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A Sensible "Deal for All" Challenges the Dreaded "Simpson-Bowles"

Left Margin

By Carl Bloice

BC Editorial Board

A highly placed journalist spoke up boldly over the weekend on behalf of the country's serious people, "those of us who crave a little common sense," who are feeling a bit of "despair," right now because the nation's capital has become "a sludge pit of dysfunction." This state of affairs, wrote *New York Times* former executive editor. Bill Keller, could be attributed to "Republican cynicism, Democratic fecklessness or presidential disengagement."

"Talk to any credible economist, wire any serious politician to a polygraph, and you will hear at least 80 percent agreement on what is to be done: investment to goose the lackluster recovery and rebuild our infrastructure, entitlement reforms and spending discipline to lower the debt, and a tax code that lets the government pay its way without stifling business, punishing the middle class or rewarding sleight of hand," wrote Keller in the *Times* July 21. The problem, he asserted, is the failure of the responsible people to come up with a "grand bargain," the outline of which is pretty much summed up in (a little drum roll here) our old friend, the magic elixir; "Simpson-Bowles."

It just won't go away. Its promoters continue to use a nonexistent "Simpson-Bowles" report from the failed Presidential deficit reduction commission as the code for what a powerful group among the nation's political and economic elite want to enact by hook or by crook, whether we the people want it or not.

What the country really needs is real investment to spur the economy, changes in the tax code that go beyond sloganeering and actually raise more money and reduce the tax burden on working people. And paring down the bloated military budget would represent real "spending discipline." However, the real thrust of the proposed "bargain" lay in proposed "entitlement reforms." When and if this proposed bargaining is concluded, the real losers would be seniors, sick poor people, the unemployed, and people with disabilities. That's all spelled out in the incessantly cited report that really only amounts to the ideas of Mr. Simpson and Mr. Bowles.

Commission co-chair former Senator Alan Simpson has been laying low in recent weeks. His acid tongue hurling gross insults at senior and disability advocates has clearly embarrassed those in high circle for whom he speaks. But former Clinton Administration operative, Erskine Bowles, has been quite active of late. According to Keller, he's been going around "quietly" proposing that President Obama treat the budget battle expected in January as an opportunity to ram through "Simpson-Bowles."

"The president should head straight for the cliff and let Congress know he's prepared to take us over the edge unless they build a bridge," Keller wrote.

He continued, "In other words: President Obama should declare now that unless Congressional leaders come up with a serious bargain on fiscal reform, something very like Simpson-Bowles, he will allow all of the Bush tax breaks to lapse and all of the draconian cuts to take effect."

In essence, what Keller is proposing is that Obama become the advocate of a plan that would seriously undermine Medicare, Social Security and Medicaid and then hold the budget process hostage until the Republicans agree to it. That's the scheme Bowles is pushing and "some" of the President's "fellow Democrats are starting to warm to the idea." (One of them is House Speaker Nancy Pelosi who has shocked and dismayed a lot of people in the district she represents by expressing an inclination to embrace "Simpson-Bowles").

"But does Obama have it in him?" asks Keller, co-director of the Center for Economy and Policy Research. "This is the kind of tactic Lyndon Johnson would have employed with relish. You can imagine Bill Clinton pulling it off. President Obama, whether out of diffidence or inexperience, has not shown a comparable audacity or mastery of

political leverage." The right answer is more likely that the President is just showing good sense.

"Steven Pearlstein, the *Washington Post* business columnist, often writes insightful pieces on the economy, not today," economist Dean Baker wrote last Sunday regular blog, *"Beat the Press."* "The thrust of his piece is that we all should be hopeful that a group of incredibly rich CEOs can engineer a coup."

"While the rest of us are wasting our time worrying about whether Barack Obama or Mitt Romney is sitting in the White House the next four years, Pearlstein tells us (approvingly) that these honchos are scurrying through back rooms in Washington trying to carve out a deficit deal.

"The plan is that we will get the rich folks' deal regardless of who wins the election. It is difficult to imagine a more contemptuous attitude toward democracy."

"The deal that this gang (led by Morgan Stanley director Erskine Bowles) is hatching will inevitably include some amount of tax increases and also large budget cuts," continued Baker. "At the top of the list, as Pearlstein proudly tells us, are cuts to Social Security and Medicare. At a time when we have seen an unprecedented transfer of income to the top one percent, these deficit warriors are placing a top priority on snatching away a portion of Social Security checks that average \$1,200 a month. Yes, the country needs this."

"Just about everything in Pearlstein's piece is upside down," wrote Baker. "Of course the major problem facing the country at present is massive unemployment. If the economy was near full employment we wouldn't have a big deficit. The long-term story behind the deficit projections is of course projections of exploding private sector health care costs, as every budget analyst knows. That should lead to a discussion about fixing the health care system, not a discussion of the budget."

