

"I see nothing in the present situation that is either menacing or warrants pessimism."

— ANDREW MELLON, Herbert Hoover's treasury secretary, shortly after the 1929 stock-market collapse that presaged the Great Depression

Bush and the Democratic Congress fiddle together

Checks for \$600 won't fix our economy —let's have a real stimulus package

WASHINGTON WAS EXCITED. The media establishment applauded. Wall Street smiled. Somewhere, a bluebird of happiness chirped.

In a celebrated display of bipartisanship, both parties joined hands last month to pass a whopper of a stimulus package. Cash, they crowed, would soon be flowing. "We're sending a \$600 check to you, and \$300 to you, and \$1,200 to couples, and...well, almost everyone will get money! It's manna straight from heaven to get our big ol' economy high-ballin' down Prosperity Highway," they exulted.

"Not that there's anything wrong with our economy," they quickly added. "No, no," said the self-congratulatory stimulators. "Everything's fine. Really fine. Really."

In his State of the Union peroration, Bush insisted, "Americans can be confident about our economic growth." Treasury Secretary Henry Paulsen chimed in, "The U.S. economy is fundamentally strong." Buckshot Cheney came out of his bunker to assert that America has a "solid platform" for continued economic growth. And Condi Rice assured world leaders that our economy is "resilient, its structure sound, and its long-term economic fundamentals are healthy."

Hmmm. If the basics of the economy are in such great shape, why would we need all this cheerleading by the wizards in charge? You don't have to be in *Who's Who* to know

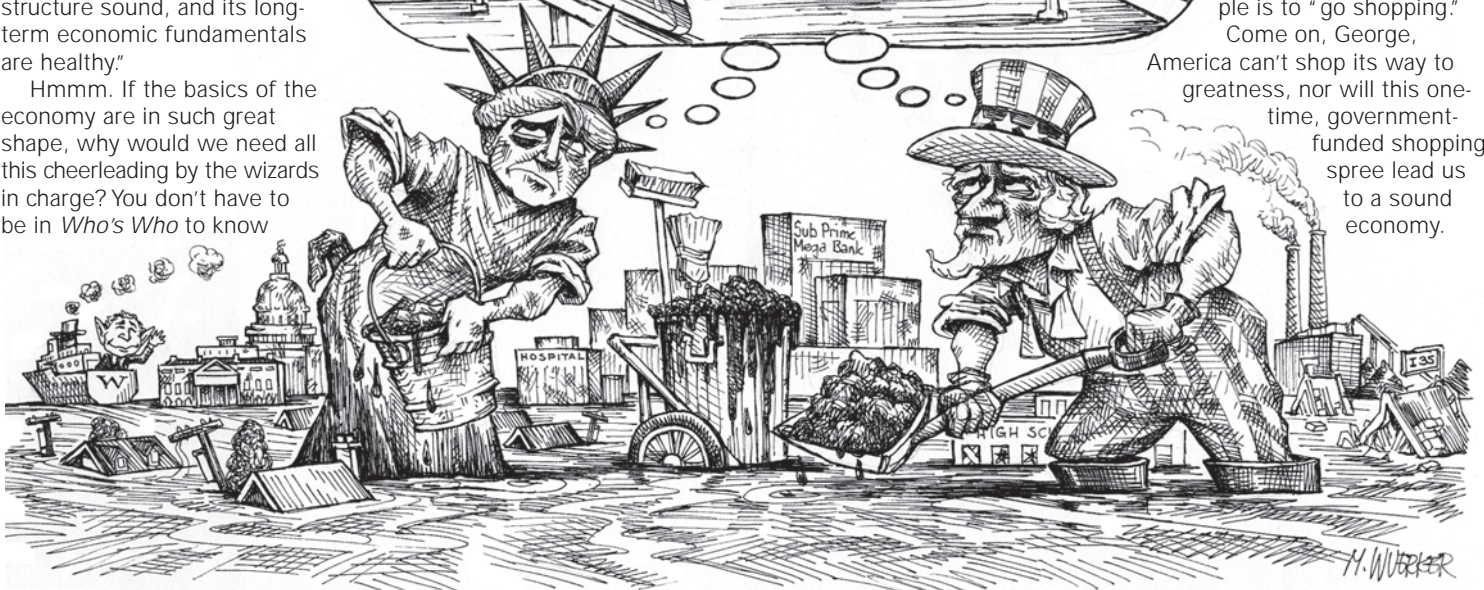
what's what. They can whoop it up 'til they're hoarse, but for most Americans, the kitchen-table fundamentals are nothing to cheer about. As a fellow in Missouri recently said to me, "If these are good times, why aren't I having one?"

