The Washington Socialist
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Editor: Woody Woodruff

The Washington Socialist for June 2013 -- Austerity and its discontents

Welcome to the June issue of the *Washington Socialist*, the online newsletter of Metro DC Democratic Socialists of America.

If we have a theme this month – and we planned to, we really did – it's austerity and who it benefits.

It's all the rage in Europe, and in the US House of Representatives. Fortunately, the House GOP Caucus is not a sovereign nation, despite their best efforts, and so the US is slowly crawling out of the "Great Recession," as it's called, while the Eurozone keeps slipping back in.

Nevertheless, the deficit hawks keep throwing stuff at the wall to see what sticks, and that great oozing mess called the Sequester has stuck it to many of us. Bill Mosley points that out in our opener, a few briefs that circle warily around the toxic topic du jour. "Socialist Takes and Takeaways" includes Mosley on the inequitable administration of sequestration, Carolyn Byerly on the bizarre plan to privatize the Tennessee Valley Authority, and Dan Adkins' observations on how political campaigns fit snugly into the rule of big money. Read complete article

Andy Feeney takes a look at some recent takes by economists on emerging from the Great Etc., including several budget hawks (one a former IMF chief economist) who may have co-authored a debt-reduction argument palatable to progressives. Is that good, or just a new form of moral hazard? A review of Simon Johnson and James Kwak's *Washington Burning: The Founding Fathers, Our National Debt, and Why It Matters to You*. Read complete article

The *American Prospect* cofounder/coeditor Bob Kuttner has newly produced a rich and detailed outline of the history of debt and the ways in which the powerful use it at personal and national levels to create and maintain financialist hegemony. Kuttner, incidentally, forcefully suggests dumping the "Great Recession" label and calling this the depression it really continues to be for non-Wall Streeters. Woody Woodruff reviews Kuttner's *Debtor's Prison: the Politics of Austerity vs. Possibility*. Read complete article

Andy Feeney examines one aspect of the history Kuttner has tackled in a sidebar piece about today's deficit hawks who promote— and profit from – the single-minded emphasis on debt and the austerity required to amend it. Read complete article

Carolyn Byerly looks at an Obama nomination that may have slipped past you but which will affect the hold that corporations already have on your communications – phone and internet connection costs and speed, the cheesy sensationalism that dominates broadcast entertainment, and so forth. And the nomination of a longtime corporate shill to run the Federal Communications Commission will, as you might expect, probably not affect those things in a good way. Read complete article

Dan Adkins notes a couple of entertainment offerings – a movie and a TV series – that might escape the banality of a lot of that Hollywood product. Read complete article

Pro-jobs legislation has struggled to emerge from either house of Congress, and Rep. John Conyers' latest attempt to resuscitate the spirit and effect of the 1978 Humphrey-Hawkins Full Employment bill may have a rough row to hoe too. A pro-jobs work project is growing around Conyers's HR 1000 and Metro DC DSA members have been participating. A report from Andy Feeney and Matt McGrady opens the door. Read complete article

Finally, the long-promised "Good Reads" column, oddly enough also heavily weighted toward austerity and its cognate issues. We wanted it to be longer and more detailed. You, the readers, were too busy. Still, we have some good stuff. Read complete article

AND SOME FUTURES…

Volunteer for DC Statehood Activities This Summer. Would you like to be part of the

movement to win Statehood for the District of Columbia? Become a volunteer in the Statehood Survey Campaign, supported by a D.C. government grant and organized by the Stand Up! for Democracy in D.C. Coalition, better known as "FREE DC." You'll ask visitors to the National Mall this summer about their views on Statehood and help dispel myths standing in the way of full citizenship for DC residents. Join dozens of volunteers working to make DC the 51st state! The campaign starts in June so sign up now! Volunteer by sending an e-mail to billmosley@comcast.net.

If you want to receive this first-of-the-month capsule newsletter about each month's *Washington Socialist* offerings, with links to the articles, you have only to email us at dcdsaoutreach@gmail.com and we'll add you to the list.

Conyers jobs bill project includes local DSA participation

Friday, May 31st, 2013

A *Washington Socialist* report

One of the efforts in the House to promote anti-austerity and pro-jobs measures is Rep. John Conyers's HB 1000, "The Humphrey-Hawkins Full Employment and Training Act."It is clearly harking back to the original Humphrey-Hawkins of 1978, which among other things first tasked the Federal Reserve to give roughly equal policy attention to employment and inflation (rather than being obsessed with the latter to the detriment of the former). The bill is funded by a dedicated new tax and devotes two-thirds of revenue to job-creating stimulus projects and one-third to job training.

