



## **FRIENDS OF THE MIDDLE** **NEWSLETTER #298 — DEC. 27, 2012**

*Welcome to always lively political discussion and whatever else comes up.*  
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### **'Yes, We Have No Bananas'**

(posted by Steven W. Baker / SteveB, Dec. 27, 2012)

This is not the newest article on the subject, but I think it's still one of the best. I'm going to miss our delicious bananas just as much as I miss old-fashioned tomatoes and watermelons—both nearly forgotten relics of the dead past. "Better living through chemistry." Or should that be "though stupidity"?

"Why Bananas Are a Parable for Our Times" by Johann Hari, Huffington Post

Jan. 7, 2009, ([http://www.huffingtonpost.com/johann-hari/why-bananas-are-a-parable\\_b\\_156102.html](http://www.huffingtonpost.com/johann-hari/why-bananas-are-a-parable_b_156102.html))



Below the headlines about rocketing food prices and rocking governments, there lays a largely unnoticed fact: bananas are dying. The foodstuff, more heavily consumed even than rice or potatoes, has its own form of cancer. It is a fungus called Panama Disease, and it turns bananas brick-red and inedible.

There is no cure. They all die as it spreads, and it spreads quickly. Soon - in five, 10 or 30 years - the yellow creamy fruit as we know it will not exist. The story of how the banana rose and fell can be seen a strange parable about the corporations that increasingly dominate the world - and where they are leading us.

Bananas seem at first like a lush product of nature, but this is a sweet illusion. In their current form, bananas were quite consciously created. Until 150 ago, a vast array of bananas grew in the world's jungles and they were invariably consumed nearby. Some were sweet; some were sour. They were green or purple or yellow.

A corporation called United Fruit took one particular type - the Gros Michael - out of the jungle and decided to mass produce it on vast plantations, shipping it on refrigerated boats across the globe. The banana was standardised into one friendly model: yellow and creamy and handy for your lunchbox.

There was an entrepreneurial spark of genius there - but United Fruit developed a cruel business model to deliver it. As the writer Dan Koeppel explains in his brilliant history *Banana: The Fate of the Fruit That Changed the World*, it worked like this. Find a poor, weak country. Make sure the government will serve your interests. If it won't, topple it and replace it with one that will.

Burn down its rainforests and build banana plantations. Make the locals dependent on you. Crush any flicker of trade unionism. Then, alas, you may have to watch as the banana fields die from the strange disease that stalks bananas across the globe. If this happens, dump tonnes of chemicals on them to see if it makes a difference. If that doesn't work, move on to the next country. Begin again.

This sounds like hyperbole until you study what actually happened. In 1911, the banana magnate Samuel Zemurray decided to seize the country of Honduras as a private plantation. He gathered together some international gangsters like Guy "Machine Gun" Maloney, drummed up a private army, and invaded, installing an amigo as president.

The term "banana republic" was invented to describe the servile dictatorships that were created to please the banana companies. In the early 1950s, the Guatemalan people elected a science teacher named Jacobo Arbenz, because he promised to redistribute some of the banana companies' land among the millions of landless peasants.

President Eisenhower and the CIA (headed by a former United Fruit employee) issued instructions that these "communists" should be killed, and noted that good methods were "a hammer, axe, wrench, screw driver, fire poker or kitchen knife". The tyranny they replaced it with went on to kill more than 200,000 people.

But how does this relate to the disease now scything through the world's bananas? The evidence suggests even when they peddle something as innocuous as bananas, corporations are structured to do one thing only: maximise their shareholders' profits. As part of a highly regulated mixed economy, that's a good thing, because it helps to generate wealth or churn out ideas. But if the corporations aren't subject to tight regulations, they will do anything to maximise short-term profit. This will lead them to seemingly unhinged behaviour - like destroying the environment on which they depend.

Not long after Panama Disease first began to kill bananas in the early 20th century, United Fruit's scientists warned the corporation was making two errors. They were building a gigantic monoculture. If every banana is from one homogenous species, a disease entering the chain anywhere on earth will soon spread. The solution? Diversify into a broad range of banana types.

The company's quarantine standards were also dire. Even the people who were supposed to prevent infection were trudging into healthy fields with disease-carrying soil on their boots. But both of these solutions cost money - and United Front didn't want to pay. They decided to maximise their profit today, reckoning they would get out of the banana business if it all went wrong.

