

June 10, 2013



## ***New York Times'* Xmas Present to Corporate Lobby Group Fix-the Debt: A Puff Piece**

Posted: 12/28/2012 5:40 pm

The *New York Times* should be embarrassed. On December 24 it gave a Christmas present to the corporate-backed lobby group Fix the Debt with its front-page Business section puff piece about the organization, which is pushing to balance the federal budget by slashing social programs while cutting taxes for the rich.

The 1149-word piece, "[One Woman's War on Debt Gains Steam](#)," by reporter Annie Lowrey, is a fawning profile of the group's public face, Maya MacGuineas. The article makes it appear that the Fix the Debt group was hatched last year at a dinner party at Senator Mark Warner's house, when in fact it is simply the latest incarnation of Pete Peterson, the billionaire Wall Street financier who over many years has invested tens of millions of his money in his long-term crusade to reduce the federal debt on the backs of the poor and middle class, including the Committee for a Responsible Federal Budget, which Peterson funded and where MacGuineas once worked. Peterson is also the largest funder of Fix the Debt, but he isn't mentioned in Lowrey's article. The launching of Fix the Debt was [announced](#) on the Peter Peterson Foundation website. Lowrey could easily have found dozens of articles on the web about Fix the Debt that reveal Peterson's crusade and his role in the group, including an investigative article in [New York](#) magazine. *Los Angeles Times* business columnist Michael Hiltzik exposed Peterson's long-term crusade to forge an elite consensus to slash social spending in pieces last [October 2](#) and [October 9](#). Bob Kuttner performed a similar service in an [article](#) for *American Prospect*.

Indeed, *Times* columnist Paul Krugman mentioned Peterson's close ties to the organization in his column "[Maya and the Vigilantes](#)" two days before Lowrey's article appeared.

MacGuineas had already been the subject of profiles in both the *Washington Post* (which mentioned Peterson's key role) and the *New Republic* (which, like Lowrey's piece, made no mention of Peterson's fingerprints) a few days before. Was Lowrey's Christmas eve story simply the *Times* playing catch-up? Perhaps the *Times*' business editors viewed Lowrey's piece as a way of providing "balance" for Krugman's criticism of Fix the Debt? Whatever the reason, it was shoddy journalism.

Fix the Debt was Peterson's brainchild and is dominated by Wall Street and corporate CEOs. They recruited several Democratic politicians as window dressing to make it appear to be bipartisan and balanced, similar to the Simpson-Bowles task force, but the central thrust of the group reflects Peterson's long-standing agenda of what he calls "responsible" fiscal policy, but which in reality is about reducing corporate taxes and personal income taxes, cutting government regulations on business, and reducing "entitlements." What it really means is increased wealth and profits for corporate America and "austerity" for everyone else.

The said truth is that the mainstream media and most politicians have accepted Peterson's view, which is reflected in the current debate over the so-called "fiscal cliff."

The reality is that America isn't broke. The United States is an incredibly wealthy country, as measured by GDP per person (about \$49,000) and income per person (about \$42,000). As a nation, we can afford to have every American have a middle class standard of living - a decent job, a decent home, health insurance, a good education, and a decent retirement. The federal deficit is primarily a result of the recession, not out-of-control entitlement spending. Before the recession, the deficit was only about 2% of GDP. "Austerity" is the wrong path and the wrong prescription. Reports from the New America Foundation and the [Center for Economic and Policy Research](#), the [Institute for Policy Studies](#), the [Prosperity for All Campaign](#), and the [Citizens Commission on Jobs, Deficits, and America's Economic Future](#) lay out the facts, figures, and recommendations. The solution is to grow the economy, not cut government entitlements.

Peterson's Fix the Debt agenda would simply exacerbate the recent trends of widening inequality and declining living standards for most Americans, a chasm we haven't seen since the Gilded Age of the late 1800s. This so-called "solution" is bad for the economy and bad for the country.

The public is angry over this widening disparity. Even after Wall Street's greedy and abusive practices crashed the economy, and after taxpayers bailed out the largest banks, these banks continued to give huge bonuses and compensation increases to top executives. For most Americans, this symbolized the widening income and wealth divide and revealed a disconnect between the fate of the richest Americans and the fate of the so-called 99%. Over the past three decades, the richest 1% of Americans have gotten incredibly richer, while the vast majority of American families have seen their incomes and standard-of-living decline. Some basic facts, culled from Chuck Collins' book *99 to 1*, make this point clear:

- The richest 1% are households with incomes over 500,000 a year. The average income of the richest 1% is 1.5 million.
- Their average wealth (stocks, bonds, real estate, etc) of the richest 1% is over 5 million. The richest 1% have 36% of all private wealth, more than the bottom 95% combined.
- The 400 wealthiest Americans have more wealth than the bottom half (150 million) of all Americans.
- In 2010, 25 of the largest 100 US corporations paid their CEOs more than they paid in U.S. taxes.
- America's richest 1% have gotten almost all of the benefits of economic growth in terms of income and wealth, while at the same time paying a smaller share of taxes. Since 1979, the richest 1% have taken in almost 60% of national income gains.
- The inflation-adjusted average incomes of the 1% grew 224% during this period; the bottom 90% saw their incomes rise by just 5%.
- In 1979 the top 1% earned 8% of national income. Now they have about 22% of national income.

