

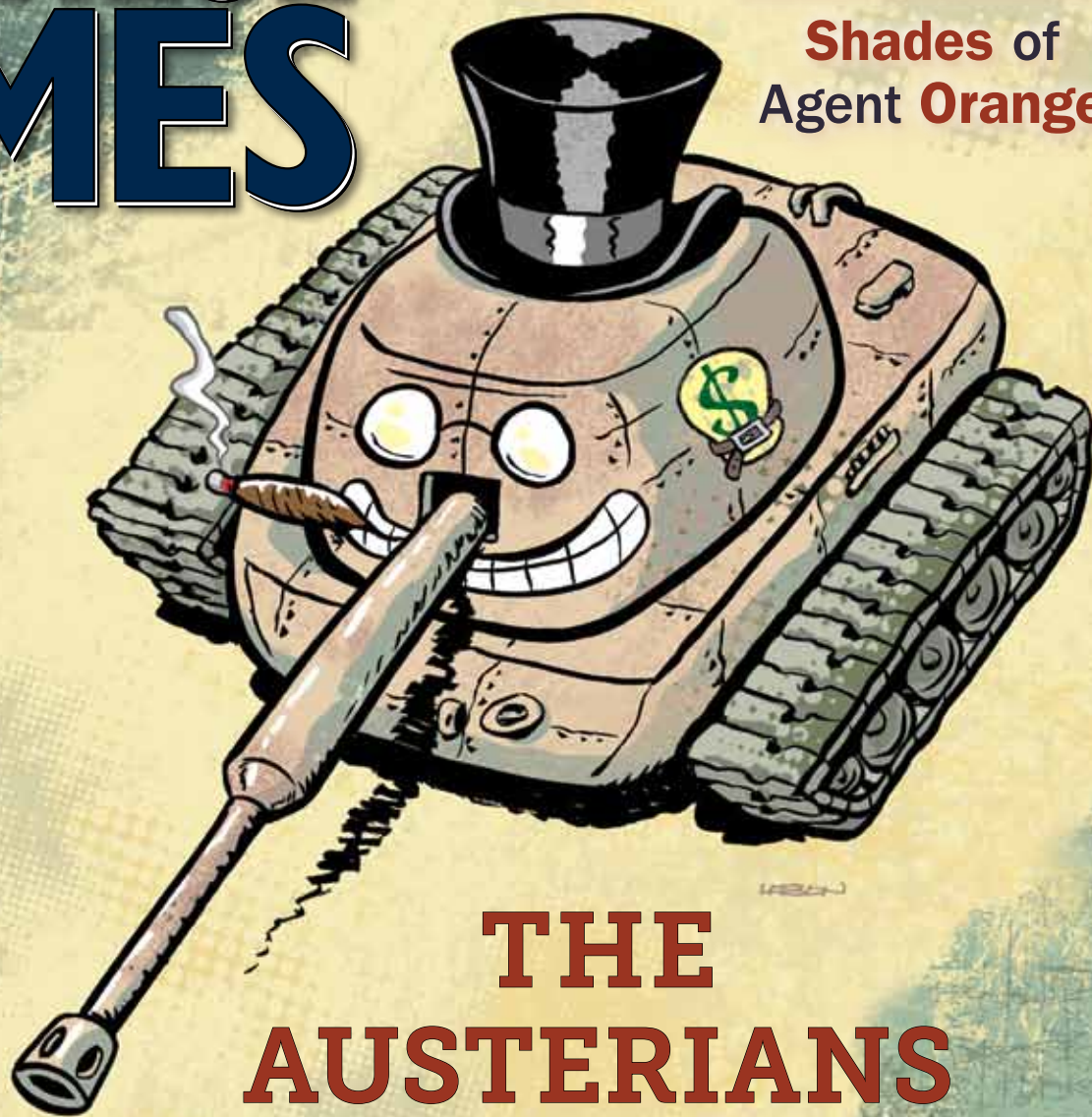
# MOBERG ON THE GOP'S PRIMARY APOCALYPSE

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## THE AUSTERIANS ATTACK!

How the people can fight back

BY JAMES CROTTY

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Thomas Frank on the  
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BY JAMES CROTTY

# The Austerians Attack!

How we the people can fight back against plans to cut the social safety net

When the economic and financial crisis erupted in 2008, progressives hoped that it would trigger a popular revulsion against the right-wing economic policies that caused the crisis. It is now clear that these expectations are not being met. Moderate progressive policy moves have been overwhelmed

by public-sector layoffs and budget cuts as Republicans, too many Democrats and even President Barack Obama himself, have chosen austerity or “belt-tightening” as a main policy objective.

But how did the dogma of these “Austerians”—inspired by the Austrian School of economics—come to dominate public policy?

