

Politics 2011

My priorities:

1. Bayview Village
2. CSUEB Hayward Shuttle
3. Access to South Hayward BART
4. Deaccessioning documents
5. International Comparisons

Commentary:

Palestine Israel

US deficits, taxes, jobs, growth

Computer modeling

Good budget, bad budget

Citizen Advocacy Groups

Conservative, Liberal, Educated, Scientific: Choose the Last Two

I fully retired from CSU Hayward after teaching my last course in spring of 2010. My five new jobs are promoting Bayview Village, a shuttle bus to the CSUEB Hayward campus, access to South Hayward BART, disposing of surplus paper, and an international comparisons website.

1. Bayview Village details are at www.bayviewvillage.us. It is a proposed development.

outstanding pro forma with 18 tabs laying out all the revenues, expenses, investment, loans, and timing information. The 12 year pro forma shows, for example, revenues of \$353 million, expenses including loan interest of \$292 million, maximum loan exposure of \$44 million, equity needs of \$9.7 million, and a return on investment of just over 30%. I'm just giving you information here, not asking for anything.

Under the other law, SEC Regulation D, only qualified investors can be asked for funds, and only using a Private Placement Memorandum with full disclosure and warnings about risk, by a numbered hard copy that cannot be circula

statistical data from many sources evaluating the performance of 11 Advanced Democracies with the US. My report from here on moves into politics; be warned. The country data varies greatly in concepts, quality, and coverage, from simple counts to complex indices. Here is a summary in the form of two long disjointed lists:

The US ranks first or second in GDP per capita, large houses, military spending as a percent of GDP, military spending as a percent of central government, number of nuclear warheads, percent share of total world arms exports, think tanks per capita (one of my favorites), higher education enrollment, competitiveness, cars owned, miles driven, gasoline consumed, coal burning, greenhouse gases per capita, total-d

Should we tell the two sides to negotiate and blame both for failure so far? That is the dominant US opinion, and it is wrong. It reflects a desire to not have to figure out the balance of claims and nuances of solutions, and ignores 20 years of failed efforts. Can the US provide any mediation when it is so biased in favor of Israel? The call for negotiations dodges the responsibility to help figure out what the best solution is. In my opinion, a fair solution has already been negotiated: the Geneva Accords.

What is the US responsibility to Israel? To criticize but then fully support its government, US munitions to kill and control Palestinians? Or to support what is best for the future of Israel? If its government is pursuing a policy of short-run advantage likely to cripple, even destroy, Israel in the long run, what should we do? If Israel wants to negotiate, why does it balkanize Palestine with barrier walls, seize more land for its settlements, abuse Palestinians much more than needed for security, and reject terms essential for the Palestinians that do not harm Israel? If the Palestinians, Europeans, the US, and even many, if not most, Israelis favor a two-state solution, should the US block it in the UN?

The debate in the UN will be over by the time you see this. The International Crisis Group is an organization of foreign policy experts of moderate views; I think of it as our Department of State In Exile. They inform and shape my opinions. International Crisis Group, Middle East Report N°112, 12 Sep 2011: “The focus should be on shapfVÀ

which means I could easily carry on for five more pages. Available on request.

US deficits, taxes, jobs, growth

US deficits are a result of massive tax cuts, huge increases in military spending, the new Medicare drug benefit, and a serious recession caused by poor use of tax cut funds, crazy mortgages, and a massive housing and financial derivatives bubble. First, taxes.

American politics is awash with the idea that lower taxes will help the economy. **Higher taxes properly spent will, in fact, help the economy.** Advanced democracies, with a higher standard of living than the US, all have significantly higher tax rates than the US. In modern US economic history, higher taxes rates are usually associated with higher growth rates. The last tax reform, in 1986, increased taxes on business, and was followed by years of increased investment. When taxes were lowered during a boom in 2001, it was followed by the biggest bust since the Depression. The danger is posed not by taxes, but by debt, speculation, and excessive money growth.

Under-taxation causes deficit spending, which increases borrowing, Money in Treasury bonds may or may not be invested in growth. The borrowing can be redeemed if the spending it supports is productive, that is, longer term, it causes more growth than the burden of debt. Otherwise, taxes to pay interest on debt becomes a dead weight on economic growth.

Unfortunately, in recent years most of the deficit has not been invested in growth. At the end of the Clinton years the US budget moved into the black, a rare event, followed by the biggest tax-cut deficits in US history under Republican G. W. Bush. Tax cuts have gone to increase upper incomes, with devastating results for the deficit, jobs, and growth. Job growth, in fact, slowed down and the economy went into the worst crisis since the Great Depression. On top of tax cuts, doubling down on bad policy, for the first time in American history, the elite decided to fight wars without paying for them, ballooning debt even more.