It is funded by a tax on financial transactions: 25 cents per $100 in stocks transferred; 2 cents per $100 for "futures, swaps and credit default swaps," the latter having generated the financial collapse we are still enduring. It's understood that this could be a deterrent to "churn," or buying and selling in order to generate commissions for brokers. This tax is one of DSA's national objectives.

A five-page sectional analysis of the bill is here.

Conyers' office, in order to generate interest and recruit help in adding co-sponsors to the measure, has been holding "Jobs for All" meetings periodically and DSA local members have attended.

Andy Feeney attended and reported on the May 8 meeting. "…importantly for DSA, it looks as if Conyers is genuinely seeking our support on this bill. And I think DSA people nationally and in several of our bigger chapters may be able to help with the cause — not by necessarily mobilizing masses of people to march in the street for the legislation, but by using our network of contacts with other progressive groups to put pressure on House members in various states to cosponsor H.R. 1000 and — in the process implicitly endorse the Financial Transactions Tax.

"I think YDS might potentially have a pivotal role to play as well," Feeney added, "since young people and recent college graduates are so heavily impacted by unemployment and under-employment, and YDS organizers and activists may be able to mobilize such young people for this legislation."

"The strategy therefore — as Conyers put it — is to get all 218 Democrats in the House to sign on as cosponsors of the legislation, and to win the support of at least 51 Senators. A little more modestly, Conyers basically said he wants to make a big noise about this proposal, put the idea of job creation & the FTT back on the public agenda, so that even Republicans have to take some public notice of it."

[Editor's Note: The staff plan puts states with high unemployment on the two-tier priority list for recruiting Democratic members. Maryland and Virginia are not among them. Eleanor Holmes Norton of DC, Elijah Cummings (of Baltimore) and Donna Edwards (of Prince George's County), Maryland, and Jim Moran of Virginia are already co-sponsors. Bobby Scott of Virginia is on the list of Black Caucus members to be recruited.]

Matt McGrady attended the May 22 meeting and reported that recruiting efforts for co-sponsors continue. The "Robin Hood Tax" bill filed by Rep. Keith Ellison is complementary in many ways (though with a slightly higher tax rate less palatable to conservatives) and efforts to gain cross-sponsors are being pursued. The Ellison bill was referred to Ways and Means in mid-April. Plans for public events were discussed but were still in formation at *The Washington Socialist*'s deadline.

[*Editor's addendum*: For local recruiting prospects, Delaney of Maryland's 6th District, western Montgomery and points west to Ohio)is a big-money Wall Street type who is unlikely but would be a huge catch for that reason, and depends on some Montgomery union support. Ruppersberger (2nd, Baltimore County)is equally unlikely but if he signed on could put extra pressure on the state's lone Republican in Congress, Andy Harris (1st) of the jobs-poor Eastern Shore. John Sarbanes (3rd)mostly Anne Arundel is a rookie but has the pedigree to put the squeeze on financial interests (his father co-wrote the ill-fated Sarbanes-Oxley). Frank Wolf of Virginia, who has a rep for bucking GOP leadership, would be interesting to approach. It's worth wondering if Steny Hoyer and Chris van Hollen could be approached, even though their encrusted leadership status keeps them close to the center. – *Woody Woodruff*]

Good Reads for Socialists

Friday, May 31st, 2013

***The Washington Socialist* <> June 2013**

In our **Good Reads for Socialists** collection this month, a knot of material on "austerity" and some angles on post-capitalist socialism (or is it post-Socialist socialism?)…

From Bill Mosley, a model of how to contribute to this section:

The latest issue of *In These Times* includes at least two articles that will be of special interest to DSA members. DSA Vice-Chair Joseph M. Schwartz and DSA National Director Maria Svart, in "The Problem is Capitalism," respond to Bhaskar Sunkara's recent commentary calling for socialists to work with liberals on immediate goals while offering a broader vision of a socialist society. Schwartz and Svart, while agreeing that socialists must work alongside other movement activists, warn of the dangers of "insufficiently radical reforms" that fail to address the central problem: capitalism. "Liberals must recognize the true enemy and embrace radical reforms.