While it's probably rude of me to look a gift stimulus in the mouth,

this one seems seriously flawed. The feeble philosophy behind it is the same that shaped George W's insulting comment after 9/11, when he declared that the highest civic role of the American people is to "go shopping."

Come on, George,

America can't shop its way to greatness, nor will this one-time, government-funded shopping spree lead us to a sound economy.



George W has sent a 2009 budget to Congress, and here's how to sum it up: Domestic needs \$0, Pentagon \$515 billion.

At the same time that Bush is slashing health-care programs and making drastic cuts in the Centers for Disease Control, low-income energy assistance, and family literacy, he wants half a trillion bucks for the military PLUS the money he is throwing down the hellhole of Iraq. His accounting rules allow war costs to go off budget, charged to the credit cards of our grandchildren, great-grandchildren... and beyond.

Joseph Stiglitz, a Nobel Prize-winning economist, has calculated the total cost of just the first four years of George's Iraq misadventure. Counting such deferred costs as interest on the war debt and long-term care for the wounded, the tab is \$720 million *per day*.

The American Friends Service Committee has analyzed what America could buy with only a single day's worth of the money we're spending on this misbegotten war. For \$720 million, we could:

- Provide health coverage for a year for 424,000 children.
- Build 84 brand new schools.
- Buy school lunches for a year for 1.2 million needy kids.
- Provide 6,482 units of affordable housing.
- Pay for a year of renewable-energy electricity in 1.3 million homes.
- Pay the annual salaries of 12,500 new classroom teachers.
- Put 35,000 students through a 4-year state college.

Any of these could be had for just one day of war funding.

Follow the money: Let's say your check arrives and you drive straight to Wal-Mart to pick out some new clothes, an electronic gizmo you've been wanting, and a couple of toys for the kids. Pay your \$300 to \$600 and—listen!—you can almost hear the economic machinery kicking into gear, stimulated by your purchase of products.

But wait—we make very little of that stuff in America anymore. Those machinery noises are coming from China, where Wal-Mart and most other retailers have their goods made. Thus, our leaders are shipping billions of dollars from our public treasury to you and me, asking us to spend it in an economy that's based on further enriching Wal-Mart's wealthiest investors and further stimulating China's massive export economy. How sound is that? Wal-Mart and China profit—but we don't.

The real economy

You wouldn't know it if you depend on the conventional media for your news, but the stock market is not the economy, and economic growth is not the same as economic health. For years, stock prices have been buoyant and the Gross Domestic Product (GDP is essentially the total wealth generated by our economy each year) has been growing like a teenage boy, increasing by more than a third from 2001 to 2007. These two indicators have become the Holy Duo for defining American prosperity, and since they have been ascendant, the country's comfortable economic establishment has happily assumed that all is well.

These elites are clueless about the real economy. Take Alan Binder, a former member of the Federal Reserve Board and a policy confidant of several Democrats, including the Clintons. Earlier this year, this high-powered thinker was baffled by polls showing widespread economic pessimism. "People are more sour about the economy than the data would seem to warrant," he mused.

Alan, Alan, Alan. For the vast majority of folks, the data that matter are the statistics telling them



whether their in-come is keeping up with their out-go. Macro numbers like GDP and the Dow Jones average don't put food on the table, gas in the tank, or money in the bank. Washington's plutocratic policies—which knock down wages, outsource jobs, prevent unionization, deny health care, usurp worker and consumer rights, loot pensions, etcetera—have deliberately "decoupled" the benefits of growth from any notion of shared prosperity. Even though we've all worked harder and longer to produce more wealth than ever in America, the GDP's rising tide has not lifted most boats—and many boats have been swamped. It's not irrational anxiety that's fueling people's glumness—it's reality.