So by the 1960s, the Gros Michel that United Fruit had packaged as The One True Banana was dead. They scrambled to find a replacement that was immune to the fungus, and eventually stumbled upon the Cavendish. It was smaller and less creamy and bruised easily, but it would have to do.

But like in a horror movie sequel, the killer came back. In the 1980s, the Cavendish too became sick. Now it too is dying, its immunity a myth. In many parts of Africa, the crop is down 60 percent. There is a consensus among scientists that the fungus will eventually infect all Cavendish bananas everywhere. There are bananas we could adopt as Banana 3.0 - but they are so different to the bananas that we know now that they feel like a totally different and far less appetising fruit. The most likely contender is the Goldfinger, which is crunchier and tangier: it is known as "the acid banana."

Thanks to bad corporate behaviour and physical limits, we seem to be at a dead end. The only possible glimmer of hope is a genetically modified banana that can resist Panama Disease. But that is a distant prospect, and it is resisted by many people: would you like a banana split made from a banana split with fish genes?

When we hit up against a natural limit like Panama disease, we are bemused, and then affronted. It seems instinctively bizarre to me that lush yellow bananas could vanish from the global food supply, because I have grown up in a culture without any idea of physical limits to what we can buy and eat.

Is there a parable for our times in this odd milkshake of banana, blood and fungus? For a hundred years, a handful of corporations were given a gorgeous fruit, set free from regulation, and allowed to do what they wanted with it. What happened? They had one good entrepreneurial idea - and to squeeze every tiny drop of profit from it, they destroyed democracies, burned down rainforests, and ended up killing the fruit itself.

But have we learned? Across the world, politicians like George Bush and David Cameron are telling us the regulation of corporations is "a menace" to be "rolled back"; they even say we should leave the planet's climate in their hands. Now that's bananas.

Banana Flower or *Musa*



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<a href="#">20121226-01</a>	14:13	Art	Re: My Fellow Citizens... (reply to SteveB, FotM newsletter #297)
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As a former republican I feel impelled to respond to your're scurious attacks on brave Americans. You commie liberals have been brainwashed into drinking the cool aide , whatever that means. I mean there was this guy Jones a few years ago but it was mostly niggers. Obamma is a communist , faciest, socialist, atheist, moslem whos soul goal is to destroy America. All he wants to do is take away our guns and destroy our churches. If those first graders and firemen, and movie goers and mall walkers had been pack'n it would have been another story. Sure the death tool from friendly fire might have been three times what actually happened but we'd be proud Americans today. Sure we might be going off the farscal cliff today but that's because Obamma won't compromise. The Republikans stand for no tax hikes and Obamma offering no tax hikes for only 95% of Americans is showing no willingness on his part to compromise. Obamma created the deficit. We were doing just find under Bush until he came along. You may have lots of facts and data that says otherwise but we no that science and facts are just plots and twists by the liberal media to take away our freedoms. Look at this silly plot about global warming. Yeah, sure, it's been real hot for the past few years, but it's snowing today. See!!!! The earth was invented 6000 years ago by God and he sits in the sky today and guides our every move, all 7 Billion of us. We don't need no confusing science. So you can take your facts and your logic and stuff it. We ain't bying anything that black communist in the White Horse or you liberal pinkos says.

(This is kind of a composite of all of the letter responses I see in response to AOL posted news stories.)

<a href="#">20121226-02</a>	14:18	Pam	Re: My Fellow Citizens... (reply to Art, above)
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This is brilliant!! You should send it to the *New York Times*.

Next course for capitalism...

What'll it be: Another bubble, stagnation, or spiraling downward via austerity?

"No Santa Claus and Bill Clinton Was Not an Economic Savior" by Dan Baker, Truthout

Dec. 25, 2012, (<http://truth-out.org/opinion/item/13526-no-santa-claus-and-bill-clinton-was-not-an-economic-savior>)

The truth is often painful but nonetheless it is important that we live in the real world. Just as little kids have to come to grips with the fact that there is no Santa Claus, it is necessary for millions of liberals, including many who think of themselves as highly knowledgeable about economic matters, to realize that President Clinton's policies sent the economy seriously off course.

In Washington it is common to tout the budget surpluses of the Clinton years as some momentous achievement, as though the point of economic policy is to run budget surpluses. Of course the point of economic policy is to produce an economy that improves the lives of the people in a sustainable way.

Clinton badly flunked this test.

The Clinton economy was driven by a stock bubble. This is not a debatable point. The ratio of market-wide stock prices to corporate earnings was well over 30 to 1 at the peak of the bubble in 2000. This is more than twice the historic average.