Progressives were not the only ones hoping to seize the opportunity of the economic crisis. A right-wing coalition of ideologues and industrialists saw it as a chance to achieve final victory in the war they have waged since the 1930s to destroy the New Deal institutions built under President Franklin Delano Roosevelt and extended through the late 1970s.

Those of us who believe in an economy designed to meet the needs of the majority can still win the war that the Austerians are waging against us. Our commitment to those who are suffering the most during the Great Recession does not need to be sacrificed on the altar of a balanced budget achieved not by taxing corporations and the very rich but by savagely cutting the social safety net. The Left’s vision of a government that serves human needs is entirely compatible with moderate sustainable deficits and a shrinking public debt burden.

How is it that a right-wing coalition is closer to destroying social democracy in America than at any time since its emergence in the 1930s? Because the Right succeeded in creating a dominant media narrative that blames deficits on an American public that demands more government social spending than it’s willing to pay for. In fact, deficit problems were actually created by the Right’s neoliberal economic model imposed on the country after 1980, which involved the radical deregulation of the financial market, regressive tax cuts, rising inequality and unfunded war spending.

To fully understand how we got to this point, we have to go back to the 1920s. This historical context makes the solutions to today’s deficit “crisis,” offered be-

low, even more obvious and compelling.

## Capitalism in crisis

The boom of the second half of the 1920s was marked by little regulation of business, very low taxes on corporations and rich households, a crippled union movement, a powerful financial sector that rained money on the wealthy, and a political system dominated by economic elites. From 1923 to 1929, 70 percent of the growth in income went to the richest 1 percent and only 15 percent went to the bottom 90 percent of the income distribution. This was the Right’s dream world.

The out-of-control capitalism of the period led to a financial crisis in late 1929. The ensuing financial collapse was accompanied by a severe depression.

The terrible economic costs of the Great Depression led to powerful political movements in the United States and Europe that demanded both an end to uncontrolled capitalism and its replacement with a new system designed to meet the needs of the people. The Western economic models that evolved from these movements are variants of social democracy, democratic capitalism, regulated capitalism or the mixed economy.

In 1933, Roosevelt and the Democratic Party took control of the government



and began to implement a series of social-democratic programs that became known as the New Deal.

They included strict regulation of financial markets, creation of the Social Security program, support for the growing union movement, large public employment programs, implementation of various kinds of deficit-financed stimulus spending and the beginning of unemployment insurance.

U.S. elites were split on whether to accommodate some aspects of the New Deal in the early 1930s, but the strength of the Right's resistance increased in the late 1930s as the danger of mass rebellion against capitalism ebbed. The right-wing coalition tried to undermine all aspects of the New Deal, including:

- the regulation of industry
- the “confiscation” of private wealth through income taxes (which did not exist prior to 1913)
- the reduction of economic inequality
- support for unions
- Social Security
- unemployment insurance
- regulation of business
- the commitment to full employment, which weakened business control over labor
- the diminution of elite control over the government.

In other words the Right wanted to restore the 1920s regime.

Much of the opposition to the New Deal was based on economic self-interest, but ideological forces were at play as well. Kim Phillips-Fein in *Invisible Hands: The Businessmen's Crusade Against the New Deal* writes that, motivated by a deep-seated “antipathy toward social democracy,” the Right:

[B]elieved that at the heart of the New Deal and the labor movement was an excess of democracy—that the organization of working-class people into labor unions led to the rise of the welfare state and the perversion of the market economy. ... For them, the turning back of the New Deal was a question not only of the bottom line but of the deepest social principles.

The problem for the right-wing coalition was that the ever-expanding role of government in the economy was extremely popular because it created widespread prosperity from WWII through the mid-1970s—the so-called “Golden Age” of modern capitalism. The rate of economic growth was high, unemployment was low, real wages and family incomes rose rapidly, and inequality plummeted. Much of the business sector distanced itself from coalition efforts to overthrow the New Deal in the 1950s and 1960s because profits were so high.

The mid- to late-1970s marked a turning point. In the wake of the first oil price hike in 1973, the U.S. government was faced with two choices: It could stimulate spending to sustain growth at the expense of higher inflation, or it could restrict spending to stop inflation at the expense of higher unemployment and slower growth. It chose the latter course, which caused the unemployment rate to rise from 4.9 percent in 1973 to 8.5 percent in 1975. Slower growth, higher inflation and unemployment, and falling profits and stock prices created growing discontent with the economic status quo. Meanwhile, social unrest was stirred by conflict over racial integration, the anti-war movement, the women's movement, pro-choice struggles, the so-called culture wars, student radicalism and a youth rebellion.

These developments led to a political alliance between resurgent right-wing economic forces and the rapidly increasing ranks of cultural conservatives. As a result, business and other conservative forces saw a dramatic increase in their ability to raise money to elect friendly politicians, organize grassroots pressure on all politicians, and spend money on an expanding right-wing ideological infrastructure of think tanks and university influence. They also used their control of the media to interpret economic and political events for the



public through a conservative prism.

