











Thomas Dewey, in a 1944 election speech: "If at any time there are not sufficient jobs in private employment to go around, the Government can and must create job opportunities, because there must be jobs for all in this country of ours."<sup>22</sup> How likely is it that either party today would agree with Dewey or Nixon?

Some Democrats during those Bush 2 years either agreed with him or were intimidated, and a minority voted for tax cuts, though they did not repeat their capitulation to the Reagan Administration. They were nearly unanimous in opposition to the 2003 cuts. Both parties are now fundamentally corporate parties. Democratic Administrations weakly support some social issues like abortion or homosexual rights, but are rather conservative on economic issues, except perhaps during election campaigns. The Clinton Administration after all, was the dismantler of New Deal financial protections like Glass-Steagall as well as its welfare program, Aid to Families with Dependent Children. It also tried to begin the privatization of Social Security, though reports are that Clinton's affair with Monica Lewinsky saved us.<sup>23</sup>

The Bush 2 Republican Congress overturned a statute that required spending cuts to finance tax cuts. Reinstated when the Democrats returned to a majority in 2007, the rule has been changed by current House Republicans. Spending increases must now be offset with spending cuts elsewhere.<sup>24</sup> In fact, tax increases to pay for new spending are prohibited. *Tax cuts need no offsets*. Paul Ryan, the House Budget Committee chairman, said, "We didn't come here to raise taxes. We came here to cut spending and the rules should reflect that." The new rules will allow the House to extend the Bush tax cuts, now set to expire in 2012, as well as the estate tax and the alternative-minimum tax without having to find equivalent savings.<sup>25</sup>

The Bush 2 Administration, not the Democratic Congress, also initiated the Medicare drug benefits. And it was the Republican/Libertarian Fed Chair, Alan Greenspan, who worried that the surpluses of the Clinton years would run down the debt too much. He therefore lent his considerable prestige to endorse the Bush tax cuts, and then recommended *spending* cuts when deficits piled up.<sup>26</sup>

Markets have yet to signal the concern our officials show about debt and deficits. The most recent [7/15/11] Treasury auction of 30-year Federal debt sold at an interest rate of 4.198 percent,<sup>27</sup> one of the lowest rates of the postwar period. The rating agencies, Standard and Poor's and Moody's, are threatening to downgrade US debt.<sup>28</sup> These are the agencies whose assessments preceding the financial blowout were so faulty. Here is a bi-partisan Senate report: "In one of the most stark condemnations of the credit rating agencies, a Senate investigations

panel said the agencies continued to give top ratings to mortgage-backed securities months after the housing market started to collapse.”<sup>29</sup>

To craft a solution appropriate to a problem, we need to understand its sources as well as evaluate its importance. What are the *real* sources of our deficits/debt? It is not “liberal” spending initiatives. Our government is small compared to the rest of the developed world – in the last decade, the U.S. ranked 24th out of 26 countries in the Organization for Economic Cooperation and Development (OECD) in government spending at all levels as a share of economic output.<sup>30</sup> According to our own CBO, non-interest federal spending was 19.2 percent of GDP in 1977. Thirty years later, in 2007, a year before our financial problems began, it was 17.9 percent of GDP.<sup>31</sup> Over that same period, Social Security was constant, at 4.2 percent; Medicare rose from 1.1 to 3.1 percent.<sup>32</sup>

[The ten-year projected deficit is entirely explained](#)<sup>33</sup> by: 1. the serious recession caused by the financial collapse [officially, it is over, but not for the millions of jobless];<sup>34</sup> 2. the Bush and other tax cuts, including estate taxes; 3. the wars in Afghanistan and Iraq, along with greatly enhanced military spending; 4. burgeoning medical costs; and 5. the financial sector bailout. In fact, if these issues were all in hand, we’d have big budget surpluses.