This run-up in stock prices drove the economy in 2 ways. First, since any good huckster could make millions selling shares in dot.whatever, we had many hucksters starting nutball businesses that never had a prayer of making a profit. This is not much of a long-run economic strategy, but in the short-term it led to an increase in investment.

The other way that the bubble drove the economy is through the wealth effect on consumption. The run-up in stock prices generated roughly \$10 trillion in bubble wealth. The wealth effect from stock is usually estimated to be 3-4 cents on the dollar. This would mean that the bubble generated between \$300 billion to \$400 billion annually in additional consumption. This would have been 3-4 percent of GDP at the time (\$480 billion to \$560 billion annually in today's economy). This is born out in the Commerce Department's data which show that the saving rate fell from close to 7 percent at the start of the 1990s to around 2.0 percent at the peak of the bubble in 2000.

This was the economy that President Clinton handed to President Bush in January of 2001. It was an economy that was being carried by an unsustainable bubble that in fact already was in the process of deflating at the time Bush took office. The S&P 500 was more than 10 percent below its 2000 peak and the NASDAQ was down by more than 40 percent on the day that Bush took office. This pretty much guaranteed the recession that began in March of 2001 just as the collapse of the housing bubble placed President Obama in the middle of terrible recession in January of 2009.

The 2001 recession was the main reason that the surplus vanished in the 2002 fiscal year. Directing tax cuts to the wealthy was a foolish policy response to the downturn, but it was reasonable to turn to fiscal stimulus following the collapse of the stock bubble just as it was reasonable for President Obama to turn to fiscal stimulus following the collapse of the housing bubble. The Bush tax cuts did provide a boost to the economy, although they would have provided a larger boost if this money had been directed at moderate and middle income people or devoted to long-term investments like education and infrastructure.

The growth of housing bubble eventually provided the boost needed to recover from the 2001 recession, just as the stock bubble propelled growth in the 1990s. As the economy got back near full employment in 2006 and 2007, the deficits shrank to sustainable levels.

However, while the deficits were sustainable in the later years of the Bush presidency, the housing bubble was not. Its collapse gave us the most predictable economic disaster in human history, even if all our top economists somehow didn't see it.

To have a sustainable growth path we have to reverse one of the other central policies of the Clinton years, the over-valued dollar. This policy, which was put in place when Robert Rubin became Treasury Secretary, ensured that we would have large trade deficits. The trade deficits were good news for Wall Street with its obsession over inflation. It was also good news for companies looking to move operations overseas to take advantage of cheap labor.

However, the high dollar was terrible news for the country's workers who were placed at an enormous competitive disadvantage. It resulted in the loss of more than 4 million manufacturing jobs. It was also bad news for anyone who doesn't think that bubbles are a clever way to drive the economy.

Rubin and his allies control the Democratic Party with their money at the moment. Their financial power will not be easily overcome. However, it is important that people understand that the Rubin- Clinton team is every bit as much about redistributing money from the rest of us to the very rich as the Republicans.

The big difference is that, unlike the Republicans, the Rubin-Clinton crew believes that the rich should have to pay their taxes. That's something, but until there is someone in this debate who isn't pushing policies that redistribute before-tax income upward, the vast majority in this country can only lose.

[20121226-04](#)

15:24

Pam

Re: "No Santa Claus & Bill Clinton Was Not an Economic Savior" (reply to Dennis, above)

Very good and no surprise. Much as I like Clinton, I've never understood how NAFTA helped Americans, which it hasn't apparently. Maybe being a politician means you virtually have to put money above all else. It's the one drug we seem unable to do anything about.

[20121226-05](#)

16:03

Art

Re: "No Santa Claus & Bill Clinton Was Not an Economic Savior" (reply to Dennis, above)

Good article. I for one, never blamed Bush for his recession. I think problem is short term thinking. We're smarter than this but we never apply that knowledge. Smart people can see the "bubbles" and the false gains based on nothing, but our politicians are more interested in short term credit than long term adjustments. Not sure what the answer is. We sure aren't showing anything today but even more outright stupidity with this current House.