By 1980, the country had come to a crossroads. The existing set of government institutions and policies, in combination with changes in economic conditions—including the increasing globalization of production and investment that led to rising foreign competition—were no longer generating the widespread prosperity the public had come to expect. Either we had to reconstruct and reinvigorate our social democratic model or replace it. Right-wing forces, which had vastly increased their political clout, had a clear vision of the alternative model they wanted—a modern version of the 1920s economy situated in a globalized economic system.

For their part, supporters of the basic New Deal philosophy were confused about how to restructure the government-economy nexus in the face of economic adversity. In addition, a large and growing percentage of Democrats had lost their commitment to the New Deal.

Progressive economists did offer various policy proposals that, in the spirit of the New Deal, were designed to support egalitarian growth. For example, a combination of stronger unions, a rising minimum wage, tougher regulation of financial markets and a more progressive tax policy could have sustained the relatively low economic inequality of the Golden Age.

But right-wing forces were now dom-

inant. So under President Ronald Reagan, the Right delivered a rapid rise in inequality through financial market deregulation, high unemployment, regressive tax cuts and attacks on unions. Increased capital mobility in a globalized economy also facilitated a “race to the bottom,” in which transnational firms threatened to invest only in those countries with the lower wages and corporate taxes, and with the least effective regulatory regimes. Since Reagan not only enacted large regressive tax cuts but also

cuts and unfunded wars under George W. Bush, and the Obama administration’s efforts to prevent a depression through increased government spending and tax cuts, created the largest federal budget deficits in peacetime history just after Obama took office.

In the first year of President Obama’s term, the debt-to-GDP ratio hit 53.5 percent. In 2010 it was just over 62 percent. The deficit was projected to hit 75.1 percent in 2012, in part due to the two-year extension of the Bush tax cuts agreed

spending—what the Right publicly refers to as its “starve the beast” strategy.

The Republican Party, with the assistance of a significant number of Democratic politicians, supports core post-Reagan policies of unrelenting regressive tax cuts, major reductions in nondefense government spending and serious cutbacks to—or privatization of—Social Security and Medicare.

The adoption of new austerity programs across the globe, particularly in Europe, threatens to sink economies

## The oft-heard claim that Republicans are fiscal conservatives is nonsense that is utterly inconsistent with the historical record.

increased defense spending by about 1.5 percent of GDP, he created by far the largest federal budget deficits since the end of World War II. Both the tax cuts and slow economic growth under the new right-wing economic policies helped create the rise in deficits and debt that took place after 1980.

The economy grew much faster than government debt during the early post-war decades—so the debt-to-GDP ratio became smaller over time. The ratio was at a post-war low of 26 percent in the year before Reagan became president. In other words, there was no deficit or debt problem before the Reagan presidency.

When Reagan left office in 1989, the debt-to-GDP ratio had risen to 41 percent. During the presidency of George Bush senior it rose to 48.1—almost double that in 1981. Under Bill Clinton, who increased taxes on the wealthy by a modest amount, the debt-to-GDP ratio declined. In 2001, when George W. Bush took office, the debt-to-GDP ratio had fallen to 32.5 percent. When he left office in 2009, the ratio was 40.3 percent and the deficit was about to explode.

The oft-heard claim that Republicans are fiscal conservatives is nonsense that is utterly inconsistent with the historical record.

The failed right-wing economic model combined with large regressive tax

to by President Obama and congressional Republicans in 2010 at an estimated two-year revenue loss of \$850 billion.

### A one-sided class war

Rapidly rising deficits at the federal, state and local levels, along with prospective long-term financing problems in the Social Security and Medicare programs, intensified the ongoing one-sided class war waged by the right-wing coalition against the rest of us. As billionaire Warren Buffet famously remarked in 2006, “There’s class warfare, all right, but it’s my class, the rich class, that’s making war, and we’re winning.”

Because of these deficits the right-wing coalition of rich households, large corporations, smaller businesses, ideological conservatives (such as the Religious Right and, more recently, the Tea Party) and conservative politicians is demanding severe cuts in spending that supports the poor and the middle class, or that funds public investment in education, healthcare, infrastructure and technology.

At the same time, this coalition has demanded tax cuts (for the wealthy and corporations) that are larger than the proposed spending cuts, which would increase government deficits and thereby sustain political and economic pressure to further decimate government

deeper into recession, perhaps triggering another global financial crisis. Deep cuts in government spending will reduce the income of public-sector workers and private-sector employees who work under government contract, as well as the income of families who receive payments from Social Security and other social programs. This means reduced purchasing power, less production and more unemployment. Here in the United States we need a serious jobs-creation program over the next several years, but it cannot be built on the deep cuts in public spending and regressive tax cuts demanded by the right-wing coalition.