- 1 The most obvious problem as well as the most neglected one is the **recession**. Right now, we’re still facing a jobs crisis, not a deficit crisis. Recessions increase spending, like unemployment compensation, food stamps, discretionary stimulus outlays and interest costs on the enlarged deficit. They simultaneously reduce tax revenues, as incomes of individuals and businesses fall. According to the CBO, the deficit for 2010 was \$1.3 trillion; each additional million jobs reduce the deficit by \$54 Billion.<sup>35</sup> According to the jobs report for June, 2011, “the labor market is now [11.1 million jobs](#) below the level needed to restore the prerecession unemployment rate (5.0% in December 2007, the official start of the recession),”<sup>36</sup> with the trend increase in working age population added to job loss. That 5 percent target is close to the CBO’s so-called “natural rate of unemployment” (5.2 percent) by which they determine the structural [high-employment] deficit. So a return to that still unsatisfactory unemployment rate would reduce the deficit by \$599 B—nearly half. Consumers, as we saw, at the end of 2010 still had record levels of debt relative to income and still trillions in losses on their houses and financial investments, so are in poor condition to support recovery with their spending. So federal austerity will make the recession worse.
- 2 **Tax cuts:** [The Bush tax cuts](#) alone will cost an average of \$366 billion each year over the next 10 years or about \$3.7 trillion<sup>37</sup> over the 10-year budget period. If these lapse after 2012,

the debt will barely grow as a share of GDP for the rest of the decade.<sup>38</sup> In fact, a recent *Times* headline was “Do-Nothing Congress as a Cure”—pointing out that if there is no action to extend them at the end of next year, “75 percent of the deficit problem over the next five years”<sup>39</sup> would be solved. We collected no estate taxes *at all* last year.

Government debt is a safe and rewarding asset for holders, including banks, corporations and many of us. Most people, especially the rich, would rather have the government borrow from them to cover expenses than pay taxes for that purpose. We have one of the industrial world’s lowest tax burdens—in 2009, [we ranked 26<sup>th</sup> out of 28 OECD countries](#)<sup>40</sup> in taxes as a share of our output. US taxes in pre-recession 2007 were 28.3 percent of GDP.<sup>41</sup> An official who served in the Reagan and Bush 1 Administrations has observed that “The G.O.P. says global competitiveness requires the United States to reduce its corporate tax rate. But the United States actually has the lowest corporate tax burden [2008] of any of the member nations of the Organization for Economic Cooperation and Development.”<sup>42</sup> [[In 2009, all but one.](#)]

**3 Military spending.** To deficit hawks, “imperial overstretch” cannot be an issue as our two wars account for only 10-15 percent of the deficit and much less than that of the debt. Military spending could bear minor cuts, but “its not reckless American activity in the world that jeopardizes American solvency but American profligacy at home that threatens American power and security.”<sup>43</sup> However, according to Joseph Stiglitz & Linda Bilmes, “This was the first time in American history that the government cut taxes as it went to war. The result: a war completely funded by borrowing.”<sup>44</sup> Their estimate of the total cost of the Iraq war is upwards of \$3 trillion.<sup>45</sup>

Nor do suggestions for spending cuts extend to our more than a thousand [foreign military bases](#), large and small, which add \$36.4 B to the trade deficit as well as to the government deficit, nor the total military budget, which rivals those of the rest of the world combined, and includes 234 golf courses<sup>46</sup> worldwide. In Iraq and Afghanistan, air conditioning alone costs us \$20 billion each year.<sup>47</sup> According to Defense Secretary Gates,<sup>48</sup> just the number of people in military bands is larger than the number of State Department Foreign Service officers. Perhaps *this* is our problem: “To the man with a hammer, every problem looks like a nail.”

If we include such military-related items funded outside the Pentagon budget as veterans programs; the “intelligence” budget; military-related foreign aid; homeland security; and spending related to nuclear weapons in the Energy Department’s budget, the 2010 military

budget totaled over one TRILLION dollars.<sup>49</sup> The 2010 deficit was \$1.3 trillion. [However, reducing military spending would not reduce the deficit by an equivalent amount.]