[20121226-07](#)

19:18

Bill

Re: "No Santa Claus & Bill Clinton Was Not an Economic Savior" (reply to Art, above)

I think there's plenty of blame to go around, and George W. Bush must take a large share, especially for his administration's somnolence at the switch with respect to certain sectors of the securities markets, viz., sub-prime debt, and credit derivatives. NOTHING was done by the Bush administration, despite warnings. You can say very accurately that recessions will happen periodically (conventional wisdom is a seven-year cycle), but it can certainly be argued that the collapse of the debt-securities market and the insanity of the credit-derivatives overhang were the very powerful catalyst that ran the economy into a deep ditch.

Further, Alan Greenspan has admitted, in painful retrospect, that his policies were too loose with respect to money supply and interest rates. I can't give much credence to the article's author, who doesn't even mention the Federal Reserve Bank and its policies. The essence of Greenspan's confessions are that the Fed should have tightened credit to contract the bubble. This wasn't done.

<a href="#">20121226-08</a>	19:51	Art	Re: "No Santa Claus & Bill Clinton Was Not an Economic Savior" (reply to Bill, above)
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Hi, Bill, I think we agree, you just said it better.

<a href="#">20121226-06</a>	16:48	MarthaH	"Congress Awaits Obama's Return for Late Push on Fiscal Cliff"
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The way forward...

"Congress Awaits Obama's Return for Late Push on Fiscal Cliff" by Reuters

Dec. 26, 2012, (<http://nbcpolitics.nbcnews.com/news/2012/12/26/16165743-congress-awaits-obamas-return-for-late-push-on-fiscal-cliff?lite>)

The United States on Wednesday edged closer to the fiscal cliff as Congress waited for President Barack Obama to return from vacation in Hawaii and make one final attempt to avoid huge tax hikes and spending cuts in the New Year.

In the absence of Obama, there was no sign of either side in Congress making an effort to strike a deal. The corridors of the Capitol building were empty except for an occasional police officer, and members' office doors stayed locked.

House of Representatives Speaker John Boehner has not yet set a date for bringing House members back to Washington from their Christmas break, an aide of the Republican leader said. That makes the timing of a vote on any budget deal before December 31 more difficult.

The Boehner aide also said there were no plans for new talks between the top Republican in Congress and Obama, who flies overnight and is due back in the White House on Thursday morning.

The inaction notwithstanding, there was still just enough time to prevent a fiscal crunch that would upset global financial markets and likely push the United States into recession.

Reports of lackluster retail holiday sales added to the urgency for a deal. Shoppers might be spending less this holiday season in fear of looming income tax increases. U.S. stocks fell on Wednesday, dragged lower by shares of retail companies.

A modest, last-minute measure in Congress to avoid deep spending cuts set for January 1 and most of the tax hikes could pass the Democratic-controlled Senate by the New Year, although Republicans would need to agree not use a procedural roadblock known as a filibuster.

But senators probably would not make the effort unless there was a strong signal from Boehner that the House would find a way to go along.

A Senate Democratic aide downplayed chances for votes this week in the Senate, but suggested there could be legislative movement at the weekend.

"We can't do anything until Republicans either give us the 60 votes," which are needed to advance legislation without long procedural delays, or allow a short-cut that lets bills pass on a simple majority vote in the 100-member chamber.

The focus in Congress is shifting from broad deficit reduction to narrower efforts to avert the immediate shock of the December 31 cliff dive.

"This is the (emergency) scenario that we have long believed would rise in probability the closer we go to December 31, which essentially calls for extending all the rates for those individuals making under \$200K and households under \$250K and does not address the debt ceiling or the deficit," analyst Chris Krueger of Guggenheim Securities wrote in a research note.

Republican Senator Kay Bailey Hutchison of Texas, who is retiring at year's end, told MSNBC that \$250,000 "is too low of a threshold" for raising income taxes.

She said that in conversations she has had with some Senate Democrats, "they are saying maybe more in the \$400,000 to \$500,000 category."

Obama himself recently offered to raise the threshold to \$400,000, before negotiations with Boehner broke off.

But even if a handful of Senate Republicans support Democrats on a measure to avoid the worst of the fiscal cliff, time is short.

When the Senate returns on Thursday it is due to work on a disaster aid bill to help New York and New Jersey recover from Superstorm Sandy and other measures.

In the Republican-controlled House, any bill that raises taxes on anyone would need a rare bipartisan vote to win approval.

All 191 Democrats might have to team up with at least 26 Republicans to get a majority if the bill included tax hikes on the wealthiest Americans, as Obama is demanding.

Some of those votes could conceivably come from among the 34 Republican members who are either retiring or were defeated in the November elections and no longer have to worry about the political fallout.