Socialists will be there to push them to do so" – if we can build a strong enough socialist movement. (At the *Washington Socialist*'s press time, the magazine said this article would go on-line on Mary 27). Also, the magazine features an article on the movement for universal sick leave, a priority of Metro-DC DSA. New York City and Portland, Ore., recently passed bills requiring employers to provide sick leave, and movements are afoot in a number of other cities and states, Ellen Bravo reports. – Bill Mosley

From Luke Abel, "a good little economic justice piece and pretty trenchant commentary on capitalism."

http://opinionator.blogs.nytimes.com/2013/03/30/king-cottons-long-shadow/

From Woody Woodruff: Tom Edsall's ouvre in the NYT ; an adept at merging big data and concise analysis; an example at

http://opinionator.blogs.nytimes.com/2013/05/22/kill-bill/

And Edsall's superb attempt to clarify and explain some hot-button arguments among economists: Does the US have to be a dog-eat-dog society in order to provide technological advances to the rest of the world, and therefore provide cover for "cuddly" Nordic welfare states (also see Joe Schwartz, below)? http://opinionator.blogs.nytimes.com/2013/05/29/why-cant-america-be-sweden/?ref=global

NYT economics writer on Eduardo Porter on austerity, a sanguine view that suggests Krugman may be too close to the argument to see it this clearly: Why despite the clear empirical victory of Keynesian stimulus do policymaking politicians in the US and Europe cling to the austerity model? http://www.nytimes.com/2013/05/22/business/despite-keynesians-victory-economic-policy-holds.html?ref=global

Chrystia Freedland, economics editor at Reuters and a fine under-the-radar radical, on the consequences of fine-tuned, tone-deaf policymaking and "the limits of technocratic thinking as a basis for policy."

http://www.nytimes.com/2013/05/24/us/24iht-letter24.html?ref=world

In *Dissent*, Joe Schwartz on the centrist Nordic model of social democracy, as invented and endorsed by *The Economist*… http://www.dissentmagazine.org/online_articles/social-democracy-for-centrists

Again in *Dissent*, an outstanding review essay on Alperovitz and Schweickart, both explorers of what radicals can manage to forge out of or in spite of today's corporate overhang: http://www.dissentmagazine.org/online_articles/a-realistic-radicalism

Bhaskar Sunkara makes *The Nation* with an article taking the magazine to task… definitely a must-read… http://www.thenation.com/article/174476/letter-nation-young-radical

And we should all be reading (and supporting) *Jacobin*, where our next generation is honing its skills for eventual open combat… http://jacobinmag.com/issue/assembly-required/

And if you're a Facebook user, be sure to "like" the national DSA page. They are doing a fine job of noting good reads too; several of these appeared there.

And how about you? Dear readers, we want you to write for* The Washington Socialist*. But your epic analysis isn't ready, still gestating? Send us brief commentaries on the passing show, calendar items for the month ahead, or contributions to Good Reads for Socialists. Contact woodlanham@gmail.com

May Day irony: Obama's pick for FCC head no man of the people

Friday, May 31st, 2013

***The Washington Socialist* <> June 2013**

By Carolyn M. Byerly

From a socialist perspective, it was ironical that President Obama announced his nomination of Tom Wheeler as the next FCC chairman on May 1. If confirmed by the Senate, Wheeler is unlikely to administer this complex regulatory agency in the people's interest.

Wheeler, a former president of the National Cable Television Association (NCTA) and CEO of Cellular Telecommunications & Internet Association (CTIA) and present venture capitalist, has spent his whole life in the corporate world investing money, making money, and channeling money to political ends that benefit big business. *Time* magazine's Sam Gustin echoed Obama's own words in acknowledging that with Wheeler, a former top cable wireless industry lobbyist will now be regulating the very companies he once represented on Capitol Hill.

Since 2004, Wheeler was an executive with DC-based Core Capital Partners, which manages about $350 million. Neither the president nor mainstream media are even shy about revealing Wheeler's unabashed alliance with the rich and powerful.

David Corn, writer for the *Nation*, had noted back in March when Wheeler's name first surfaced that the nominee-apparent had quite a few other chits in his favor besides ties to the industry. Wheeler had "raised a lot of money [around $700,000] as a campaign bundler for Obama" during the campaign, Corn said, and he was a "member in good standing with the Washington establishment." The latter refers to the numerous advisory boards (i.e., the Kennedy Center) that Wheeler sits on, and to his skill at wending his way through the DC world. Corn (and others on the Left) have also pointed out that Wheeler's loyalty to the telecom industry is well known, and that Wheeler will "undoubtedly have a light regulatory touch in all matters."

