



FRIENDS OF THE MIDDLE NEWSLETTER #247 — OCT. 15, 2012

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An Interesting Little Ride Over the Cliff

(posted by Steven W. Baker / SteveB, Oct. 15, 2012)

No matter what happens in the election, you can be pretty sure than neither side is going to win a convincing victory. So, barring some unforeseen miracle, the Tea Party will get their dream Christmas present, and all the rest of America will lose. The death of compromise and reason are not without consequence for the nation.

"How January's Fiscal Cliff Turns Into a Gentle Hill by February (or March)" by Robert Reich, NationofChange

Oct. 13, 2012, (<http://www.nationofchange.org/how-january-s-fiscal-cliff-turns-gentle-hill-february-or-march-1350096153>)



These are awkward days for deficit hawks who believe the American economy can get back to health only if the nation gets its fiscal house in order. If they get their wish, the economy goes over a cliff.

Regardless of what happens Election Day, at the beginning of next year more than \$600 billion in tax increases and spending cuts automatically go into effect. That's equivalent to about 5 percent of the entire U.S. economy, more than the projected growth of the whole gross domestic product next year.

The problem is, if we fall off this fiscal cliff we plunge into recession. That's because the cliff withdraws too much demand from the economy too quickly, at a time when unemployment is still likely to be high.

The Congressional Budget Office projects real economic growth will drop at an annual rate of 2.9 percent in the first half of 2013, and unemployment will rise to 9.1 percent by the end of next year.

As Spain and Great Britain have demonstrated, launching fiscal austerity at a time when a nation's economic capacity is substantially underutilized causes the economy to contract. This makes the debt even larger in proportion to the size of the economy. Rather than reassure global lenders and investors, it spooks them more.

America is about to fall off the fiscal cliff because Democrats and Republicans in Congress haven't been able to agree on a plan for long-term deficit reduction – and this failure will trigger automatic spending cuts in January. Meanwhile, the temporary tax cuts enacted by former President George W. Bush in 2001 and 2003, and extended for two years by President Obama, will run out December 31st, as will the President's temporary jobs measures – a payroll-tax holiday and extended unemployment benefits.

In a rational world, deficit reduction on this scale wouldn't happen until the economy is once again healthy – when unemployment has dropped to below 6 percent and economic growth is back to at least 3 percent. These would be sensible triggers.

But hyper-polarized Washington hasn't shown itself capable of rational behavior. Democrats and Republicans have been so much at each others' throats that whenever one side senses the other wants (or fears) something more, the party that doesn't want or fear it as much has a bargaining advantage in an ongoing game of chicken.

This is why the nation is heading over the cliff – or, more accurately, appears to be heading that way. Congressional Democrats have concluded Republicans are more afraid than they are of going over it because the pending tax increases will fall most heavily on America's wealthy, and half the spending cuts would come out of the defense budget. (Republicans, you may have noticed, are particularly solicitous of the wealthy and of defense contractors.)

So most Democrats have decided to wait it out in order to maximize their bargaining power in negotiations over how to reduce the long-term deficit. They want a deal that raises taxes only on America's wealthy and doesn't substantially alter Medicare, and Social Security — which is the opposite of what Republicans want.

Democrats also reason that, once the Bush tax cut has been terminated, Republicans won't be able to resist an offer to reduce taxes on the middle class (those earning \$250,000 or less). After all, Republicans have pledged to vote for any and all tax cuts. Once Democrats get the best deal they can, they'll make it retroactive to January 1.

As a practical matter, then, negotiations over America's budget deficit will drag on into the new year, right over and beyond the fiscal cliff. A deal might not be struck until February, or even March.

But because everyone will know that the final compromise won't be nearly as draconian – and is going to be retroactive to the start of the year — the cliff won't feel like much of a cliff. In actual effect it will be more like a hill whose slope remains uncertain but will almost surely be gradual.

With any luck, by the time significant tax increases and spending cuts take permanent effect, unemployment will already have dropped and growth accelerated. In other words, the irrational and irascible American political process may come up with a timetable for reducing the budget deficit that's surprisingly sensible.