This economic distress has grown dramatically under Bush & Company, but the current administration did not create it. Since the mid-1970s, the richest one-tenth of 1% of Americans have seen their wealth jump astronomically, and others in the top 1% have also done well. The next rung of families, those in the top 10%, has done less well, but has still enjoyed real income gains. *Everyone else—the remaining 90% of the American people—have not even kept up with inflation, instead experiencing a drop in their real income.*

The best year for the bottom 90-percenters was 1973, when the average taxpayer reported \$33,000 in income (in today's dollar value). By 2005, that average had fallen by about \$4,000. In other words, after three decades of explosive growth in GDP, America is prosperous, but Americans are not! That un-American imbalance is the most important fundamental of our economy.

Former Labor Secretary Robert Reich points out that middle-class families have tried to cope by

straining themselves. First, as the wages of working men fell (the median income for a man in his 30s today is 12% below that for a man the same age three decades ago), women entered the workforce in big numbers. Today, nearly 70% of moms with school-age kids work outside the home, almost double the number in 1970. Reich also notes that there's been a rise in families that split the work day in half—one parent is at work while the other is on child duty, then they switch. They're known as "DINS": double income, no sex.

Second, families have tried to cope by putting in longer hours. We now typically work two weeks more each year than people did 30 years ago (also, Americans today average about a month and a half more on the job each year than our European counterparts).

There are only so many moms and so many hours to throw at the problem, however, so the past decade has seen the surge of a third way of coping with declining income: debt. Banks and other lenders gleefully promoted this by flooding Americans with promises of easy money—a steady shower of credit cards, subprime mortgages, home-equity loans, payday loans, car loans, student loans, etc. Further contributing to the growth in family debt, both health-care costs and the number of Americans without insurance coverage have skyrocketed, and people are having to put their medical bills on their credit cards. Overall, consumer debt has risen nearly 90% in the past 10 years and now tops \$2.5 trillion.

It is this tsunami that is presently crashing down on our economic shores.

This is why nearly six in 10 Americans told CNN pollsters in January our country is not headed for recession—it's already in one. Also this is one big reason that 75% told *New York Times* pollsters in that same month that America is on the wrong track.

Recovery, not stimulus

Washington's "stimulus" package is a political fig leaf to cover our leaders' bankruptcy of ideas, gumption, courage, and...well, leadership. OK, \$168 billion is a big leaf, but throwing these government checks around (including some \$50 billion that Bush insisted on doling out to corporations) will not create middle-class jobs, stimulate new American production, or address the fundamental imbalance

DoSomething!

Two groups mentioned in this issue:

■ **Apollo Alliance**
 Apolloalliance.org
 415-371-1700

■ **Environment America**
 Environmentamerica.org
 202-683-1250

HOLES IN THE MEXICO FENCE

in our economy.

Even as Congress was passing its feel-good stimulator last month, the Labor Department announced that the U.S. lost another 279,000 manufacturing jobs in 2007, reducing that key middle-class job sector to less than 10% of America's workforce for the first time since such records have been kept. Around the same time, Wall Street banks announced plans to eliminate some 40,000 middle-class jobs, and Detroit automakers said they would cut tens of thousands of workers this year, replacing them with new hires paid only about \$14 an hour—half of the previous wage.

Pundits and politicians are now decrying the reckless, unregulated financial scheming that fueled the collapse of the subprime-mortgage industry. These schemes cost 1.6 million people their homes last year, and more will lose homes this year. Politicians have proposed various band-aid bailouts, but our leaders don't want us to ask the most elementary question: Why is there such a huge demand in this wealthy country for these rigged loans? The key factor is the loss of family-wage jobs.

Likewise, if there really was a solid, secure, middle-class base under our economy, America's financial and political elites would not now be mailing out government checks in a desperate effort to goose up consumer spending. But whole chunks of the middle class have become the working poor, unable to sustain the economy. In short, the fundamentals are not sound.