- 4 Medical costs.** [Insurance premiums](#) are rising far more rapidly than inflation or earnings. For Altman/Haass and others, the medical cost problem is one of a larger aging population driving up costs. [The real problem is quite different](#). If aging is our problem, our budget deficit as a percent of GDP, adjusted for inflation, rises, but not explosively. In contrast, if health care costs continue to rise at current rates, that ratio rises dramatically. [Let's look at an alternative](#). “If the United States paid the same amount per person for health care as any other wealthy country we would be looking at huge budget surpluses, not deficits,” according to Dean Baker.<sup>50</sup> “Every other wealthy nation insures everyone for about 10 percent of GDP. Our system leaves out some 50 million people, and costs 17 percent of GDP. That's a difference of seven percent of GDP, far more than the structural budget deficit.”<sup>51</sup>

[Not only does the US, private and public, spend more on health care](#), but —or government [alone] spends more on health care than the governments of Japan, Australia, Norway, the United Kingdom, Spain, Italy, Canada or Switzerland.”<sup>52</sup> Medicare, Medicaid, and CHIP [Children's Health Insurance Program] make up 21 percent of the federal budget.<sup>53</sup> And our health outcomes, like life expectancy or infant mortality, are worse.<sup>54</sup> Rock singer Paul Hipp has a delightful rant about our World Health Organization health care ranking, “We're Number 37”.<sup>55</sup>

- 5** It is difficult to know the impact of the **financial sector bailout** on the recorded debt or even its total size, but a well-regarded public interest group estimates \$241 Billion<sup>56</sup> as recent total of disbursements net of repayments, as the contribution to the current deficit as of June, 2011. Some estimates are far larger. Much of the bailout doesn't appear in the debt as the Fed created money to finance its purchases, for example, of mortgage-backed securities. Think of what these funds could have accomplished if they had been used for social purposes instead of this enormous subsidy to the financial system!<sup>57</sup> A financial blogger provides an interesting [correlation of bailout and debt](#), showing a rise in debt per capita simultaneous with the bailout, though of course this does not prove causation. At their peak in 2009, the Fed's special lending facilities had lent out more than \$2 trillion.<sup>58</sup>

So—is there a debt problem? No. The most serious danger of the debt to our economy is posed by that [share of it financed by foreign borrowing](#), that is, lent to us by either governments, or especially private creditors, who hold our debt in part because it is profitable or safe and might

decide it isn't. As of early 2011, foreigners, both official and private, owned nearly \$4½ trillion of U.S. debt, or approximately 47 percent of the debt held by the public<sup>59</sup>. The treasury securities owned by foreign governments like China, the largest holder, have risen from about 10 percent of the debt in the early 1990's to nearly 33 percent in early 2011<sup>60</sup>. A \$1 trillion or so were held by private foreigners, like corporations.

**Foreign-held debt is different** This debt does make a difference, because if foreign holders begin to convert their dollars into other currencies, or even buy a smaller fraction of newly created trade debt, the dollar would depreciate, making foreign goods and capital more expensive for Americans. Foreign borrowing stems largely from our chronic trade deficit, which requires borrowing foreign currencies, and paying dollars for them, to make payments. The trade deficit also reduced the effect of the Federal stimulus, as some of the extra spending bought foreign goods and services rather than domestically produced ones, which would have put more people to work. Gradual dollar depreciation would help to improve the trade balance and encourage domestic production. The trade deficit is not mentioned by most debt critics. Yet ironically, it is primarily by cutting back *this* deficit that we can begin to deal with a major problem of our debt. Slashes in spending only help marginally by slowing down the economy and thereby cutting imports--a very costly remedy, especially for the additional jobless workers.