### Fronts in the austerity war

**The state and local government battle:** The Right has mounted a ferocious attack on New Deal programs at the federal, state and local government levels.

But excessive long-term growth in social spending did not cause the large current and prospective deficits at the state and local levels. The four main causes of these deficits are:

1. Slow economic growth since 2001.
2. The deep recession that hit in mid 2008. In 2009, 2010 and 2011, state revenues fell by an average of 13 percent each year—a revenue loss unprecedented in the post-

World War II era.

3. A collapse in the value of pension fund assets as a result of the financial meltdown. Between mid-2007 and mid-2009, pension fund accounts lost \$900 billion in value.
4. An erosion of the tax base. Thanks to a decades-long process of corporate tax cuts, state corporate income taxes fell from 10 percent of state revenue in the 1970s to 5.4 percent by 2010. Tax erosion has been exacerbated by the fact that in response to the crisis—and even in the face of exploding deficits—many states have further cut corporate taxes. Governors justify such tax cuts on the grounds that they will help attract new business to their states. But these cuts create a typical “race to the bottom” dynamic in which, as a whole, states gain no additional investment.

The combination of revenue losses and the rise in spending on the social safety net, caused by the recession, generated a total estimated annual budget gap of \$140 billion in 2010, or 21 percent

of state spending commitments. Federal grants covered about one-third of the gap that year, but those funds are drying up. Since almost all states are legally required to avoid deficits, and since most states refuse to raise taxes substantially (if at all), the gap has to be eliminated primarily through spending cuts. Thus, the austerity war rages.

States are cutting funds for programs such as healthcare for the poor, home care for the infirm, and support for education at the elementary, high school and college levels. From the official end of the recession in June 2009 to June 2011, more than 467,000 state and local jobs were lost, including 188,000 jobs in schools. At a similar point after the end of the 2001 recession, 249,000 jobs had been added.

The most significant austerity targets are public employees and their unions. Right-wing governors and legislatures in states like Wisconsin, Michigan, Indiana and Florida are taking advantage of the crisis by trying to destroy public-sector unions. The biggest long-term fiscal problem, it is argued, is caused

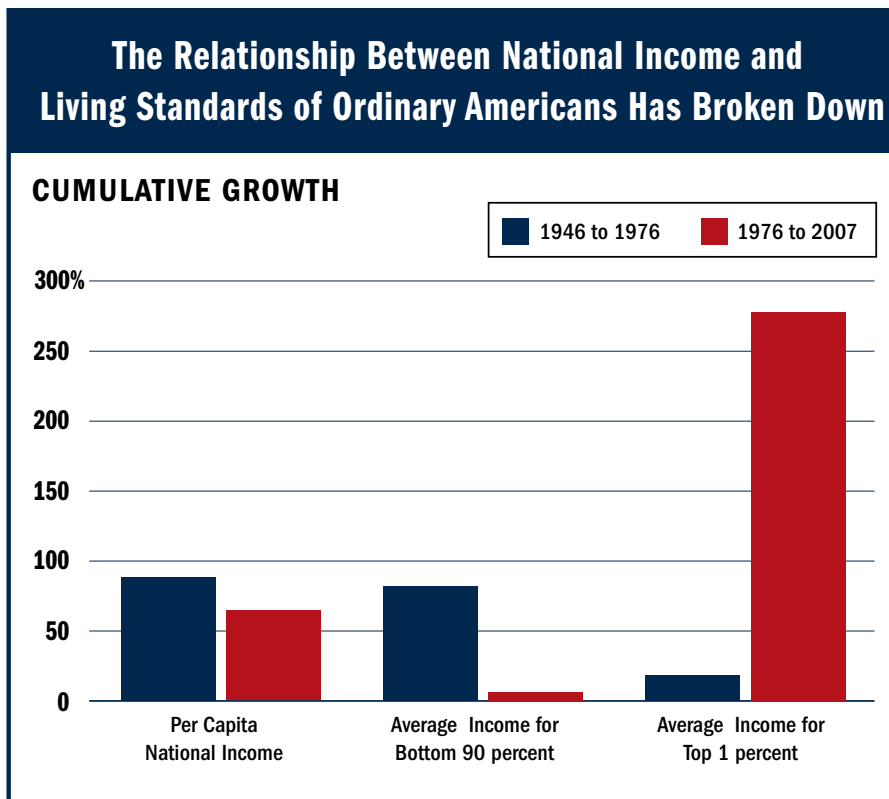
by excessive compensation of public employees in the form of salaries, and, especially, healthcare and pension costs. Ironically, public employees, not Wall Street bankers, have been depicted in the media as America’s privileged elite. However, careful studies that compare the compensation of public-sector and private-sector employees with similar education and experience show that public-sector workers receive lower pay but higher benefits. On average, combining both salary and benefits, public-sector workers receive slightly less than their private sector counterparts.