FotM NEWSLETTER #247 (Oct. 15, 2012)—HYPERTEXT INDEX

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House-made spicy remoulade sauce, butter lettuce, sliced heirloom tomatoes - each one slice a different variety - with über-fresh alligator chunks deep, deep fried to crunchy crispiness, served on traditional Hoagie roll, golden-baked tater wedges with tasty house-made slaw, and a garnish of pickled green beans. Delicious! And every morsel as fresh as fresh can be. Very fresh alligator is very mild, and to me, tastes more like very un-fishy fish that has the texture of chicken. Quite tasty, and because it is so mild, probably works well with almost any cuisine's seasonings. Of course, Cajun alligator preps are a US tradition, and with the spicy remoulade, that's what we had here: as beautiful as it was fine eating, Chef Kelly put a visual delight on my plate:



from Esther Kipkalya:

Hello My Dear One,

How are you doing today , Hope you are in perfect condition? Please i apologies with you to exercise a little patience and read through my letter, i feel quite safe dealing with you in this important business , i know my letter will come to you as a surprise because we have never meet for the first time, but i really like to have a good relationship with you because i have a special reason why i decided to contact you, I decided to contact you due to the urgency of my situation here, My name is Esther Kipkalya Kones, 25yrs old female originated from Kenya in East Africa.

My Father was the former Kenyan Road Minister and Assistant Minister of Home Affairs Lorna Laboso had been on board the Cessna 210, which was headed to Kericho and crashed in a remote area called Kajong'a, in western Kenya, After the burial of my beloved father, my wicked stepmother and uncle conspired there self together and sold my father's property which the shared the money among themselves and live nothing for me, fortunately one faithful morning, as i was cleaning my late father bed room i found an important documents which my late beloved father use to deposit huge amount of money in one bank in Burkina Faso with my name as the next of kin so i travelled to Burkina Faso since is a nearby country to withdraw the money for a better life so that i can take care of myself and start a new life.

But on my arrival to the bank in Burkina Faso, the Branch Manager of the Bank whom i met in person told me that my father's instruction to the bank is that the money would only be release to me when i am married or present a trustee foreigner who will help me invest the money overseas, i am in search of an honest and reliable person who will help me and stand as my foreign trustee so that i will present him to the Bank for transfer of the money to his bank account overseas and i have chosen to contact you after my prayers and i believe that you will not betray my trust.

You may wonder why i am so soon revealing myself to you without knowing you, To me i will say that my spirit and mind convinced me that you may be the true person to help me, I will like to disclose much to you if you can help me to relocate to your country because my stepmother have threaten many times to assassinate me due to her wickedness and jealousy's because she has no issue for my father since she was married after the accident that killed my mother years back, The amount of the money deposited is(\$8.5 USD) Million United State Dollars, the Branch manager whom i met in person have confirmed to me that the money is there and that i am the next of kin but the only thing he told me is that my father's instruction to the bank is that the money would only be release to me when i present a trustee foreigner who will help me and invest the money overseas, and he advice me to look for a honest and reliable person who will represent me as my trustee so that their bank will release the money to me.

However, you will help by recommending a nice University in your country so that i can complete my studies. It is my intention to compensate you with 40% of the total money for your efforts and kindness services and the balance shall be my capital investment in your country. As soon as i receive your positive response showing your interest i will inform the bank that i am ready to present a foreign trustee who will receive the fund on my behalf.

Please i want you to keep this only to your self for now until the bank transfer the fund. I beg you not to disclose it till i come over because i am afraid of my stepmother who has threatened to kill me and have the money alone ,I thank God today that am out from my country (KENYA) but now In (Burkina Faso) where the money is deposited.

Thanks for your patient and understanding hope to hear from you .God Bless you.

Yours forever friend, Miss Esther Kipkalya Konse



Touches the heart! This is a worthwhile story. Please read it to the end. It has a powerful message for us all.

[Source of original email unknown. -SteveB]

This is for all the grandfathers out there and anyone who's ever had one.

Last week, I took my grandchildren to a restaurant. My six-year-old grandson asked if he could say grace. As we bowed our heads he said, "God is good, God is great. Thank you for the food, and I would even thank you more if Grandpa gets us ice cream for dessert. And liberty and justice for all! Amen!"

Along with the laughter from the other customers nearby, I heard a woman remark, "That's what's wrong with this country. Kids today don't even know how to pray. Asking God for ice cream! Why, I never!"

Hearing this, my grandson burst into tears and asked me, "Did I do it wrong? Is God mad at me?"

