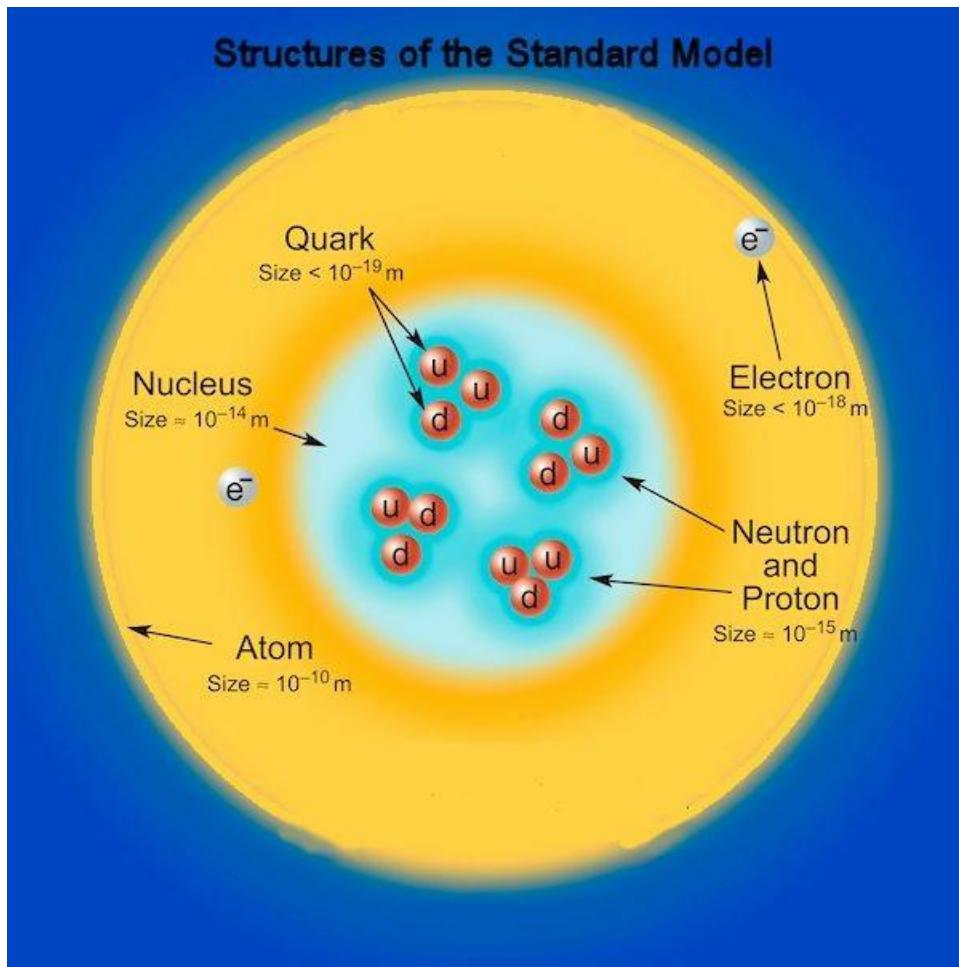
July 16, 2012, (<http://www.gizmag.com/higgs-boson-cern-alternative-particle/23319/>)

The recent discovery at the Large Hadron Collider (LHC) of the European Organization for Nuclear Research (CERN) of a massive particle "consistent with" the predicted properties of the Higgs boson hit the news with the force of a

hurricane. But the phrase "consistent with" suggests that the CERN observation may also be "consistent with" other types of particle. Is it or isn't it? We're going to attempt to clarify the situation for you.

Before we start, let's get rid of one widespread misconception being thrown about by the news media. The Higgs boson is often called the God particle (but never by scientists). The reason for that moniker is that Leon Lederman, Director Emeritus of Fermilab and Nobel Prize winner, wrote a popular book on the Higgs boson. He wanted to call the book "The Goddamn Particle" because of the difficulty and expense of finding the Higgs, but the publisher thought that sales might suffer. The publisher then suggested "The God Particle" as an alternative, to which Lederman eventually acceded. The name is thus a response to a bad joke, rather than an indication of spirituality or divine origin.