What America needs is not a stimulus for the false economy of stock-price enrichment for the top 10% and frantic, debt-fueled consumerism for everyone else. This is the time to make a sharp break from the "tinkle-down" economic

policies of the past 30 years, turning instead to "percolate up" economics focused intently on rebuilding America's middle class and restoring America's unifying ethic of the common good.

This means redirecting public funding to the public good. Rather than corporate boondoggles, tax giveaways, privatization scams, ideological wars, and inept occupations, let's invest not only in America, but in Americans.

This approach is in the proud footsteps of such public pursuits as the Erie Canal, Lincoln's Homestead Act, FDR's New Deal (rural electrification, the Conservation Corps, WPA projects, and so much more), Truman's GI Bill, and Ike's interstate-highway system. These worthy undertakings produced not only geometric financial returns for every dollar invested but also generated good jobs, tapped America's can-do spirit, ignited people's sense of optimism, and created assets and benefits that still serve us today.

Think of what could be done if we treated people not as consumers but as producers! Consider just two areas of need that beg for boldness in harnessing people's energy, ingenuity, and gumption:

INFRASTRUCTURE. As we've often reported in the *Lowdown*, one of

the most damning failures of our political leadership at all levels has been its craven willingness to let America's house crumble. From collapsing levees to exploding underground pipes, a dangerous deterioration has spread through water systems, roads, schools, airports, the electric grid, ports, public transit, and other basics, reaching into practically every community.

It's time to go to work. Three years ago, the American Society of Civil Engineers calculated that we're one and a half trillion dollars in arrears on needed infrastructure repairs. That doesn't count the multi-billion-dollar backlog for repairs in our public parks, or such new needs as bringing our nation's internet and phone service up to the superior standard of Europe and Japan.

THE GREEN ECONOMY. Here's our future—if we're smart enough to grab it. Rather than wait on the energy fairy to end America's oil addiction, let's do it ourselves.

One group in the lead is Apollo Alliance, an exciting coalition of enviros, labor organizers, entrepreneurs, community leaders, and others pushing aggressively for policies that link energy independence with new jobs. The alliance is named after the Apollo moonshot mission launched by John F. Kennedy in 1961. The subsequent moon landing excited the country, but this national undertaking would be even bigger and more exciting. Rather than being an event to be watched on TV, this clean-energy revolution would enlist people directly to achieve the goal. Making every home and building in America energy efficient and developing clean, high-speed rail networks between population centers would employ millions of

“The Powers That Be can no longer pretend that such a grassroots recovery program is the sort of big-government undertaking that's unaffordable.”



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Over the years, the *Texas Observer* has been the home of such muck-raking editors as Ronnie Dugger, Molly Ivins—and even me. Editors come and go, but the *Observer* just keeps digging, breaking national stories that big-name media powers miss... or avoid.

Take a recent report by Observerite Melissa del Bosque about the big wall that Homeland Security is erecting across America's southern border with Mexico. Security Czar Michael Chertoff tells us that this 18-foot-high monstrosity is necessary to keep out terrorists and illegal immigrants. His Czarness asserts that border residents must sacrifice their land, homes, businesses, heritage, and peace of mind for the greater good.

But, wait—reporter del Bosque has uncovered curious gaps in the very tall wall. For example, while it will rip through the backyards of low- and modest-income families in Brownsville, Texas, it miraculously stops at the edge of River Bend Resort, a lush golf course. The wall picks up again on the other side of the resort. Excuse me, but won't enterprising border-crossers simply learn to dress up as golfers or caddies and putt right through this gap?

Further up the border, there's another special gap for Sharyland Plantation, a 6,000-acre development of million-dollar homes. Sharyland is owned by billionaire oil heir Ray Hunt of Dallas—who happens to be tight with George W. Ray has donated \$35 million to help build Bush's presidential library. So, no wall for him.

For more *Texas Observer* revelations, go to www.texasobserver.org

Just when you think that the offshoring craze has surely peaked, here come more stories of globalization gone wild.