One of those matters will involve addressing rampant consumer complaints about the growing problem of sudden increases in wireless charges, as companies engage in "cramming" unauthorized charges on their customers' bills. Another – and in my own view the underlying structural issue – has to do with the very size and power of telecom companies. The giants – AT&T, Verizon, Sprint and T-Mobile – control the wireless spectrum today that we all (socialists and non-socialists alike) utilize. Blogger Bruce Kushnik noted that the giants have been "gaming" the government for years by creating holding companies (i.e., false fronts) to buy up parts of the spectrum set aside for small companies. The practice edges small firms out at auction time and allows the uber-conglomerates (Bob McChesney's word) to expand their dominance. The practice has never been successfully challenged – will Wheeler address it?

My fears are also that Wheeler will continue the pattern under the two previous FCC chairs – Republican Kevin Martin (a Bush appointee) and the current outgoing chair Julius Genachowski (an Obama appointee) – of stonewalling the Third Circuit Court's rulings in 2003 and 2011 requiring the FCC to address dwindling ownership of broadcast television and radio stations by minorities and women.

Wheeler vocalized support for the AT&T/T-Mobile merger, which was ultimately blocked, but it portends his tendencies at a moment when the digital revolution desperately needs someone whose mind, heart and policy making powers are directed toward the communication needs of popular masses.

Telecommunications is both spine and nervous system of global capitalism. The telecom industry (which cuts across all social and economic sectors) is second only to the pharmaceutical industry in the size of its revenues. Socialists would do well to stride boldly into this macro-level domain if they want to gain a clearer understanding of how globalization operates and its human agents behave. Labor struggles are worsening in no small way because those who control the telecom industries are exploiting them directly (by suppressing wages, consolidating jobs and laying people off) and indirectly (by denying working people and their advocates a voice in the corporate media and by refusing to cover labor issues in the news).

In future issues of the *Washington Socialist,* I will explore and critique some Left efforts to do this, but meanwhile, I encourage us to dive in and seek information so we can engage broader conversation within DSA.

Onscreen

Friday, May 31st, 2013

***The Washington Socialist* <> June 2013**

By Daniel C. Adkins

Film: "Still Mine" – or the 19th century meets the 21st

"Still Mine" is a romantic Canadian film of an older couple preparing for their aging and is based on true events. As the couple ages, it becomes increasingly clear that they need to live on just one floor. The husband has learned woodworking from his father who was a ship builder in the century before last so the solution seems simple: Build a new house. The husband proceeds with confidence but is surprised by a stop work order by the local government who is in charge of housing permits. The husband knows how to cut wood and prepare it, and is less impressed by a county clerk who only knows good wood when it has a stamp. The situation degenerates and the drama continues.

Some may see the film as a right wing anti-regulation show, but another possibility would be to see that in our lives we do not live in just one time or culture. To be a knowledgeable citizen one needs to realize that there are many generations and sub-cultures among us. Our consciousness needs to span centuries and countries in our ability to relate and understand the past and future. Social democracy has a legacy of studying history and the material reality of life. Most regulations are based on the history of human ignorance or in response to scams. The husband who knows wood working may not have paid attentions to others' failures or society's response to the failures. This lack of insight and the clerk's lack of empathy are part of the human condition and it creates much of this drama.

Small Screen: "Continuum" — Social Comment or Cop 'n chase?

"Continuum" is a TV sci-fi series found on Netflix. It is set in 2077 when the corporations have set aside the illusion of democracy and have become the government. Terrorists "fighting" the corporations have gotten themselves sent back to 2012 in an attempt to start a popular movement. The terrorists are chased by a cop, but the plot has so many twists that it is not clear how the series will go. Reviewers seem to be split on whether this is a right-wing or left-wing series. The series does play as a cop show. There are a lot of cool graphics and season two will start on the Sci-Fi Channel later this month.

"Continuum" piqued my interest in that it is interesting how popular culture reflects our current reality. Since corporate interests and ignorant billionaires are shaping our government and democratic processes to minimize the public interest and maximize short-term profits, the idea of replacing our government with a corporate council seems closer to reality than most want to believe. The Tea Party and ALEC (American Legislative Exchange Council) are pushing and creating bills to dismantle state and local governments and to become wholly owned corporate profit centres. Also note that Democrats and Republicans have structured student loans to be quite profitable for banks but are crippling students' futures.
However, social change via terror is, we know, a non-starter. The last season, however, ended with the demise of the worst terrorist. We will have to see if the series trends toward the action of a cop flick or more toward social commentary.

[Review: How the Moneyed Classes Have Always Used Debt to Discipline and Punish the Rest of Us]

Friday, May 31st, 2013

***The Washington Socialist* <> June 2013**

By Woody Woodruff

Robert Kuttner, *Debtor's Prison: The Politics of Austerity versus Possibility.* Alfred A. Knopf, 2013.