There is a problem with under-funding of pensions, but in most states it is of recent vintage. In 2000, state pension funds as a whole had no unfunded liabilities, but under pressure from slow revenue growth since then, many states traded greater benefits for smaller salary increases because payments for benefits can be pushed into the future. Adequate provisioning of pension funds could be restored by higher government contributions—financed by progressive tax rate increases and taxes on services as well as goods—and moderately increased employee contributions (collectively bargained).

**House Republicans declare war on New Deal:** The radical budget bill passed by the House in April 2011 demonstrated conclusively that the Republican Party is committed to the destruction of New Deal programs.

First the bill calls for the privatization of Medicare, with government giving seniors a grant to help pay for private insurance. By 2030, however, the grant would pay for just one-third of the cost of a Medicare-equivalent private insurance policy. Economist Paul Krugman observed that the Republicans “don’t want to make Medicare sustainable, they want to destroy it under the guise of saving it.” Or as *Financial Times*’ columnist Martin Wolf put it: “In the U.S., utopians of the Right are seeking to smash the state that emerged from the 1930s and the Second World War.”

Under the “starve the beast” mentality that drives the right-wing coalition, spending cuts are an opportunity to en-



Source: Center on Budget and Policy Priorities.

act even greater regressive tax cuts, not eliminate deficits.

In total, the House bill calls for a striking \$4.5 trillion in nondefense spending cuts. But since it also contains about \$7 trillion in revenue losses from highly regressive tax cuts, the bill would *add* an additional \$2.5 trillion to the cumulative deficit over the next decade. The House bill would thus slash taxes on corporations and the rich, push the degree of inequality well beyond its late 1920s level, destroy key economic functions of the federal government, and raise the deficit. As Rep. Paul Ryan (R-Wis.) glowingly insisted: “This isn’t a budget. This is a cause.” Many Democrats also have voiced support for lowering tax rates, particularly for corporations, with the hope that this would lead to job creation. **The war on ‘entitlements’:** Social Security is probably the most successful government program ever. And protecting it is important because private-sector sources of old-age security are in rapid decline. If Social Security payments had simply stopped in 2008, the poverty rate

for those 65 and over would have risen from 9 percent to 45 percent. Despite the proven success of Social Security, proposing to cut this core component of the New Deal is no longer taboo.

The shortfall in Social Security funding projected in 2010 by the system’s trustees is relatively small—0.6 percent of cumulative GDP over the next 75 years. Yet, 95 percent of it could be eliminated if we abolished the current \$107,000 income cap—above which individuals do not pay Social Security taxes on their earnings.

But a long-term crisis is brewing in both the publicly-funded and privately-funded provision of healthcare in the United States. In 2010, 17.3 percent of GDP was spent on healthcare, and this ratio is rising rapidly. In 2009, the Congressional Budget Office (CBO) estimated that healthcare costs would rise to almost 31 percent of GDP by 2035. The government pays about half this cost. No other country spends nearly this much on healthcare, yet most developed countries have health outcomes as good as or better than

those in the United States.

The only feasible long-run solution to our healthcare problems is to adopt a system more like those in other relatively rich countries—one that does not allow private insurance and pharmaceutical companies to take such a big bite of the healthcare dollar. A Canadian-style system in the United States would save more than \$10 trillion over a decade, ending the Medicare-Medicaid crisis. If we adopted a single-payer system based on Medicare, with no other changes, we could save as much as \$4 trillion over a decade. The fact that the federal government has refused to seriously consider these needed changes is testimony to the political power of large insurance companies, giant drug companies and influential hospital chains.

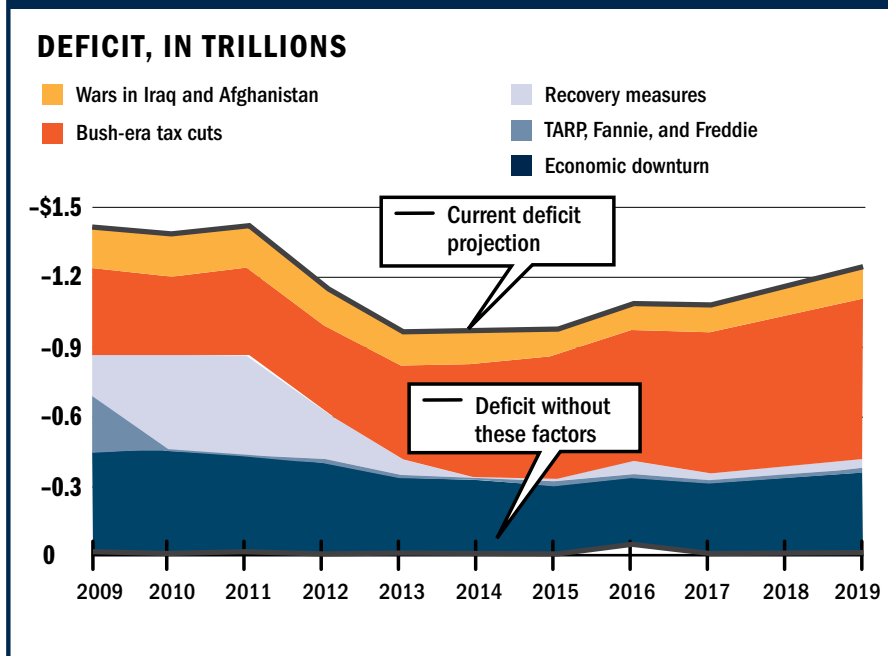
**President Obama’s two-for-one austerity plan:** President Obama doesn’t spurn the idea that most of the reduction in deficits should come from spending cuts and that permanent large tax cuts are appropriate even with key New Deal programs like Social Security under assault.