Though the debt problem is a consequence of the recession, the Bush and other tax cuts, two wars and a growing military budget, and a costly private health system, these are not the primary focus of efforts at deficit reduction. [Nor is there a focus on reform of the financial sector sufficient to preclude a repetition of the crisis.] Rather, the old conservative and now increasingly liberal refrain is "entitlement reform," that is, some version of benefit cuts and/or increases of their dedicated taxes. Speaker John Boehner has said, "Listen, we've got to stop spending money that we don't have, and since the beginning, the Majority Leader and myself, along with Sen. McConnell and Sen. Kyl have been clear: tax hikes are off the table."<sup>61</sup> With "everything on the table" except tax cuts, the debt seems to be a stalking horse for a final push against Social Security, [which hasn't added a penny to the deficit](#) [see net addition to the Trust Fund], along with other social programs. Even during these years of recession, the size of the Trust Fund has increased, and helped to reduce the deficit. These are funds from a tax paid even by wage-earners too poor to pay income taxes, and that deficit hawks are proposing to use for deficit reduction. Medicare costs reflect the problems of our private health care system generally.

So what are our most important economic problems besides the plight of the unemployed? These include the trade deficit; the growth slowdown; and inequality. There are others as dire, such as global warming, which cannot be covered in this paper.

**The Trade Deficit.** We have had a chronic trade deficit since 1971. It became enormous during the Reagan era, when the dollar was allowed to appreciate sharply in value, driving up the foreign price of our manufactures so that they became uncompetitive, and making imports and outsourcing more attractive. As a consequence, [we are increasingly in debt to the rest of the world](#). By 2010, the United States had already fallen behind China in global merchandise exports,<sup>62</sup> with just 8 percent, roughly tied with Germany, compared to 10 percent for China and 16 percent for the European Union. Of course, the picture is not quite so grim for the US with service exports, like financial services, included.<sup>63</sup> Needless to say, we are still the number one importer, unless the European Union is treated as a unit.

There is no reason to believe that this trend will reverse itself without policy change. We have lost not only the market for old manufactured goods, but many of the new ones as well. In 2001 our previous trade surplus in high-tech goods shifted to deficit, which has continued into 2011. According to Andy Grove, former head of Intel,

Such is the case with advanced batteries. ...finally we are about to witness mass-produced electric cars and trucks. They all rely on lithium-ion batteries. What microprocessors are to computing, batteries are to electric vehicles. Unlike with microprocessors, the [U.S. share of lithium-ion battery production](#) is tiny. That's a problem. ....The U.S. lost its lead in batteries 30 years ago when it stopped making consumer electronics devices. Whoever made batteries then gained the exposure and relationships needed to learn to supply batteries for the more demanding laptop PC market, and after that, for the even more demanding automobile market. U.S. companies did not participate in the first phase and consequently were not in the running for all that followed. I doubt they will ever catch up.

And we'll never have the well-paid factory jobs this industry could provide.

Nor is there likelihood that our dependence on foreign borrowing is indefinitely sustainable. Our trade deficit in 2008 was nearly \$700 billion, though the recession has reduced it significantly. Oil imports were over 1/5<sup>th</sup> of our goods imports that year. Yet unlike other countries, which are working to reduce their dependence, we retain our enthusiasm for fossil fuels, about 50 percent of which we must import, net of oil exports.

**Slow growth:** Not only the recession and rate cuts have limited tax revenues. [Growth during the Bush era](#) was inadequate even before the financial collapse of 2008. Even excluding the recession and ending in the peak year 2007, the 2001–2007 expansion was the weakest of the ten since 1948, thus reducing taxes that otherwise might have been paid, even at lower tax rates.

If ever there was a test of the alleged benefits of tax reduction for growth, this was it. And there aren't any.<sup>64</sup> The supply-side theory that [tax cuts always pay for themselves—wrong](#).<sup>65</sup>

Unfortunately, because growth is the way we deal with unemployment, the Bush era produced the weakest job creation of the postwar era, even before the recession.<sup>66</sup> As of June 2011, nearly 7 million jobs have disappeared.<sup>67</sup> To restore these jobs and keep up with the growth of the working-age population would require 11 million jobs.