Most books that hope to sell widely do not explicitly promote socialism by name, and Robert Kuttner's latest, *Debtor's Prison*, is no exception.

As with many other analysts we tend to like, however, Kuttner's development of current conditions and their historical background, and the prescriptions one can draw from them, fulfill one of our (or at least my) definitions of Socialism. That might be formulated as: When people in organized/organizing groups take increasing, and increasingly informed, control of their economic (hence their social and political) conditions of existence, that's socialism moving toward Socialism.

Books like *Debtor's Prison* should have pride of place in the area defined by that phrase "increasingly informed."

The main theme of *Debtor's Prison*, per the title, is the role of debt and indebtedness in the history of governance and public provision, and it provides a rich history of how this fulcrum of capitalism – credit extends the money supply and enables growth – turns quickly into a weapon wielded by creditors, one that frequently handcuffs productive activity and reproduces the hegemony of finance.

Since the inception of finance capitalism in the Early Modern West, governments have struggled, sometimes directly, with that problem. Kuttner's detailed history starts with the oft-indebted novelist and journalist Daniel Defoe, who argued that putting debtors in prison stifled the whole economy, putting productivity in effect on ice inside the walls of places like the infamous Marshalsea prison of Dickensian fame. As the 18th century began, financial bubbles had put so many merchants in debtors' prisons that the economy was noticably dampened, highlighting Defoe's insight. Queen Anne's advisors and parliament passed the first bankruptcy act in 1705 to remedy that.

But a dismal pattern was set: The act provided debt relief for major merchants but not for ordinary folk in debt – an early instance of bailing out those "too big to fail."

At a discussion of his book at the Economic Policy Institute May 16, Kuttner noted that "moral hazard is a favorite phrase of the immoral financiers." Somehow the financiers have had, historically, much better luck than ordinary folk, or even national governments, have in getting debt relief. "The history of debt relief," Kuttner says, "is one of double standards."

It is that history Kuttner provides – public and private debt (and their conflation and confusion), the generative and destructive role of credit, and the centuries-long struggle for a public policy that will enable economic activity without guaranteeing structural inequality.

The bright and – unfortunately – exceptional model is the "middle third of the twentieth century" when "[c]oalitions came to power in the West determined to harness capitalism in the broad public interest." (11)

In that era, many governments achieved what Kuttner in his EPI talk called "the sweet spot….loose money and tight regulation." Elaborating in his book , he said "Since the inception of modern capitalism, the central challenge of financial policy in a market economy has been to keep capital costs low for the real economy of factories, farms, consumers and entrepreneurs without allowing that same cheap money to promote asset bubbles and other forms of purely speculative windfall gain." The "middle third" of the last century was exceptional in managing that, but "[m]ore often than not, financial policy has failed that challenge."

That critical three decades from the '30s to the '60s saw the West's huge leap and long-boom prosperity as financialism was constrained while the real economy thrived. By Kuttner's account, the conscious deployment of debt forgiveness after World War II – in huge contrast to the punitive and self-destructive framework of the post-World War I settlement – was key to that boom. John Maynard Keynes had been a carping young outsider at Versailles, who went home rather than watch the mess being made by Wilson, Clemenceau, and by Lloyd George's vengeful appointees to a settlement commission. In 1945, Keynes was at the top of his influence, and policies that put off debt service and promoted reconstruction without financialization for victors and vanquished not only carried the day but set the tone for nearly two decades of nearly bubble-free growth.

One of this book's many virtues, it seems to me, is the focus on solid, detailed history grounding the few successes and spectacular failures that litter this account of financialization' s persistent colonizing and corrupting the "real economy." Time and again, the double standards for debtors and their creditors that began in the 1705 English bankruptcy bill prevail. In the US, common folk and households didn't get a reasonable path out of debt until 1938 (the Chandler Act), which "introduced for the first time the sort of provision that Daniel Defoe pursued in vain, for the rehabilitation of individual debtors." (198)

One of the critical components of hegemony, of course, is informational differentials – lacking the full picture of oppressive practice in the debt-and-austerity game, individuals are dissuaded from organizing, and individuals, social groups and even nations buy the false narrative that their debt is their moral failing and that the privation of austerity (their austerity) is the only solution and nothing other than what they deserve. Those promoting and enforcing this narrative, somehow, manage to evade austerity themselves. The double standard again applies, reinforced by the cash and cultural power behind the hegemonic narrative.