Over comparable six year periods, **Clinton's tax increase was followed by a 16.2 percent jobs growth; Bush's tax cuts were followed by a 4.8 percent job growth.** For GDP growth, the score was Clinton, 26 percent; Bush, 16 percent. For median income, Clinton, up 14.7 percent; Bush, up 1.6 percent. Bush claimed his policies would decrease national debt by \$3 trillion; the debt went up by \$1.7 trillion over the six years. Continuing the cuts raised the debt by \$2.5 trillion over 10 years.

I have been unable to find any audit of **where the tax cut money actually went.** I only found: "Moody's Analytics Chief Economist Mark Zandi estimates that making the Bush income tax cuts permanent would currently generate only 35 cents in economic activity for every dollar in forgone revenue." A lot seems to have gone to personal consumption by the wealthy. One corporate mogul bought a bigger boat in Italy, for example. A lot may have gone into investments abroad where cheap labor helped US consumers while throwing US workers into unemployment. A lot must have gone into purchases of assets without increasing their productivity, that is, into houses, collectibles, and housing speculation. Unqualified buyers bought homes they could not afford and gullible investors trusted corrupt bankers, insurance companies, and bond rating agencies who pushed the Ponzi bubble up and up. Some of the money that went abroad came back from Asian exporters into US treasuries, an unproductive investment. Some of the money probably went into

US growth and jobs. (If you know of a good quantitative analysis, let me know.)

The underlying reality is that, within some limits, **taxes usually create more jobs and growth than does private spending, so long as the taxes are progressive and the money is wisely spent.** Government does a better job because **the private sector has a higher cost per job than government.** Taxes shift money from high-cost jobs to a larger number of low-cost jobs, creating more jobs for the same amount

needs to restore rates that prevailed during a better economy.

Concerning loopholes, they need to be understood as a budget expenditure, **a tax budget expenditure, no different from a outlay budget expenditure**. Is closing a loophole a tax increas

programs leads to high costs of criminality, jails and prisons. The US prison population is so big it reduces the labor force, increasing the cost. The Advanced Democracies, with a fraction of the US crime rate and a fraction of the costs, show how effective education and social programs can be.

Computer modeling

We need to move beyond myopic use of GDP thinking and develop more sophisticated measures of performance. We need better computer modeling for economic policy in three areas. One is to develop models that can detect bubbles, based on the dozens of speculative booms and busts the US economy has had since World War II. Danger signs include prices like housing prices rising above historic ratios, increased investment such as in construction lending, programs using government loan guarantees that grow fast, and growth of novel financial instruments.

A second area for modeling is elasticities for more sustainable technologies to replace unsustainable technologies. The focus should be on fossil dependency and the whole array of alternatives from alternative fuels to land use. The model would not pick some specific alternative but would estimate the optimal price, fee, or tax incentive to shift investment consistent with traditional investment rates. Too low an incentive and nothing happens; too high and the cost of disruption reduces some of the benefit of a faster change. The model should also include the role of certainty over time, because a small but certain incentive may be much more effective than a big incentive that disappears.

A third area of modeling is to quantify and include environmental values in a macro-economic model. To measure real growth we need to bring environmental costs and benefits into GDP accounting. Currently, money measures price but not value, and rising GDP masks falling welfare. At the same time, we need to implement some basic accounting concepts into macro-economic models. We need to add assets and liabilities and changes in financial position to the national accounts, only look at income and outgo. This new accounting requires some value judgments, but gets past the pretense that current accounting is objective.

Good budget, bad budget

US deficits since G. W. Bush have not been caused by domestic spending. **Domestic spending has not increased.** Also, this spending is too small to solve the problem to begin with.

A White House spreadsheet (<http://www.whitehouse.gov/omb/buo>)

water resources, conservation, national parks/wildlife refuges/forests/land management, pollution control and related; agriculture; commerce, mortgage credit, post office, deposit insurance and related; highway, transit, air, and water transportation; community development, disaster relief; health research and training, occupational health and safety; federal law enforcement (FBI, DEA, EEOC, ATF, FinCEN, Secret Service, federal courts, prisons, Homeland Security, ICE, Border Patrol, TSA), criminal justice assistance to state and localities and related	6.3%
K-12 and higher education, training, and related	3.7%
Federal employee retirement/disability	3.5%
Veterans benefits	3.1%
International Affairs	1.3%
Congress, President, Treasury, IRS, property and personnel management	.7%
“Undistributed Offsetting Receipts” (not a useful concept)	<u>-2.4%</u>
Total	73.4%

Some spending is dragging the economy down:

interest on the national debt:	5.7%
Department of Defense	20.1%
farm income stabilization	.5%
War on Drugs	?
fossil fuel and nuclear subsidies	?
Health finance	?