[Read more at Gizmag...](#)



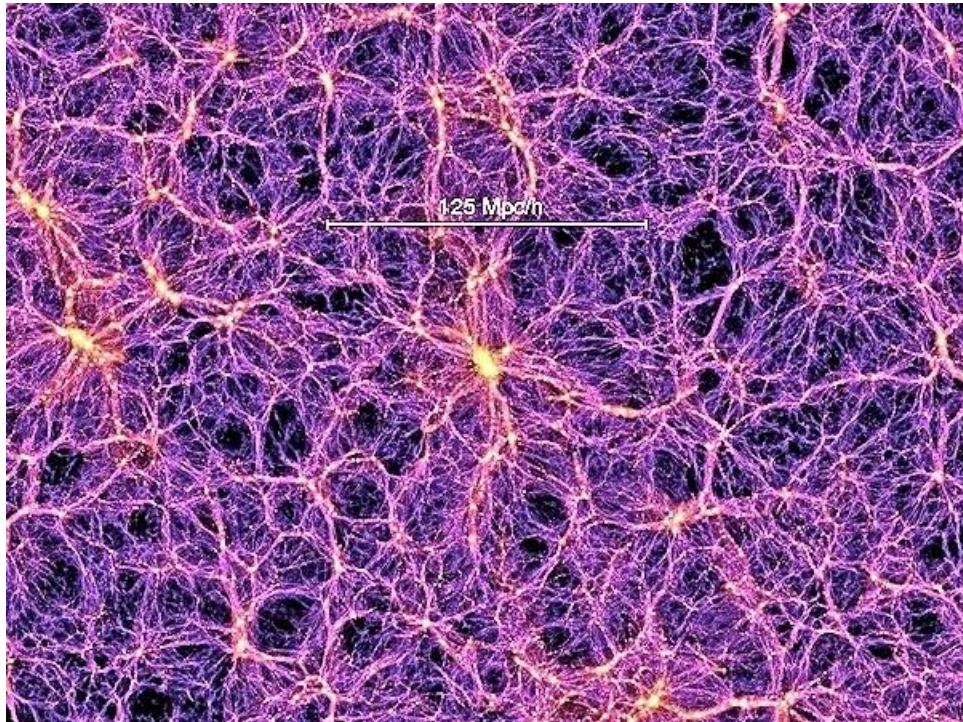
20120721-02 19:41 SteveB "Dark Matter Filaments Detected for the First Time"

["Dark Matter Filaments Detected for the First Time" by Brian Dodson, Gizmag](#)

July 14, 2012, (<http://www.gizmag.com/dark-matter-filaments-found/23281/>)

For the first time, a team of astronomers has "observed" a filament of dark matter connecting two neighboring galaxy clusters. Dark matter is a type of matter that interacts only very weakly with light and itself. Its very nature is mysterious. Mapping the dark matter filament's gravity was the key to the breakthrough. The result is considered a crucial first step by scientists. It provides the first direct evidence that the universe is filled by a lacework of dark matter filaments, upon which the visible matter in the universe is distributed like small beads.

[Read more at Gizmag...](#)



A view of the distribution of dark matter in our universe, based on the Millennium Simulation. The simulation is based on our current ideas about the universe's origin and evolution. It included ten billion particles, and consumed 343,000 cpu-hours (Image: Virgo Consortium)

20120722-02 07:04 Marci Video: Cool French Commercial

<http://vimeo.com/29416289>

20120722-03 16:48 SteveB Videos: Charo (to Marci)

<http://www.youtube.com/watch?v=mfvf7N8CJEA>

<http://www.youtube.com/watch?v=K1kOlWkjEHo>

[20120722-05](#)

17:11 SteveB

Passion Fruit (to Marci)

http://en.wikipedia.org/wiki/Passiflora_edulis



I love you!

[20120722-04](#)

17:04 SteveG

Graphic: Capitalism Isn't Working!



**CAPITALISM
ISN'T WORKING.**

SETSEBOCK

[20120722-06](#)

23:12 SteveG

Franklin D. Roosevelt Speeches

Bookmark the below site, take the time to read the texts of speeches. A couple of you will.

<http://publicpolicy.pepperdine.edu/faculty-research/new-deal/roosevelt-speeches/>

20120722-07 23:59 SteveB Photo: Cookies!

<http://www.fanpop.com/spots/cookies/images/161527/title/cookie-photo>



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

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