The double standards for debt relief extended to the disastrous epoch of the "Washington Consensus," promoted by the World Bank and IMF as their biggest backer, the US, stood at their elbows. Whole nations were told of their unworthiness and guilt. Even as the consensus proved itself worthless time and again, the narrative remained strong.

Kuttner's discussion of the obsessive austerity model that prevails in Europe's current crisis scathingly notes the scapegoating of Greece—admittedly something of a bad actor—in the terms that the IMF and World Bank honed for use in African "rescue" missions. Portugal, he observes, followed the German-driven austerity consensus prescription to the letter – and still stumbled, wrecking what had been a vibrant economy. (150-151) But we don't hear much about Portugal.

Economist Jared Bernstein, member of a panel of commentators at a recent book talk at the Institute for Policy Studies, noted that it's important to distinguish "good debt" and "bad debt" in the discussion. The extension of credit on standard terms for the "real economy" would qualify as good, he suggested, and there are parts of Kuttner's account where that distinction is not always made, I would agree. But it's clear that the churn of financialized leverage, chewing its own tail, plays the role of the villain here, as does the persistent effect of the double standard in dumping big-time private debt both onto public and family balance sheets. "Banks bail, students fail," as Kuttner put it. And the book's focus on that persistent effect of financial hegemony, as another commentator, New School economist Teresa Ghilarducci, said, highlights "the financialization of households."

Kuttner's attention to the complex history of debt, credit and policy and how they are woven into the fabric of much of what we experience today is extremely rewarding for those who thought they had learned from history through which they had lived – the Asian and South American debt crises, today's European fiasco and the austerity mania of the increasingly fact-free zone we call the Republican Party. As Stephen Colbert has been known to say, “reality has a liberal bias.” Again, information matters.

Though Kuttner joins other historians and analysts in increasingly seeing that halcyon “middle-third” period of the last century as a rare exception in history, he notes “one can be heartened by history’s intermittent exceptions. They suggest that the hegemony of finance is not an iron law, only a predisposition.” (11)

Books like Kuttner’s, and other attempts to lift the veil over our economic lives as they are severely constrained by shadowy others, are supremely important as the 21st century launches into the unknown. During the 19th-century debates over paper money versus hard currency, “the issues were at least vividly in public contention. By comparison, though the underlying questions are the same enduring ones, the money debates of the early 21st century are wrapped in mystification, giving financial elites a free pass.” (193)

Thanks to Kuttner and his fellow veil-lifters, that factor can diminish. In an age suffused with B.S. about overconsumption and guilt, this kind of information matters immensely.

Kuttner’s appearance at EPI is on video here. (The first six minutes are poorly miked but audible; then the podium mike is apparently accessed, so be patient…)
http://www.youtube.com/watch?v=KYe_TI5-lMY

Some collateral reading (see also: “Good Reads” in this issue): New York Times economics writer Eduardo Porter on why Keynes’s counsel on austerity keeps being ignored:
http://www.nytimes.com/2013/05/22/business/despite-keynesians-victory-economic-policy-holds.html?pagewanted=all

SOCIALIST TAKES AND TAKEAWAYS June 2013

Friday, May 31st, 2013

***The Washington Socialist* <> June 2013**

No Sequester for the Privileged

As the budget sequester enters its fourth month, nearly all federal programs are feeling the effect of the $85 billion in mandatory, across-the-board budget cuts this year that have curtailed numerous programs affecting many Americans. Many of the programs being gouged are of greatest benefit to low-income people, such as Head Start, food pantries, unemployment benefits, drug treatment centers and rent support, as former Labor Secretary Robert Reich, writing in the *Guardian*, recently pointed out.

Yes, the poor can go hungry or homeless, but when it comes to wealthy folks having to wait a few extra minutes to board their flights, *that's* going too far. When in late April the Federal Aviation Administration announced that, due to the sequester, it would have to furlough air traffic controllers for one day every two weeks– a move that would cause a spike in flight delays – members of Congress responded with immediate outrage. You can take food out of the mouths of babes, but when it comes to making first-class passengers wait an extra hour to board a plane – and when many of those passengers are congresspersons on their weekly visits to their home districts– why, that's just un-American!

Within a week of the start of furloughs, Congress – acting with almost unprecedented speed and unanimity for a body that frequently can't agree what time of day it is – passed a bill to halt the FAA furloughs. Of the countless clients of federal programs being gouged by the sequester, Congress chose to spare airlines and their passengers. Of course, the airlines lobbied furiously to stop the furloughs, because the prospect of flight delays – and there were thousands of delays that week due to the controller furloughs – would drive away enough of their customers to turn profit into loss. Also, air travel is a form of transportation whose customers tend to be at the higher ends of the income scale – unlike, say, mass transit, which serves many more lower-income users, and of which the federal funding is being slashed with hardly any tears from members of Congress.