Bowles appears to have recruited another finance titan to his cause. On July 17, Lloyd Blankfein, CEO and chairman of Goldman Sachs, wrote in *Politico*, "Realistically, while few expect a fiscal reform agreement before the November election, we should not discount the value of a declaration by congressional leaders of both parties, as well as President Barack Obama and former Massachusetts Gov. Mitt Romney, that Simpson-Bowles will be the basis of future reform.

Simpson-Bowles presented a serious, responsible and bipartisan effort to improve the long-term fiscal outlook. Embracing its broad conclusions will send the right message to investors and corporate managers that we will make progress on our long-run budget challenges - and that now is the right time to commit capital and invest in the U.S."

Blankfein made a sizable contribution to the 2008 Obama Presidential campaign. He reportedly has thus far made no donations in this year's race. On the day after his *Politico* article appeared, he had lunch with the President's chief of staff, Jack Lew, who was once a honcho at Citigroup, where he oversaw a hedge fund.

Interestingly, a major portion of Blankfein's commentary dealt with another reoccurring theme in the program of the high finance rulers of the universe: loosing the country immigration rules to allow in more skilled technical workers. Coincidentally, *New York Times* columnist, Thomas Friedman, wrote July 1: "If we can just get a few big things right today - a Simpson-Bowles-like grand bargain on spending and tax reform that unleashes entrepreneurship, a deal on immigration that allows the most energetic and smartest immigrants to enrich our country and a plan on energy that allows us to tap all these new sources in environmentally safe ways - no one could touch us as a country. Connect the dots for people, Mr. President - be the guy taking the risk to offer that big plan for American renewal, and Romney will never be able to touch you."

"Thomas Friedman is once again pushing to cut back those lavish \$1,100 a month Social Security benefits and to make seniors pay more for health care," economist Baker wrote the same day. "That is the implication of his enthusiastic support for the proposal set forward by Morgan Stanley director, Erskine Bowles, and former Senator Alan Simpson.

"This plan calls for Social Security cuts of roughly 3 percent for near retirees by reducing the annual cost of living adjustment. It promises further cuts down the road by rising the retirement age and reducing benefits for middle income workers like school teachers and firefighters. It would also sharply reduce spending on Medicare, which could lead to seniors paying much more for their care."

A new elite group, "Fix the Debt," has come into existence for the expressed purpose to pushing "Simpson-Bowles." It held a press conference July 17 and the *Washington Post* reported, "Later that

evening, at Honeywell's Washington office, over a salmon dinner with the floodlit Capitol dome as a backdrop, the executives huddled with their political co-conspirators: Simpson and Bowles, Warner and Saxby, and Rep. Steny Hoyer, the No. 2 Democrat in the House. Also on board: Simpson-Bowles commissioners Dick Durbin, the No. 2 Democrat in the Senate, and Andy Stern, former president of the Service Employees International Union."

The *Post* said the group, plans to raise up to \$100 million, "mostly from big corporations, to build public support for a debt deal and flush out its details so it can be acted on by Congress sometime after the November elections."

Congressional Progressive Caucus leaders Reps. Raul Grijalva, D-Ariz., and Keith Ellison, D-Minn, recently issued a joint statement that said, "Congress is gearing up for high-stakes tax and budget negotiations, and we're standing with working families to make sure we build a stronger and fairer economy. While both parties will need to make sacrifices, we cannot do so at the expense of economic growth or the middle class. A balanced approach like the Deal for All would end tax breaks for the richest 2 percent, close tax loopholes for the wealthy and special interests, and ensure Americans don't lose the benefits they've paid into for decades such as Social Security and Medicare."

As described by Isaiah Poole, editor, OurFuture.org at the Campaign for America's Future, the "Deal for All" proposal would protect Social Security, Medicare and Medicaid; contain "serious revenue increases," including corporate tax loopholes and higher tax brackets for the highest-income earners; significant reductions in defense spending; and "strong levels of job-creating Federal investments in areas such as infrastructure and education."

Last week, Poole noted that The "Deal for All" "stands in sharp contrast to the Bowles-Simpson deficit reduction plan, " and concluded, "Many Democrats are being pushed into believing that such policies are necessary to keep the government and the economy from falling over a 'fiscal cliff' by the end of the year. Fortunately, some of these Democrats are pushing back, arguing that this is the time to end flawed tax policies that favored the wealthy at the expense of working-class Americans, and reject the austerity policies that we see failing miserably in Europe.

"So far 38 members of the House have signed on to the resolution. Ask your member of Congress if he or she will also co-sponsor the

resolution. The answer will tell you a lot about whether you are represented by a lawmaker who sides with rebuilding the middle class on a platform of shared prosperity or one who is all too happy to make a 'grand bargain' with the 1 percent that shafts the rest of us."

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