In April 2011, he proposed allowing tax cuts on incomes of more than \$250,000 to expire, which would generate \$1 trillion in new revenue. He also proposed unspecified spending cuts of \$2 trillion that would inevitably lead to large reductions in social programs, even though they had no role in creating the current deficit crisis. (His plan called for two dollars in spending cuts for every one dollar in tax increases.) Add \$1 trillion in interest saving, and you end up with a \$4 trillion cumulative decline in the deficit relative to what was projected on the assumption that all the Bush deficit-generating tax cuts remained in place.

But then, as a result of the recent conflict between Republicans and Democrats over extension of the ceiling on public debt, the president and congressional Democrats agreed to a bill that cuts at least \$2.2 trillion in federal spending over the next 10 years without generating a single dollar in new tax revenue.

The president is focused on a regres-

## Economic Downturn and Legacy of Bush Policies Drive Record Deficits



Source: Center on Budget and Policy Priorities.

sive austerity policy even as the rates of unemployment and under-employment remain at semi-depression levels.

In other words, the United States has a moderate deficit problem that could be easily resolved and a serious crisis in employment and wages that will become disastrous unless the war on social democracy ends. With severe problems in the job market projected to last at least several more years, a government stimulus program focused on

2010, total federal taxes as a percentage of GDP were at a 60 year low.

The United States is, by international standards, a very lightly taxed nation. If the United States had the same tax-to-GDP ratio as the median Organization for Economic Co-operation and Development country in 2009, it would have had \$1.4 trillion in extra revenue that year and no deficit problem at all.

Our current tax revenue deficiency is the result of a combination of low

Boeing reported \$9.7 billion in pretax U.S. profits from 2008 to 2010, yet paid no taxes and received \$3.5 billion in tax rebates. In 2010, 25 of the 100 highest paid U.S. CEOs were compensated with more than their companies paid in federal taxes.

According to the January 2011 CBO budget projections, if all the 2010 Bush-Obama tax cuts (the Bush-era tax cuts that Obama kept in place) are extended beyond 2012, the cumulative 2011-21

## By 1980, the Right had a clear vision of the alternative model they wanted—a modern version of the 1920s economy situated in a globalized economic system.

targeted spending projects with large multiplier effects—such as infrastructural investment, green jobs, and transfers to state and local governments—is appropriate. Major spending cuts and regressive tax cuts are not.

What the American people need at this dangerous juncture is a progressive Democratic Party led by a fighter—a new FDR—who will help organize and lead a vigorous counter-attack against this deadly assault. Unfortunately, what we have is a business friendly, centrist-to-right Democratic Party that is unwilling or unable to resist the demands made on it by its funders, and a president who seems quite comfortable in his current position as the Great Compromiser, even as he shifts to more progressive rhetoric for this year's general election.

### How to solve the deficit crisis

To help reduce deficits, we should cut military spending and radically reform our healthcare system. But we need to sustain and even enlarge social service expenditures and public investments, areas that have not contributed to the recent deficit explosion.

To lower deficits and inequality as well as fund necessary government programs, we can and should generate much higher government revenue. In

official tax rates on individual and corporate income, and a vast swamp of loopholes written into the tax code over decades. These loopholes substantially lower effective tax rates.

By raising rates and cutting loopholes, we could generate much greater tax revenue from both the individual and corporate income tax. This revenue could be used to both lower the deficit and finance essential government programs.

As a result of loopholes, the rate of taxes actually paid by the super-rich is about the same as that of a family making \$50,000 a year. In 2010, loopholes or “tax expenditures” in individual income taxes led to \$900 billion in lost federal revenue.

Though U.S.-based corporations claim they cannot compete in the global marketplace because of the “high” corporate tax rate, tax loopholes significantly decrease what they pay. The top U.S. corporate tax rate is 35 percent, but the U.S. Treasury Department estimated that in 2007 the average effective U.S. corporate tax rate was 13.4 percent. By comparison, the effective rate in the UK was 27.7 percent and in France was 20 percent.