At a time when the most urgent economic priority is creating jobs and stimulating growth, Congress –with Obama's collusion – has instead decided that reducing the federal deficit trumps all other priorities. Such a policy helps cut the tax bills of wealthy Americans with minimal need for government services, but it also acts as a drag on an economy that is far from restoring the millions of jobs lost since the 2008 recession.

President Obama signed the FAA bill, but he should have vetoed it while demanding that, rather than play favorites, Congress repeal the entire sequester. That he lacked the guts to do so is no surprise. After all, he acquiesced to the sequester in the first place on the grounds that across-the-board cuts would be so unpalatable that Congress would reach a better deal before they took effect.

We now can see the bankruptcy of that thinking. The only way out is to build a powerful movement to oppose austerity politics and *force* Congress and the president to adopt an economic policy the benefits the majority of Americans.

— *Bill Mosley*

Privatize the TVA? What is Obama thinking!

In mid-May, the Obama administration suggested privatizing the Tennessee Valley Authority as a way of raising revenues to help close the national budget deficit. The TVA, a landmark project of FDR's New Deal, is the largest supplier of electricity in the nation. The facility is located in Tennessee.

The last time I heard such a proposal, it was from the Republicans a few years back. I remember one Republican being quoted then as asking why the government should own such a large enterprise when it could be creating revenue in the private sector. Senator Lamar Alexander (R-Tenn.), a free-market Republican, has called Obama's proposal a bad idea that will lead to higher energy rates for his constituents.

Other Republicans are also all over Obama's proposal this time, opposing it for all they are worth. Even Fox News noted the paradox in this exchange of positions by the two parties. But to be sure, Obama probably does not represent all of his party in this one.

The short-term revenues that any sale of the TVA might bring would pay down only a tiny fraction of the nation's debt. Under its present public ownership, the facility pays for itself, with only periodic needs for small investment to assure needed updates.

The TVA – and its sister project, the Bonneville Power Administration in the Pacific Northwest – are excellent examples of how socialism works in the broad public interest. Both were built during the New Deal era and are administered by the U.S. Department of Energy.

Since this proposal could be lost on the news radar as the Republicans invent more scandals like the IRS and Benghazi to attract news attention, DSA members should remain vigilant about opportunities for our input and action to save the TVA.

— *Carolyn M. Byerly*

Necessary Question for Dems

The current dysfunction in government begs for a solution, and one could be more democracy. The Republicans already have their answer, which is the opposite: reducing the number of voters by limiting the franchise, privatizing the government, and pretending to aid immigration. It would seem that the logical Democratic position would be to enhance and spread democratic techniques, such as limiting campaign funding. It may be true that some action will require difficult steps like a constitutional amendment, but why not start the discussion?

One goal may be to abolish the Electoral College, which would make every state a battleground state and let more than 80 percent of the voters feel that their vote really counted. It would also lessen the influence of money in the campaigns in that the funds would have to be spread over the entire nation, not just a few states. Smaller non-amendment techniques on the state level may include giving every voter a $20 deduction on her or his state income tax and passing laws mandating leave to vote. This would encourage more voter participation.

Also, why are Democrats not fighting the influence of money in elections? Money is corrosive to democracy in that it limits who can organize a major campaign and facilitates psychological and political games to confuse and sway voters.

One would think that more democracy would be a good way to differentiate the Democrats from the Republicans, and would be a plus for the Democrats. The current election process has broken down into a game that enhances the role of the moneyed, who can best influence the process. The question I have is: Are we stuck with a broken process because the most financially influential in the Democratic Party do not want to lessen their influence? Are they more concerned about their influence than expanding democracy and having functional government?

— *Daniel C. Adkins*

Throwing Austerity Gasoline on a Recession Fire?

Friday, May 31st, 2013

On the Folly of Federal Deficit Cuts as a Cure for Recession,
And Some Prominent Deficit Hawks Who Are Pushing Them

***The Washington Socialist* <> June 2013**

By Andy Feeney

One key point in Robert Kuttner's Debtor's Prison is that U.S. deficit-cutting today – which both Republicans and the Obama administration have recommended — is an ironically fitting recipe for making U.S. austerity worse.

As Kuttner points out, reducing the U.S. government's yearly deficits and the national debt in the short run, at least, won't help stimulate our sluggish economy. It also mostly won't generate new jobs, and it won't improve the lives of future generations.