Instead of addressing this central issue, the Fix the Debt agenda focuses on cutting benefits for seniors, working families, and the poor. But they are not responsible for the nation's fiscal problems. The reality is that the rising cost of Medicare is the biggest driver of growing social spending -- not food stamps, housing subsidies, welfare, unemployment insurance, or others. What is driving Medicare costs up? One major cause is the cost of drugs, which seniors rely on. But there are huge savings to be made in this area. Medicare could save at least \$12 billion a year if it were allowed to negotiate drug prices with drug companies, like the Veterans Administration does. President George W. Bush's prescription drug benefit was a boondoggle for the drug companies, who lobbied to keep Medicare from using its leverage to negotiate for lower prices.

What's the alternative to the Fix the Debt agenda?

**Stimulate the economy through public investment:** The focus of federal economic policy should be on creating jobs, not cutting social programs. Invest in infrastructure, public transit, repairing school buildings, and green jobs. This will put people to work, increase consumer demand, and grow the economy. This will grow the overall economy and reduce the deficit. The federal deficit is a much smaller percentage of GDP in a growth economy. The way to grow the economy is to put money in people's pockets so they can spend it, which results in a "ripple effect" that adds jobs. Public investment to spur job creation should focus on cities and older suburbs which have the biggest need for infrastructure repairs and public transit. Public investment in urban areas (cities and older suburbs) creates the biggest bang-for-the-buck.

**Increase consumer demand:** We need to increase "consumer demand" to grow the economy. Here are some ways to do so:

- A temporary tax cut for the middle class. A tax cut for the economically-squeezed middle class (actually, the bottom 98% of taxpayers) would put money in their pockets, which they would quickly spend in the economy. (In contrast, tax cuts for the rich won't stimulate the economy because they won't spend it).
- Raise the federal minimum wage. If the minimum wage were at the same level as in 1968 (the height of post-WW2 prosperity and full employment) it would be about \$10.50 an hour today.
- Expand the Earned Income Tax Credit. This rewards people who work and helps lifting the "working poor" out of poverty.
- Extend Unemployment Insurance. This provides income to people and their families who are out of work through no fault of their own (because of high unemployment). They spend it on food, rent, and other basics, which stimulates the economy.
- Strong unions are another way to raise wages and provide the consumer demand we need to grow the economy. A few years ago the nonprofit, nonpartisan Los Angeles Economic Roundtable released a [study](#) that found that union workers in LA County (mostly private sector employees) earn 27 percent more than nonunion workers in the same jobs. These extra wages for the 800,000 union workers--17 percent of the labor force--added \$7.2 billion a year in pay. As union workers spent their wages on food, clothing and other items, their additional buying power created 64,800 jobs and \$11 billion in economic output.

**Enact fair tax reform:** Public opinion polls indicate widespread renewed support for proposals to increase taxes on millionaires, make Wall Street pay its fair share, and close corporate tax loopholes. The rich can afford to pay their fair share of federal taxes. Increasing marginal tax rates for the richest 1% will help address the debt and deficit problems. The capital gains tax rate was 39% in 1979 and 15% now. The richest 1% receive over 80% of capital gains income. The top 0.1% (one-tenth of 1%) receive over half of capital gains income. Since 1980, the top marginal tax rate has dropped from 50% to 35%. Ending the Bush tax cuts for the rich, as President Obama has proposed and as most Americans support, is the first step in restoring a fairer federal tax system.

**Make Social Security more progressive:** Despite the fear-mongering of the corporate Fix the Debt folks and many conservatives, Social Security does not contribute to the federal deficit. It should be off the table in any discussion of the nation's fiscal condition. If we want to deal with Social Security, it should be a separate conversation. And the starting point should be increasing the maximum income subject to the Social Security tax, which is currently \$113,700. This means that millionaires and billionaires pay the same Social Security tax as people earning \$113,700. It is an incredibly regressive tax. You don't even have to increase the Social Security tax rate; just raise the income ceiling.

**Invest the Peace Dividend:** Finally, as we reduce our military commitments in Iraq and Afghanistan, the country should receive a "peace dividend" to invest at home. We need to redirect some military spending to job-creating civilian sectors. The military consumes more than half of U.S. federal discretionary spending, much of it on things that do not make us safer. Some

argue that military spending is a major job creator, especially for private companies that receive Pentagon contracts. This is partly true but also misleading. Economists have shown that military spending is actually a poor job creator compared to other forms of federal spending in both the private and public sectors. Whereas \$1 billion devoted to military production creates approximately 11,000 jobs, the same amount invested in clean energy creates about 17,000 jobs; in health care, 19,000 jobs; and in education, 29,000 jobs. Many military experts agree that the Pentagon can eliminate wasteful and obsolete program. Redirecting this spending to the civilian economy will generate more and better jobs. Employees who currently work for private defense contractors whose contracts are cut should get job training and income support as they transition to civil jobs.