- The US has spent

GDP. A

Citizen Advocacy Groups

I support many public interest groups; here are three examples: **Amnesty International**. I was moved by the letter from Eynulla Fatullayev, Journalist, Former Prisoner of Conscience, Azerbaijan, Sept. 2011, one of many I've seen over the years. I feel the need to do something on these and many other issues. I can't do much, but with many other small donors, it can amount to something. I feel more pessimistic about progress than I used to, but I like to give a bit to optimists. I'm inspired by the motto "I'm not dead yet," which must have limited appeal.

Second group: **Cultural Survival**, advocating for tribal groups being harmed by exploitative national governments, corporations, miners, and ranchers. Recent example: the proposed Keystone XL Pipeline affects Native Americans in Montana, South Dakota, Nebraska, Kansas, Oklahoma, and Texas. They have not been adequately informed and consulted, as required by the UN Declaration on the Rights of Indigenous Peoples. The claimed environmental protections turn out to be weak when examined closely. The pipeline invests capital in continuing fossil dependency and climate change when we need to do the opposite. The tar sand oil has&€

Hayward Area Planning Association	Planning and Conservation League
International Crisis Group	Population Connection
J Street	Public Campaign Action Fund
Jane Goodall Institute	Rails to Trails
KQED National Public Radio	Save The Bay
League of Women Voters	Sierra Club
Link TV	Sierra Club Calif.
MAPLight.org	Sierra Club Bay Chapter
Mothers Against Drunk Driving MADD	Southern Poverty Law Center
Mountain Lion Foundation	TransForm
Moveon.org	Truthout
National Audubon Soc.	Union of Concerned Scientists
NorCal Solar Energy Assn	United Farm Workers UFW
Ocean Conservancy	United Nations Association of the USA
Oglala Lakota College	US League of Conservation Voters
Oxfam America	Witness for Peace
Parents and Friends of Lesbians and Gays	World Security Institute/Center for Defense
PFLAG	Information
Planned Parenthood Federation of America	Worldwatch Institute

Conservative, Liberal, Educated, Scientific: Choose the Last Two

We need less ideological extremism living in its own world, and more balancing of conservative and liberal values based on experience and pragmatism, on education and science.

Among the most bizarre of all the ideas damaging our future is that low tax - high deficit policies are somehow conservative. They are not; they are reckless, ideologically motivated, demagogic, and contrary to our best knowledge. Government serves conservative values, not just liberal ones.

High debt-low tax “conservatism” has lost its way. Real conservatives do not run big deficits. They may be mean SOB's, but they will be honest and cut spending to avoid a deficit if they want to reduce taxes. Real conservatives were upset by Obama’s failure to restore tax rates in late 2010 when he had the power to do so. In dictionary form: “Conservative: a political philosophy of small government and balanced budgets (obsolete).”

Pres. Obama could have implemented conservative policy in December, 2010, and failed to do so. As a moderate (who did not expect much), I lost confidence in him. As I write, he is proposing a tax on higher incomes similar to the one he could have had in 2010. It is, however, up to the voters to decide if they want to destroy the federal government, or grow up.

Taxes not only should cover outgo, they should provide a level playing field for economic competition. Conservative should not mean government doing favors for some; it should mean creating a level playing field for all. Conservatives should not favor government picking winners in the tax code.

The Republicans now in ~~use~~ ~~062a-r~~

into the thousands across the country. The Oakland contractor had to spend thousands of dollars a day in operating costs for something that does not yet actually operate. The program is 75 percent funded by user fees on fuels, passengers, and air freight, a system in place for decades. Ground safety inspectors were working without pay and charging necessary expenses to their personal credit cards, and 4,000

systems. Sweden forces up the price of a cup of coffee in order to pay baristas well. Liberals can complain about CEO incomes all they want, but they need more analysis to define the worst of the worst and take market action against them. It won't be easy because of the diversity of priorities among liberals.

If I'm not liberal or conservative, what am I? My politics might be called **moderate contrarian**. Complex advocacy requires not compromising in the middle, but finding better ideas that balance of liberal and conservative values. Liberals are right about needing resources to solve problems, you can't do something with nothing. Conservatives are right about the need for competency, to use resources effectively. But by the time you get into the details of any one policy, the ideologies drop away and the details of the problem come into focus.

How do we deal with the problem of voters so uninformed they can be manipulated into voting against themselves? Highly educated people include ideologues, but a larger number with complicated and balanced views on issues. More education, inching along from The Enlightenment onward, is essential.

The Age of Enlightenment started something in 18 Century ted n d bia % fies