Many of the most profitable corporations pay no taxes and even receive substantial subsidies from the government from time to time. For example,

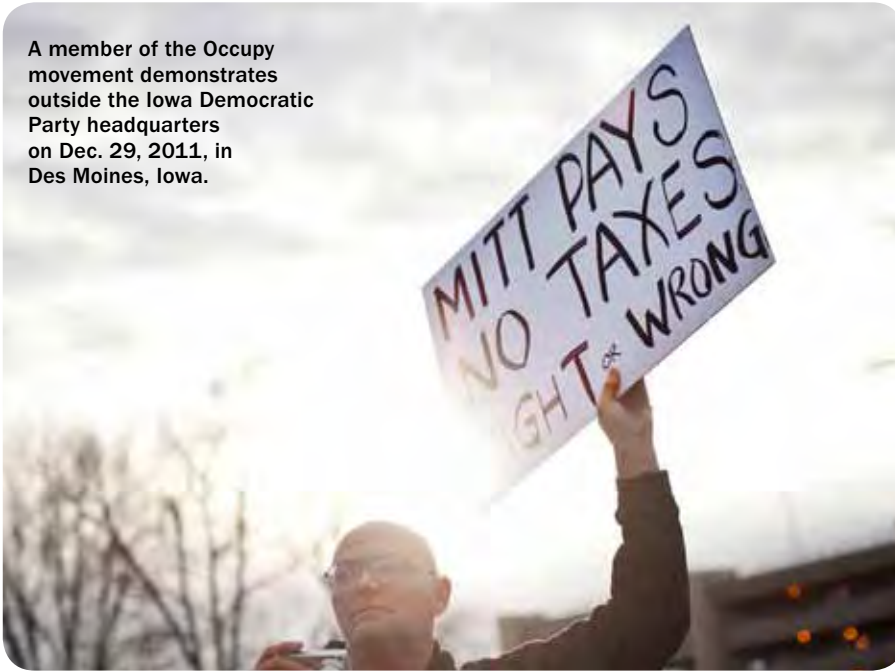
deficit (including the extra interest payments generated by these cuts) will be \$11.6 trillion and the debt-to-GDP ratio will rise to more than 95 percent by 2021.

But this debt crisis will occur only if we continue our present right-wing policies. CBO budget projections indicate that we can cut the prospective decade-long deficit in half—from \$11.6 trillion to \$5.7 trillion, thereby reducing it to manageable proportions without gutting important government programs—if we do the following two things:

- Allow all the 2010 tax cuts to expire in 2012 as current law requires. This would cause the cumulative deficit to fall \$4.6 trillion to \$7 trillion by 2021, and the debt-to-GDP ratio to peak at 77 percent and hold steady thereafter. The Center on Budget and Policy Priorities states that letting the cuts expire “would put the deficits and debt on a sustainable path for the next decade.”
- Reduce the total troop numbers in Afghanistan to 45,000 by 2015 and not use the savings to increase defense spending in other ways. This would further reduce the prospective decade-long deficit by an additional \$1.3 trillion to \$5.7 trillion and cause the debt-to-GDP ratio to begin to fall.

In other words, doing these two

A member of the Occupy movement demonstrates outside the Iowa Democratic Party headquarters on Dec. 29, 2011, in Des Moines, Iowa.



things would reduce the projected cumulative 2011-21 deficit of \$11.6 trillion by \$5.9 trillion.

In addition to letting all the Bush-Obama tax cuts expire, revenues can be raised in other ways. We can end the deficit crisis without destroying essential government programs by implementing some of the following tax increases:

1. Raise individual tax rates for the very rich beyond Clinton-era levels. For example, raising the tax rate on the Adjusted Gross Income of the top 1 percent by an additional 5 percentage points, and on the top 2 to 5 percent of taxpayers by 3 percentage points, this would generate \$1.2 trillion over a decade. If the effective rate on the top 1 percent was doubled from 22.5 percent to 45 percent, we would add more than \$3 trillion over a decade beyond the increases from letting the Bush-Obama tax cuts expire.
2. Close individual tax loopholes. Assuming current tax rates, eliminating just 20 percent of the more than \$900 billion annual loss of revenue through individual tax expenditures would generate nearly \$1.8 trillion in revenues over a decade. The gain from taxing dividends on stocks and capital gains on the sale

of assets at the same rate as wages and salaries, and not excluding capital gains on inherited assets from taxable income, would increase tax revenue by an estimated \$1.1 trillion over a decade—and substantially lower inequality.