McClatchy Company, the California-based newspaper chain, has announced that copyediting and design work for certain sections of its *Miami Herald* will be done by a New Delhi corporation with the mindboggling name, Mindworks Global Media. The work to be handled for the *Herald* from 8,400 miles away includes editing and design for a weekly section on community news.

Meanwhile, Waterford, the classy crystal maker that has been in Dublin, Ireland, since 1783, has cut half of its Dublin workforce and moved a chunk of its production to Poland and the Czech Republic. Eastern European workers will be paid a fourth of what the Dublin artisans got to make this pricey, quintessentially Irish glassware, which ranges from chandeliers to champagne flutes. Waterford's CEO says that prices won't be reduced and that consumers don't care where the crystal is made.

And some couples don't care where their baby is made either. There's a growing global industry of outsourced pregnancies, with clinics in India offering local young women from very-low-income families to be surrogate mothers for well-off, infertile couples from America, Taiwan, and elsewhere. The couples provide their own fertilized eggs, pay a fraction of the going rate for surrogate moms at home, and—voilà!—the “wombs for rent” clinics deliver a baby.

In the globalization follies, the wealthy scour the globe for ever-lower priced workers to service their every need.

people at every skill level. Backyard tinkers and computer whizzes could develop and improve technologies, local businesses would be able to pioneer new products and services, union apprentice programs would train workers, and inner-city poor people would be recruited into jobs that can provide a career path out of poverty.

Yes, this would take an up-front investment, but the payoff is staggering. Take just one Apollo idea: a plan to create a Clean Energy Corps. One of the corps' functions would be simply to weather-strip the homes of low- to moderate-income folks. There's already a federal program to do this, but it's so underfunded, understaffed, and inactive that it has reached only a tiny fraction of the 30 million eligible homes.

To retrofit them all over a decade would cost about \$45 billion, but look at what we'd get for that sum. Some 225,000 people from the communities where the work is done would be earning and spending paychecks there, thus giving an added boost throughout the local economy. Meanwhile, the weather-stripping would save about \$400 per year in energy use by each home, a national savings in energy costs over the next decade that would total an estimated \$120 billion. All that for an investment of only about a fourth of Washington's “go shopping” stimulus.

The Powers That Be can no longer pretend that such a grassroots recovery program is the sort of big-government undertaking that's unaffordable. After all, they've already frittered away at least a couple of trillion dollars to destroy, occupy, and try to rebuild Iraq, and now they're dumping \$168 billion in a fizzle of a stimulus that completely ignores the fundamental need for a shared prosperity.



George the horse thief

WE'VE LEARNED THE HARD WAY over the past seven years that George W lives in his own fantasy world.

From the start of his presidency, he has all but drawn a picture of his weird approach to reality for us by hanging his favorite painting in the Oval Office. It's a 1916 cowboy scene by W.H.D. Koerner which, in Bush's own words, depicts “a horseman determinedly charging up what appears to be a steep and rough trail.”

In Bush's head, that rider epitomizes George's own courageous political journey, dashing ahead against steep odds and naysayers (the two other horsemen following the daring hero). Visitors who've been shown the painting by Bush have commented that the hard-charging character bears a remarkable resemblance to George himself.

Over the years, Bush has added a Christian morality tale to the painting, declaring that the artist's indomitable horseman was a circuit-riding minister rushing passionately ahead to spread the religion of Methodism (George's own chosen faith).

It's all very inspiring, except for one small detail: It's not true. It turns out that this picture is an illustration for a *Saturday Evening Post* short story, “The Slipper Tongue,” about a slick-tongued horse thief. Far from illustrating bold moral leadership, this work depicts an outlaw frantically fleeing a lynch mob. So when Bush says he sees himself in the painting, for once he might be right!

If you hear your Congress critter, presidential candidates, or any other politicians mouthing off about how the underlying structure of our economy is sound, send 'em a

copy of this issue—and tell them to get to work on a recovery program for all Americans, one that helps us recover our middle class and our democratic values.

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