As I held him and assured him that he had done a terrific job, and God was certainly not mad at him, an elderly gentleman approached the table. He winked at my grandson and said, "I happen to know that God thought that was a great prayer."

"Really?" my grandson asked.

"Cross my heart," the man replied.

Then, in a theatrical whisper, he added (indicating the woman whose remark had started this whole thing), "Too bad she never asks God for ice cream. A little ice cream is good for the soul sometimes."

Naturally, I bought my grandchildren ice cream at the end of the meal.

My grandson stared at his for a moment, and then did something I will remember the rest of my life.

He picked up his sundae and, without a word, walked over and placed it in front of the woman. With a big smile he told her, "Here, this is for you. Shove it, you grouchy old witch!"

Touches the heart, don't it? ;-(())

20121014-02 11:13 SteveB "Why Conservatives Don't Really Want the U.S. to Run Like a Business"
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"Why Conservatives Don't Really Want the U.S. to Run Like a Business" by Jordan Weissmann, *The Atlantic*

Oct. 14 2012, (http://www.theatlantic.com/business/archive/2012/10/why-conservatives-dont-really-want-the-us-to-run-like-a-business/263496/?google_editors_picks=true)

Earlier this week, Florida timeshare mogul David Siegel sent an email to his company's 7,000 employees imploring them to vote for Mitt Romney. He didn't quite threaten their jobs; instead, Siegel argued that if Obama raised taxes on the wealthy any time in the next four years, it would be so devastating that'd he'd be forced to start laying people off. The letter was published on Gawker, and now Siegel, never a bashful sort -- he and his wife are building a 90,000-square-foo house they've nicknamed Versailles, after all -- has explained himself to Bloomberg *Businessweek*.

"If only businessmen voted in the election, Romney would win 99 to 1," he told the magazine. "The United States is like a big company, and we need a CEO to run it."

This is a curious metaphor that's worth pondering for a bit. Republicans are fond of saying government should run more like a business, which presumably means it should keep an eye on costs and strive to balance its budget, even if that means cutting services we all like. They repeat this nostrum often enough that "The Daily Show" dedicated a whole segment to skewering the idea. (Spoiler: we're firing Wyoming.)

But running the whole country as a business? That's a different notion altogether, and one that would probably require abandoning some very dear conservative principles.

Think, for a moment, about what corporations are. They exist to make a return for shareholders and are generally managed from the top down. Every few months, a CEO has to ask themselves: "Are my investors richer than they were four quarters ago?" If the answer is yes, chances are they've done their job. If the answer is no, it's their obligation to cut costs and boost revenue. Once the boss comes up with a strategy for making it happen, it's everybody else's task to implement it.

Upshot: They're dictatorships that turn a profit.

This is not how most people envision the United States, thankfully, and especially not conservatives. We're a messy democracy that leaves much in our economy up to chance (or, if you prefer, the market). There's no official growth target for the economy. The Federal Reserve can set all the employment benchmarks it wants, and nobody else is required to play along. Congress can tell the president to take his jobs plan and shove it. Corporations can take tax cuts designed to spur hiring and spend them on fat dividend checks for shareholders instead.

Tim Cook, by contrast, doesn't have to worry about Apple's R&D department using its design budget on catering.

There are countries out there that do run themselves more like businesses. We just don't emulate them. They have heavy-handed industrial policies geared at cultivating individual sectors of the economy while keeping employment and trade surpluses high. China sets explicit targets on everything from GDP to education to the number of movie screens around the country, then helps make it happen by directing banks to hand out low interest loans to state-owned enterprises. Once upon a time, Japan's powerful government bureaucrats helped transform their country into the world's most fearsome exporter. We started calling their corporate giants "Japan, Inc."

This all may sound vaguely familiar to you. With his clean energy programs and proposals to subsidize manufacturing, President Obama has pursued a diet version of these industrial policies. But even those relatively modest stabs at industrial policy have gotten push-back, most of all from Republicans. The majority of Americans, for better or worse, don't really seem to want the United States to run like a business. Nor, I imagine, does David Siegel.

20121014-03 12:28 SteveB "Who Hijacked the World's Greatest Economy?"

"Who Hijacked the World's Greatest Economy?" by Thomas Magstadt, NationofChange

Oct. 14, 2012, (<http://www.nationofchange.org/who-hijacked-world-s-greatest-economy-1350221836>)

Revolutions typically start with a theory and talk and transition into practice and political action. They almost always end in disaster for the societies they disrupt and the economies they destroy. That's the story of the French Revolution and Russia's October Revolution, but not the American Revolution, which had a happier ending – until now.