3. Close business tax loopholes. Raising the effective corporate income tax rate by eliminating 75 percent of business tax expenditures would generate \$1.2 trillion over a decade.
4. Institute a financial transaction tax. A very small financial transactions tax on stock and derivative sales—known as the Robin Hood Tax—would generate \$1.5 trillion over 10 years while cutting financial market gambling substantially. A small tax would not materially affect long-term investors, but it would make the high-frequency trading of securities done by institutional speculators much more expensive.

Some variant of these tax changes, along with the cuts in defense spending discussed above, could eliminate all deficit problems over the coming decade.

To top this off, Nobel-winning economist Joseph Stiglitz argues that the government could save an additional \$1 trillion over a decade by ending “excessive payments to pharmaceutical

companies under the provisions of the [Bush] Medicare bill, which restricted the government’s ability to bargain with them on prices.”

Simply put: The Republican Party and many Democrats are lying when they say that to resolve our deficit “crisis” we must slash federal spending on programs that fund productive government investment, and that assist the poor, the middle class, the sick and the elderly.

### The struggle ahead

The war by the Right to restore the “natural” order of our economy and society as it existed in the 1920s has achieved many victories. Inequality is at the highest levels since the 1920s, government regulation of industry and finance is hopelessly weak, and the union movement is battered. Indeed, this war may be entering a decisive phase.

Right-wing forces have been strengthened by the fact that not a single media source trusted by large segments of the American public is telling the truth about the deficit crisis and what policies should be taken to resolve it. The three major television networks and most major “liberal” newspapers hew to the so-called “responsible” austerity story adopted by President Obama and the Democrats.

In addition, a large percentage of Americans get their information on politics and the economy from right-wing outlets like Fox News, along with right-wing talk radio and conservative newspapers. This segment of the media relentlessly transmits an extreme version of reality. There is not one single important media source trusted by large segments of the American public that tells them the truth about the deficit crisis.

That is why much of the public accepts some aspects of the right-wing explanation of the causes of the deficit crisis, and this makes them susceptible to seduction by people and parties that operate against their interests.

But the situation is not totally bleak. Polls consistently show that a majority of Americans supports higher taxes on corporations and the rich, and opposes spending cuts in Social Security,

Medicare, Medicaid, and other important government programs that assist the poor and the middle class. In other words, there is a potential majority in support of something like the policies presented above to solve intermediate and long-term deficit problems.

Obviously, serious progressive tax reform is not presently on the U.S. political agenda. But if we continue on the current path of austerity politics, wherein almost all deficit reduction is

security for American families with much less inequality than we have at present. To achieve such an economic transformation, we have to create a functioning democracy in which the informed priorities of the majority are reasonably reflected in the outcomes of the political process, one that will replace the oligarchic control over politics of the present moment. To achieve a functioning democracy, we need a well-informed public that understands the causes of our

attacks on public workers and large cuts to social programs in states governed by right-wing politicians.

The Occupy Wall Street movement has spread rapidly across the country, raising public awareness that the same conservative economic policies that drove the share of incomes of the top 1 percent to late-1920s heights are responsible for the high unemployment and stagnant incomes of the majority of American households. This move-

## Right-wing forces are strengthened because not a single media source trusted by large segments of the American public is telling the truth about the deficit crisis.

accomplished by spending cuts, a political backlash is likely to develop that will force substantial progressive tax increases into the political spotlight. Either the government will make progressive tax increases a major component of deficit reduction policy, or the country will face the destruction of core New Deal programs and long-term stagnation as well as endless future debt problems and chronic political unrest.

We need radical changes in both our economic and political systems. We have to adopt an economic model that can produce reasonable prosperity and se-

conomic problems and can distinguish between policies that are and are not in their interest.

As we have seen recently, those who are attacked fight back and often get widespread public support. The fact that many Americans face stagnant or declining real incomes, a disastrous labor market, precarious retirement prospects, home foreclosures, and cuts to programs crucial to their health and welfare, has led to an increased political resistance to current policy trends. Large numbers of Americans have engaged in organized resistance to vicious

ment has encouraged more Americans, especially young people, to resist austerity pressures.

Resistance struggles have also broken out in many countries in Europe, such as Greece, Portugal, Italy and Spain. The class-based austerity war is global in scope, but so are the emerging struggles against the destruction of social democracy. ■

*A more complete version of these arguments, and references for all data and quotes, are online available at: [bit.ly/w040fz](http://bit.ly/w040fz).*

### **IN THESE TIMES ADDED EIGHT ADDITIONAL PAGES TO**

*this edition of the magazine in order to publish James Crotty's critically important article. Crotty provides information that the progressive movement will need to organize resistance to the Austerians and to protect the social safety net from their dangerous policies. The printing and postage costs of these eight pages amounted to \$1,847—\$1,847 that is not in our 2012 budget. **We are turning to you, the members of the In These Times Community, to help us recoup this off-budget expense by making a donation using the inserted envelope.***