The decade just concluded is also the first in which the income of the average American declined. In 2007, the peak year of the last decade, median household income was roughly \$300 less than in 2000.<sup>68</sup>

For more than three decades, our growth has been largely dependent on rising debt, and on two major speculative bubbles brought on by the financial sector—the dot-com in the late 1990s, following by housing in the 2000s. What will replace them?<sup>69</sup> We live in the highly integrated, competitive world that our leaders pushed to create, but did not help us get ready for; nor did they bargain for rules protecting our economy or labor force from unfair competition. Infrastructure, education, innovation have all been neglected, except rhetorically. The American Society of Civil Engineers [ranks our infrastructure as Grade D](#).<sup>70</sup> The public education system has deteriorated alarmingly. After leading the world for decades in 25- to 34-year-olds with university degrees, the country sank to 12th place in 2007<sup>71</sup>. Though United States ranked sixth in overall competitiveness in 2009 in the assessment of 40 nations by the Information Technology & Innovation Foundation, it ranked 40<sup>th</sup> in “~~range~~” in “~~g~~lobal innovation-based competitiveness”<sup>72</sup> during the previous decade.

Our only thriving sector is still finance, which is in need of severe pruning. [Its share of domestic corporate profits has steadily increased, from 16 percent in the 1970's to a peak of 41 percent in the previous decade,<sup>73</sup> along with evidence of a malign effect on both investment and income inequality.<sup>74</sup> Despite the financial crisis, in the recovery, they are now receiving more than 30 percent of all domestic profits.<sup>75</sup>] Our chronic trade deficit reflects this social neglect as well as a defective globalization strategy pursued by every postwar administration, including Obama's. Evidence of this faulty strategy is that imports of manufactured goods surged more than 100 percent between 1997 to 2007.<sup>76</sup>

What productive gains there have been have largely been [captured by the very top](#)—even the top 0.1 percent of income receivers. Inequality is back to roaring 1920's levels. This is unhealthy both economically and politically. If all the rich got for their wealth was art, mansions, and trophy spouses, they would not pose such a problem. But they reshape our political parties

and belief system to serve their ends, which are better served by an ideology of individualism rather than the social bonds which would support social welfare spending. Warren Buffett, with immense income from dividends and capital gains, discovered that without using any tax dodges he paid far less as a fraction of his income than the secretaries or the clerks in his office. He has concluded,<sup>77</sup> “There’s class warfare, all right but it’s my class, the rich class, that’s making war, and we’re winning.”

The [inequality of our wealth distribution](#) corresponds neither to Americans’ estimates of our actual wealth distribution nor to their ideal distribution. Surprisingly, that is closer to Sweden’s than to ours.<sup>78</sup> The wealthiest 20 percent own about 84 percent of assets; but people estimate that they own 59 percent, and would prefer the richest to have only 32 percent. Some preference for greater equality is held across all income and political groups.

The rich have also tended to invest for short-term profit, so that firms are forced to neglect the future. Our [tax system](#) encourages this by taxing speculative returns, i.e. certain capital gains, at a lower rate than wages and profits, so that [the wealthy pay lower rates than the average American](#). But perhaps even worse, their funds and those of the corporate and financial sectors are so enormous relative to acceptably profitable investments in the private sector that they fuel speculative asset booms instead of useful investment and press for privatization of public activities. They look at the large, pre-existing markets for public goods like education, water supply, Social Security, limited-access highways, prisons, military activities formerly done by the Pentagon, and rental space in public buildings and see risk-free and highly profitable investment if they can induce governments to sell these assets, especially at bargain rates. For example, Wisconsin governor Scott Walker inserted a clause<sup>79</sup> into his Budget Repair Bill that would sell off state-owned power plants without taking bids.