The debate we need to have is not the one that Fix the Debt is selling and the *New York Times* (along with much of the political and media establishment) is buying.

**Peter Dreier is professor of politics and chair of the Urban & Environmental Policy Department at Occidental College. His new book, *The 100 Greatest Americans of the 20th Century: A Social Justice Hall of Fame*, was recently published by Nation Books.**

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The bulk of the mainstream media long ago went "over the cliff" with the conservative politicians and their high-tax-bracket Wall St. beneficiaries. Peter Dreier nails recent history succinctly: "Even after Wall Street's greedy and abusive practices crashed the economy, and after taxpayers bailed out the largest banks, these banks continued to give huge bonuses and compensation increases to top executives. For most Americans, this symbolized the widening income and wealth divide and revealed a disconnect between the fate of the richest Americans and the fate of the so-called 99%. Over the past three decades, the richest 1% of Americans have gotten incredibly richer, while the vast majority of American families have seen their incomes and standard-of-living decline..."

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In reply to: [Dreamfable](#)

I am angered, along with most everybody else, except for bankers, that my tax dollars have gone partially to benefit bankers. I am not sure however why you seem to blame conservative politicians for this. The dems have been in power for four years. don't they have any control over this?

This is not a partisan statement. I have equal disdain for both parties

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In reply to: [William Occam](#)

William, any "power" Democrats have had for four years has been blocked in the Senate with almost 400 filibusters by a Republican minority led by Mitch McConnell of Ky.--bills do not even get debated. The House has been controlled by John Boehner (R-Ohio) and Eric Cantor (R-Va.) and the radical Tea Party faction since the 2010 elections.

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Excellent article all true but unfortunately not correct. The cause of the Great Recession was the Monetary-financial system NOT the fiscal (tax & spend system). Therefore the answer is in the correct monetary system. I don't care how much you cut or increase spending or increase taxes, you will never solve the problem and create a win-win 21st Century economy. The monetary system caused... [Read More](#)

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In reply to: EconomicsforDemocrats

Great suggestions. There is virtually no one talking about monetary reform in the mainstream media. Almost nothing about our monetary system is taught in our schools, and I suspect very few people are even aware of the issue. There's a lot of good info out there for anyone interested in learning more.

In addition to the two excellent links you've provided, I recommend - for a simple intro to the subject - the animated video "Money as Debt":

[http://www.youtube.com/watch?v=0K5\\_JE\\_gOys](http://www.youtube.com/watch?v=0K5_JE_gOys)

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It's ironic that those who've benefited from "entitlements" are the ones against it (for everyone except themselves).

Wall St. and banks got a huge bail-out (TARP, guarantees, 0-interest FED loans and others) costing US taxpayers well over \$2.7 trillion -not \$700-billion.

Part-D (Medicare) unfunded mandate has cost \$1.7-trillion, precluding price negotiations - banning imports, gave a virtual...

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1 Fan

Brilliant and way too true. I have been preaching similar views for ears...but they fall on deaf media-brainwashed ears about austerity, need to further lower taxes for the rich, etc. When will everybody learn? And certainly don't count on Congress...they strictly represent the 1% that finances them.

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Our problem IS entitlements. If there are 2.8 workers for each retiree, then those 2.8 workers will have to pay enough taxes to cover SS and Medicare for that retiree, plus all the other government expenses. This will make working very unattractive, and the work force will shrink.

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In reply to: vinyl1

You're right the third leg of the stool is to increase workers. And how do you do that? Deal with immigration. And that will be next on the agenda and the GOP will be cooperative behind the scenes even as they are drug kicking and screaming to the solution.

So the plan then becomes increase wages, workers, taxes and jobs. Sounds much more like a thriving growing economy as opposed to cut,... [Read More](#)

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In reply to: vinyl1

Being able to eat makes working more attractive. The majority of workers pay Social Security and Medicare on their entire incomes. I think it's time everyone does. Some get to stop paying after only a month, or two into the year, due to the cap. Remove the cap and let them pay all year, like the rest of us do. That change, would protect Social Security and Medicare.

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Imagine my surprise. Not really. I do not trust what the NY Times writes. They have been involved in what I consider to be questionable journalism. Nothing has changed to lead me to believe they have changed. Shame, shame, shame!

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Just more evidence of the power of the corporate grip on the press.

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so in other words you hate success in a way that America doesn't

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In reply to: ARFDAWG

another-everybody-thinks-like-me alert!

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In reply to: ARFDAWG

Corporations & the rich have seen their profits and share of national income rise faster than anyone else's because of specific policy designed to make that happen, yet Fix the Debt blame federal spending 'excess' on an overly generous social welfare system that is "bankrupting" America. Well, that's total bull sh it and they know it. The .01%'s success comes from the fools (Congress, the... [Read More](#)

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