An alternative is for Congress to let income taxes go up on everyone as scheduled. Then, during the first week of January, lawmakers would strike a quick deal to reduce them except on people in the highest brackets.

They would also pass a measure putting off the \$109 billion in automatic spending cuts that most lawmakers want to avoid.

Once the clock ticks past midnight on December 31, no member of Congress would have to vote for a tax increase on anyone - taxes would have risen automatically - and the only votes would be to decrease tax rates for most Americans back to their 2012 levels.

Americans' optimism that Obama and congressional leaders will reach a budget agreement before January 1 has waned in recent days, according to a Gallup poll.

Fifty percent believe a deal will be reached, a drop of 7 percentage points from the previous week, and 48 percent are doubtful. The poll was taken just after talks ran into trouble last week.

Starbucks Chief Executive Howard Schultz is urging workers in the company's roughly 120 Washington-area coffee shops to write "come together" on customers' cups on Thursday and Friday to send a message to politicians.

"We're paying attention, we're greatly disappointed in what's going on and we deserve better," Schultz told Reuters.

[20121226-09](#)

20:11

SandyI

Re: "Congress Awaits Obama's Return for Late Push on Fiscal Cliff"  
(reply to MarthaH, above)

I'm burning lots of candles to help the guys and gals in Congress "see the light". Hope they all remember how the voters voted and not how their handlers want them to vote.



20121226-10 22:27 Jim The AMT Monster

I mentioned in an earlier post that the Congress could deal with the tax rate structure and withholding changes after the first of the year and it would not make much difference over doing it now except for the panic and uncertainty that they are deliberately maintaining.

This is not so with the Patch to the Alternative Minimum Tax that is also on their agenda.

This patch expired December 31, 2011 and so failure to extend that retroactively to January 1, 2012, is going to force the IRS to deal with a massive problem. About three times as many taxpayers who have never had to pay attention to that would be caught up in requirement to file and pay this extra tax and the IRS computers are not set up to process that.

They have been coasting on actually reprogramming the computers (though I am sure they have some programs written but perhaps not debugged) on the assumption that the extension would be passed again as it has been every year for several years. It ought to be made permanent but they have not done that.

The IRS has not yet finalized forms for taxes to be filed on for even basic forms like schedule A for itemized deductions. As I prepare for doing taxes for people starting in February I cannot even see the forms yet because the makers of my computer program are waiting for IRS who are waiting for Congress.

Now the IRS is saying that if the AMT extension does not pass, the changes to software and the necessary testing and verification processes may make the FIRST e-filing possibilities for everyone be delayed until about the middle of March. They hesitate to start the re-programming on their mainframes because it is a major expense and if Congress does pass the extension all that money will be wasted.

20121226-11 23:32 Jim Video: Landfill Harmonic

Check out these kids and the adults who are enabling this:

<http://www.youtube.com/watch?v=O6rgkCUstaE>.

[Very cool, and right next door to us in Paraguay. In Bolivia, we also have a lot of irrepressible indigenous making of musical instruments and orchestras, all in addition to the vast dance music. Very musical people! –SteveB]

[20121226-12](#)

23:56

Tom

Photo: Go Out & Enjoy Nature #12

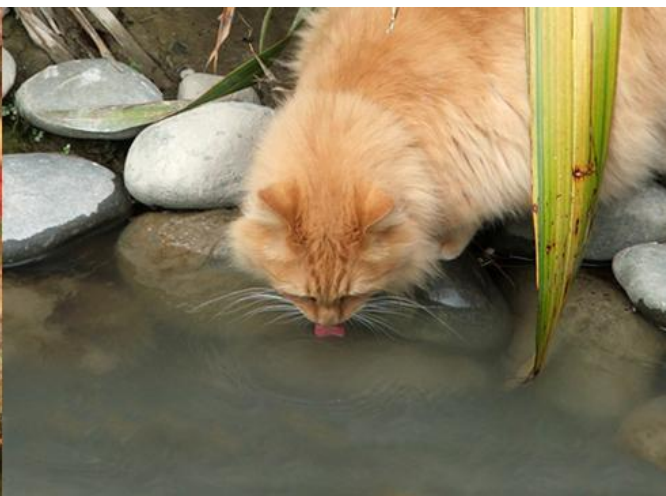


[20121226-13](#)

23:57

SteveB

Photo: Cats Imitating Art #9 (John William Waterhouse, *Echo And Narcissus*, 1903)





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Steven W. Baker (SteveB), Editor/Moderator

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