The Right has mounted a sustained assault on liberalism for several decades, the deficit/debt scam being the latest, and the liberal response has been defensive, at times even complicit, like the Deficit Commission, loaded with Social Security privatizers, Medicare cutters and deficit hawks who want to cut spending to finance further tax cuts for the rich. One co-chair, Alan Simpson, predicted, “This is going to be beautiful politics – the brutal kind.” The other, Erskine Bowles, a director of Morgan Stanley, a Wall Street bank saved by the taxpayer bailout, said, “We’re going to mess with Medicare, Medicaid and Social Security because if you take those off the table, you can’t get there.”<sup>80</sup> Paul Ryan, whose “brave” deficit-cutting plan is the latest chapter, according to Paul Krugman [Nobel-Laureate in Economics], wants —to use the deficit, not end it,” and is yet another debt critic planning cutbacks and closing unspecified tax

loopholes to finance further tax cuts. Krugman describes these as —~~S~~avage cuts in programs that help the needy, amounting to about \$3 trillion over the next decade.”<sup>81</sup> And —~~H~~uge tax cuts for corporations and the wealthy, also amounting to about \$3 trillion over the next decade.”<sup>82</sup>

Without a counterattack, those likely to pay for the debt will be the same people who have suffered the most from the near financial meltdown crafted by Wall St. The few sources of creative renewal in the current political environment are in protests such as those by public employees. So far, however, despite their inspiring struggle, these project not alternative social and economic visions but merely efforts to protect existing systems safe from the depredations of the budget-cutters, or those who claim to be.

One alternative vision is that of a society that provides decent jobs for all who want them. The National Jobs for All Coalition is one of the organizations that continues to work toward a more just society. Our shared prosperity program<sup>83</sup> ties the creation of good jobs to unmet needs for infrastructure, renewable energy, environmental work and public services, like childcare and education, all domestic jobs. It would provide as well a strategy for uniting various progressive movements to demand a response from the political system. Because unemployment is so costly and because the unemployed can provide needed services, public policy can employ the jobless at a rather small cost.<sup>84</sup> Philip Harvey has calculated that the stimulus funds so weighted down with ineffective tax cuts by the Obama Administration would have been sufficient to provide jobs for all those needing work.<sup>85</sup> Moving toward a more just and sustainable economy is practical, effective policy. The choice is ours.

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<sup>1</sup> Presented at the Columbia Seminar on Full Employment, Social Welfare and Equity May 2011. This work could not have been done without the work of some outstanding progressive websites, like the [Center for Economic and Policy Research](#), the [Economic Policy Institute](#), government sites, like the [Congressional Budget Office](#), as well as a few more conservative sites, like the Cato Institute. I am grateful to Professors Helen Lachs Ginsburg, Economics (Emerita), CUNY, and Martin Melkonian, Economics, Hofstra University, for their critical reading and suggestions.

<sup>2</sup> These range from Alan Greenspan: —I believe the fears of budget contraction inducing a renewed decline of economic activity are misplaced.” WSJ

<http://online.wsj.com/article/SB10001424052748704198004575310962247772540.html> to Speaker John Boehner’s “Government Spending Cuts Key to Success” <http://www.johnboehner.com/?p=1644>

<sup>3</sup> <http://www.scribd.com/doc/40488953/Bush-tax-Cuts-crs-10-27> p. 7 includes additional debt service and alter. Min. tax. [Congressional Research Service]

<sup>4</sup> For example, the Social Security Trust Fund owned \$2.5 Trillion in 2009, but will not claim any of this sum for years. The Trust Fund buys special-issue [not market-issue] bonds, currently paying about 3 percent.

<sup>5</sup> Federal debt: <http://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt.htm> When Pres. Clinton left office, there was a budget surplus of \$236 billion, about 2 percent of GDP. It was being used to pay down the debt.