What we are currently witnessing looks worryingly like the end of the American Dream for most of us and, in a real sense, the last act in the America Revolution. What started back in 1776 remained a work in progress until a) the Civil War freed the slaves; and b) women and African-Americans finally won the right to vote after World Wars I and II, respectively. But, within a decade of extending the franchise, preparations to undermine its effects – and prevent the wider distribution of wealth it implied – were in full swing.

It started with two University of Rochester business-school professors, Michael Jensen and William Meckling, and a theory – the so-called "Theory of the Firm" published in the obscure, academic *Journal of Financial Economics* in 1976. It debunked the old corporate model as unsuited to the new realities of the emerging global economy; and it offered a new model that called for a wholesale restructuring of the corporate commanding heights of the economy. The declining competitiveness of US business and industry was proof the old model was no longer working. It found the separation of ownership and management to be at the heart of the problem and the underlying cause of poor strategic planning and operations. CEOs were too quick to make concessions to unions, not cost-conscious enough, and too reluctant to streamline operations, adopt new technologies or adapt to globalization.

When the managers and owners are one and the same, they can move fast, do whatever they please, and aren't accountable to anyone. All you need is "leverage" (lots of privately borrowed money). Out of this theory sprouted the seedlings that grew into today's corporate raiders – the private equity firms like Bain Capital and investment-bank behemoths like JP Morgan and Goldman Sachs.

And now that the bubble has burst and the middle-class has been made to pay for billion dollars worth of bailouts to banks and major corporations, now that hundreds of factories have been closed and thousands of jobs lots, now

that foreclosures have disrupted the lives of families from coast-to-coast – now the old white titans of industry have the audacity – nay, the indecency – to blame a black man, Barack Obama, for everything.

Everything.

To say it's irresponsible of the financial wheeler-dealers who caused the problem is a gross understatement. These are the very individuals who got rich by jumping on the high-speed train that took the American economy from a model of profitability based on quality products and competitive prices to one based on leveraged transactions – mega-million dollar deals made behind closed doors with no accountability to any public authority.

This transformation ultimately led us to the derivative economy that crashed within a period of less than a quarter of a century. We have Wall Street, along with the Harvard Business School and guys like Willard Mitt Romney to thank for the reinventing of the US economy, financialization of business, and the so-called "Third Industrial Revolution". And, by the way, Barack Obama had nothing to do with it.

Nothing.

Romney's private equity fortune amassed during his tenure as Bain Capital's boss is only one example of how business in the US was transformed from organization-based (corporations that lived and died by the quality of the products and services they provided) to transaction-based ("consulting firms" engaged in private deal-making to avoid regulation and transparency, hostile takeovers, leveraged buy-outs, restructuring schemes, lay-offs, and ruthless pursuit of quick profits). It's a transformation that made a few people very, very rich, and put most of us very, very much at risk – our homes, jobs, savings, and pensions. If Obama is to blame for anything it's for talking about hope in 2008 at a time when millions of Americans – poor and middle class alike – were about to lose it.

In the brave new economy the only thing that defines success or failure is the bottom lines for the investors and owners (one and the same) of ephemeral companies constantly moving across an ever-changing commercial landscape and providing no measurable benefit to consumers, workers, or the society they exploit. If anything good and lasting comes out of this election let's hope it's the truth about who hijacked the US economy and how they did it. Never mind why (greed is nothing new). The key to finding a solution is understanding the problem.

20121014-04	12:43	Bill	Reunion in Greencastle
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Forwarding a photo of an impromptu dinner of Greencastellians you know, taken Oct. 12. KenG had come in from Bellingham, WA, and others, including SteveG of Yakima, WA, happened also to be available. KenE and spouse had planned to attend also, but he came down with appendicitis, having the offending item removed that morning. Venue of the dinner was Almost Home, which is on the north side of the square in Greencastle; it was pretty darn good. Rusty's wife Carolyn took the photo.



20121014-05 23:59 SteveB Photo: The Great Gulf, White Mountains, New Hampshire

http://rohland.homedns.org:8008/at/at_NHsection3/AtPicturesAjax.aspx?page=AtPictures4



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

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

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