Instead, Kuttner points out, cutting federal expenditures and federal debt levels today will help prolong the current U.S. economic stagnation that is primarily the result of the 2008 financial crash, which in turn was largely brought on by the mammoth build-up of private debts (both corporate and individual) prior to 2008.

Ironically, by prolonging America's post-2008 economic stagnation, a policy of slashing federal spending now would probably deepen the financial problems of Social Security and Medicare (such as they are) by reducing the payroll tax revenues that support both programs.

By reducing US economic growth rates overall and thus shrinking the revenues the government gains from corporate and individual income taxes, a policy of deficit-cutting in the short term would also have the effect of growing the national debt in the medium-to-long term, while at least temporarily reducing the rate of new job creation.

In sum, deficit-cutting today, allegedly in the name of future generations, would almost certainly damage the economic prospects of the very same younger Americans who are now being urged to support this policy.

And the politics of debt and austerity, GOP style, is likely to be linked to continuing conservative efforts to weaken the federal government's regulatory role in overseeing Wall Street. This means it could set up younger Americans for being hammered once again by yet another major financial crash– sometime in the not-very-distant future.

The Peter Peterson Connection

Peter G. Peterson, a former CEO of Goldman Sachs, former U.S. Secretary of Commerce under Nixon, and former chairman of the Council on Foreign Relations, is the billionaire investment banker whom many observers view as the linchpin of the pro-austerity, anti-deficit lobby nationwide.

Peterson is a friend of Obama's economic advisor Robert Rubin, Kuttner notes, which probably guarantees him a somewhat sympathetic ear at the White House. He headed the search committee that recommended Tim Geithner, who left office as Treasury Secretary earlier this year, to become head of the Federal Reserve Board of New York back in 2002.

Peterson also is the author of several books – the first dates back to the early 1980s — on the alleged risks of high U.S. government deficits. And to quote Kuttner, he has used his fortune since the early 1990s to bankroll "a large array of nominally bipartisan organizations warning of fiscal Armageddon."

Schools for Budget Cutters: Is There a 'Clinton Connection,' Too?

For example, Kuttner writes, the Obama administration's former director of the Office of Management and the Budget (OMB), Peter Orzag, in 2012 spoke at an event unveiling a new school curriculum on "Understanding Fiscal Responsibility" developed by Columbia University's Teacher's College, with more than $2 million in Peterson Foundation funding.

Similarly, in 2012, the Peterson Foundation sponsored a "Fiscal Summit" featuring Bill Clinton as a speaker and presenting proposals from an array of different think tanks, including the Heritage Foundation and even the left-leaning Economic Policy Institute, on how the federal deficit might be reduced.

In 2012, the Peterson Foundation helped to fund an effort by the Clinton Global Initiative to engage college students in thinking about "fiscal sustainability" in ways compatible with Peterson's worldview, at least as Kuttner reports it.

Perhaps coincidentally, Bill Clinton at a Clinton Global Initiative summit in June of 2012 hailed a "commitment" by PricewaterhouseCoopers (or PwC), the huge corporate accounting firm, to devote some $160 million to the development of a curriculum on financial literacy, to be called "Earn Your Future," to be delivered to some 2.5 million students in grades 3-12 over the next few years.

Along with funding the "Earn Your Future" curriculum, PwC boasts, it mobilized large numbers of PwC employees to participate recently in Martin Luther King, Jr. Day by engaging in volunteer activities "from teaching financial literacy modules in schools to hosting career exploration programs for youth organizations."

PwC's publicity for the "Earn Your Future" initiative suggests that the focus will be on improving the personal financial management and financial planning skills of students. However, American progressives may want to monitor PwC's new curriculum as it is released, to determine how much it is promoting a pro-austerity, deficit-hawk approach to educating American students and their teachers..

http://www.forbes.com/sites/causeintegration/2013/03/12/priceless-volunteers-bring-financial-literacy-to-the-masses/

http://www.pwc.com/us/en/press-releases/2012/earn-your-future.jhtml

On Moderating the Message: A Kinder & Gentler Approach to Deficits?

For socialists and other progressives, one possible wild card in the Peterson-inspired campaign for deficit-hawk austerity is provided in a new book by former IMF chief economist Simon Johnson, a Senior Fellow at the Peterson Institute for International Economist, in collaboration with James Kwak, a former McKinsey & Company corporate consultant and recently a fellow at Harvard Law School's Program on Corporate Governance.

See the related sidebar, "Do Deficit Hawks Always Need to be Right-wingers?" for more on the Johnson & Kwak approach to the deficit and debt question.