<sup>6</sup> <http://www.whitehouse.gov/the-press-office/2011/07/02/weekly-address-cutting-deficit-and-creating-jobs> Quoted by Paul Krugman, <http://krugman.blogs.nytimes.com/2011/07/02/barack-herbert-hoover-obama/>

<sup>7</sup> <http://blogs.wsj.com/economics/2011/03/19/number-of-the-week-household-debt-may-be-accelerating-again/>

<sup>8</sup> <http://www.nytimes.com/2011/04/30/business/economy/30charts.html>

<sup>9</sup> Debt was \$9.4Tr. and GDP was about \$14.9 Tr. at the end of 2010.

<sup>10</sup> <http://www.cbo.gov/doc.cfm?index=12212>



- <sup>48</sup> <http://www.washingtonpost.com/wp-dyn/content/story/2010/09/06/ST2010090603042.html?sid=ST2010090603042>
- <sup>49</sup> Chris Hellman, “The Real U.S. National Security Budget: The Figure No One Wants You to See,” <http://www.tomdispatch.com/blog//175361/> See also <http://nationalpriorities.org/>
- <sup>50</sup> <http://www.cepr.net/index.php/blogs/beat-the-press/does-robert-samuels-worry-about-monsters-under-his-bed-at-night> and <http://www.cepr.net/calculators/hc/hc-calculator.html>
- <sup>51</sup> <http://www.demandsideeconomics.net/2011/03/robert-kuttner-asks-how-do-we-get.html>
- <sup>52</sup> [http://www.washingtonpost.com/blogs/ezra-klein/post/the-hard-truth-about-health-care-government-works/2011/05/19/AGcE95KH\\_blog.html](http://www.washingtonpost.com/blogs/ezra-klein/post/the-hard-truth-about-health-care-government-works/2011/05/19/AGcE95KH_blog.html)
- <sup>53</sup> <http://www.cbpp.org/cms/index.cfm?fa=view&id=1258>
- <sup>54</sup> —. in 2006, the United States was number 1 in terms of health care spending per capita but ranked 39th for infant mortality, 43rd for adult female mortality, 42nd for adult male mortality, and 36th for life expectancy.” <http://healthpolicyandreform.nejm.org/?p=2610>
- <sup>55</sup> <http://www.youtube.com/watch?v=yVgOl3cETb4>
- <sup>56</sup> <http://projects.propublica.org/bailout/main/summary>
- <sup>57</sup> The Fed lent to financial institutions at near-zero interest rates, funds which were then lent out at higher rates.
- <sup>58</sup> <http://www.cepr.net/index.php/press-releases/press-releases/senate-ignores-fed-threats-passes-audit/>
- <sup>59</sup> <http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt>
- <sup>60</sup> <http://www.lafollette.wisc.edu/publications/workingpapers/chinn2010-015.pdf>
- <sup>61</sup> <http://www.speaker.gov/News/DocumentSingle.aspx?DocumentID=248436>
- <sup>62</sup> [http://www.wto.org/english/news\\_e/pr628\\_e.htm](http://www.wto.org/english/news_e/pr628_e.htm) Appendix; “If we ignore intra-trade between the 27 European Union members and treat the EU as a single entity, the leading exporters were the European Union (\$1.79 trillion, or 15 percent of the total), China (13 percent), the United States (11 percent), Japan (6.5 percent) and the Republic of Korea (\$466 billion, or 4 percent of the total).”
- <sup>63</sup> Including both, US is still second to the EU and China. *Ibid.*
- <sup>64</sup> Growth in real per capita GDP between 2000 and 2009 averaged 0.7 percent, the lowest since 1910. Doug Henwood, *Left Business Observer*, 11/10
- <sup>65</sup> <http://krugman.blogs.nytimes.com/2011/06/22/reagan-and-revenues/>
- <sup>66</sup> “President Bush has presided over the worst annual job creation record of any president since Hoover.... While President Bush has not lost jobs, he created jobs at an annual rate of only 0.7 percent through the end of 2007—a record slightly worse than his father, who previously held the second-worst record. When employment figures through April 2008 are included, Bush’s record is even worse, creating jobs at an annual rate of 0.58 percent.” [http://www.americanprogress.org/issues/2008/06/two\\_conservatives.html](http://www.americanprogress.org/issues/2008/06/two_conservatives.html)
- <sup>67</sup> There has been a decline in employment from 146.6 million [11/07] to 139.8 million [5/11].
- <sup>68</sup> Harold Myerson, *Washington Post*, 1/5/11
- <sup>69</sup> Some economists across the political spectrum agree that our at least our recession problem requires greater government intervention: “[Paul] Krugman, asked when the economy would return to full employment, replied, ‘Basically never’ — unless we get a huge stimulus comparable to the most recent ‘recovery to full employment’ from a global financial crisis known as World War II.” No surprise there. But [Martin] Feldstein quickly agreed. According to the former Reagan adviser, the American Recovery and Reinvestment Act of 2009 spending tried to fill a “GDP gap” of about \$1 trillion a year with about \$800 billion spread over at least three years. “So we never got liftoff. We never got a recovery,” Feldstein said.” <http://www.politico.com/news/stories/1010/43219.html>
- <sup>70</sup> Report found at <http://www.ritholtz.com/blog/2010/09/us-infrastructure-report-card-d/>
- <sup>71</sup> College Board, “College Completion Agenda 2010,” <http://completionagenda.collegeboard.org/reports> p.5
- <sup>72</sup> “Benchmarking EU and U.S. Innovation and Competitiveness,” <http://www.itif.org/publications/atlantic-century-benchmarking-eu-and-us-innovation-and-competitiveness>, p.2.
- <sup>73</sup> S. Johnson, “The Quiet Coup,” <http://www.theatlantic.com/magazine/archive/2009/05/the-quiet-coup/7364/>
- <sup>74</sup> S. Khatiwada, “Did the financial sector profit at the expense of the rest of the economy?” <http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1101&context=intl>
- <sup>75</sup> <http://blogs.reuters.com/felix-salmon/2011/03/30/chart-of-the-day-us-financial-profits/> and
- <sup>76</sup> “Offshoring and the State of American Manufacturing” [http://research.upjohn.org/up\\_workingpapers/166/](http://research.upjohn.org/up_workingpapers/166/) p.3
- <sup>77</sup> <http://www.nytimes.com/2006/11/26/business/yourmoney/26every.html>
- <sup>78</sup> [http://www.people.hbs.edu/mnorton/norton\\_ariely\\_in\\_press.pdf](http://www.people.hbs.edu/mnorton/norton_ariely_in_press.pdf) The study is based on a random online sample of several thousand Americans drawn from one million.
- <sup>79</sup> <http://www.onthecommons.org/wisconsin-governor-walkers-secret-privatization-agenda>
- <sup>80</sup> [http://www.cjr.org/campaign\\_desk/social\\_securitys\\_code\\_words.php](http://www.cjr.org/campaign_desk/social_securitys_code_words.php)
- <sup>81</sup> <http://www.cbpp.org/cms/index.cfm?fa=view&id=3451>
- <sup>82</sup> <http://krugman.blogs.nytimes.com/2011/04/08/3-trillion-here-3-trillion-there/>
- <sup>83</sup> <http://www.njfac.org/sharedpros.pdf>

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<sup>84</sup> This cost could be easily covered by a financial transfer tax, one affecting only speculation, not capital investment. See, for example, [http://www.epi.org/index.php/american\\_jobs/paying\\_for\\_the\\_plan](http://www.epi.org/index.php/american_jobs/paying_for_the_plan)

<sup>85</sup> —There is, in fact, a far less expensive way to create jobs than the strategies adopted so far to combat the Great Recession. This alternative approach doesn't require us to wait for the economy to recover in order to put people back to work. It puts people back to work as a way of nourishing the recovery. It's a strategy for producing a job-led recovery rather than the jobless recovery we have been experiencing so far." [Back To Work: A Public Jobs Proposal For Economic Recovery](#), Demos