

Permanent War by Dan Jacoby

Once again, Republicans are taking aim at everyone who isn't rich.

This time, the direct object of their ire is the Federal Reserve. For over 30 years, the Fed has been required to balance inflation and unemployment, seeking to keep both as low as possible. This is a rational concept, as those two economic indicators tend to move in opposition; as one rises, the other tends to fall.

The problem, for Republicans, is that they have no interest in keeping unemployment under control, even when it hits double digits. Their basic economic concept is to keep workers down at all costs. The underlying view is that by keeping workers afraid of losing their jobs, they won't demand higher wages, more benefits and better working conditions. From the perspective of a wealthy and shortsighted business tycoon, this is the formula for success.

Republican economic policies from Ronald Reagan to the present have been driven by this concept. Lower taxes on the rich, deregulate the large corporations, send millions of jobs overseas – and overlay these economic policies with fear of “the enemy” to keep everyone off balance – and the tycoons get wealthier while the rest of the country fails.

Having an enemy is essential to these plans, because without an external enemy people take a closer look at what Republicans are doing to the economy.

The “enemy” in Reagan's time was the Soviet Union, which Reagan termed the “evil empire.” Never mind that the two countries had already passed two separate arms treaties, and that the United States had been selling wheat to the Soviet Union for almost a decade, they were “the enemy.”

After the fall of the Soviet empire, George H.W. Bush tried to make an enemy out of Saddam Hussein. This worked for about four months, until the end of the Gulf War. Once that enemy was dispatched, Republicans had no way to mask their economic policies, including the savings and loan bailout. Bill Clinton rode into Washington on a campaign whose philosophy was, “It's the economy, stupid.”

Eight years later, Republicans created a new enemy, George W. Bush's “axis of evil.” By playing on fear of terrorists, Bush was able to push through massive tax cuts on the wealthiest among us while doubling the national debt, losing jobs, and ultimately destroying our economy.

No sooner were Democrats back in power when Republicans did it again, the “enemy” being that socialist, Muslim, foreign-born creature haunting the halls of the White House.

That's how Republicans have kept “the enemy” alive, even as their targeted enemy, in true Orwellian fashion, kept changing. This constant Republican sleight of hand allowed them to divert attention from economic policies that benefit millionaires and billionaires (at least in the short term) while destroying the middle class and, ultimately, the entire American economy.

Ronald Reagan cut taxes on the top earners while raising taxes for middle class and working class Americans, mostly in the form of increases in Social Security taxes. Reagan's domestic fiscal policies also added enormous burdens to the states in the form of unfunded mandates, requiring states to raise taxes and cut services. Since state taxes tend to be less progressive than federal taxes, middle class Americans shouldered that load as well.

The result, despite seven straight years of good to spectacular GDP growth¹, was a higher poverty rate throughout the 1980s than during the previous decade². In other words, while the wealthiest people in the country thrived, things got worse for the bottom sector.

At least the middle class did pretty well during the boom years, as median income rose by about 12%. Unfortunately, by 1993 (the end of George H.W. Bush's term) median income was back to where it had been in 1979. During the Clinton years median income rose to new highs, but declined again during the "Bush-43" years³.

Ronald Reagan cut taxes for the wealthy while raising taxes on the middle class. George H.W. Bush was left to clean up the mess, that cleanup being the savings and loan bailout. Bill Clinton put the economy on the right track, not only leading to eight straight years of good to robust growth⁴, but also raising median income to new highs.

Then came George W. Bush, along with Republican control of Congress.

Under the Bush/Republican economic policies, which gave huge tax cuts to the wealthiest among us, deregulated enormous corporate operations in the financial and energy sectors, and masked all their economic activity with the constant, and largely overblown and phony, "war on terror." The result was a failure to respond well to the very shallow recession of 2000, followed in the end by an economic collapse, and the first two-year failure to grow the economy in over three decades⁵. Meanwhile, even during the best years of the Bush-43 administration, median income failed to reach previous highs, and poverty rates went up (12.7% in 2007⁶ vs. 11.3% in 2000⁷).

Following the collapse of the economy in 2008, Americans elected Barack Obama and increased Democratic majorities in Congress. Almost immediately, Republicans began their new "enemy" crusade, aimed at labeling President Obama a foreigner, a Muslim, and a socialist, bent on killing granny with his death panels and becoming the CEO of General Motors, AIG and Exxon.

Now that their latest "enemy" ploy has had some success, and Republicans control the House, their first economic plan is to change the rules under which the Federal Reserve operates, limiting the Fed to keeping inflation down while ignoring the unemployment rate. Never mind that inflation fears are based entirely on unfounded assumptions about the future effect of current Fed policy, and that there is no indication that inflation is a current or looming problem; Republicans want the Fed to fight inflation only, and to fight this nonexistent inflation now.

¹ <http://www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=1&FirstYear=1983&LastYear=1989&Freq=Ann>

² <http://www.census.gov/prod/2001pubs/p60-214.pdf>, Figure 1, page 3

³ <http://www.davemanuel.com/median-household-income.php>

⁴ <http://www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=1&FirstYear=1993&LastYear=2000&Freq=Ann>

⁵ <http://www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=1&FirstYear=1974&LastYear=2009&Freq=Ann>

⁶ <http://www.wsws.org/articles/2008/aug2008/pove-a27.shtml>

⁷ See footnote #2

If the Fed were forced to take this new tack, they would need to cut back on their purchases of Treasury bonds and other securities. This would drive interest rates up and kill the economic recovery. Unemployment rates would go back above 10%, and continue still higher, reaching levels we haven't seen since the 1930s. That prospect should bother Republicans, because an economic depression would hurt corporate profits as well, but they are either so blinded by their economic ideology that they don't see the consequences of their actions, or so enslaved to their wealthy masters, for whom the only effect of a depression would be cheaper labor, that they don't think.

Whatever their problem, Republican efforts to scale back the Federal Reserve's options must not be allowed to succeed. Americans need to wake up to the twin permanent wars that Republicans have been foisting on us for decades, and rebuke them.

In order to do this, it appears that Democrats are going to have to start offering a better alternative, and push it aggressively. Unfortunately, centrist Democrats such as Barack Obama and Harry Reid don't understand the magnitude of the problem, the strength and will of Republican Party masters, or the solution. Progressive Democrats are the only ones who understand all of it, but they lack the cohesion and resources to fight back.

What progressive Democrats need is better media coverage. We need someone who is wealthy, Democratic, and willing to match Rupert Murdoch's right-wing agenda. Fortunately, campaign contributions indicate that both CBS CEO Les Moonves⁸ and Disney CEO Robert Iger⁹ are Democrats. In this age of increasingly fractured media, it shouldn't be too difficult to start a new, progressive cable television network, combined with a complementary satellite or broadcast radio network, to compete unabashedly with Fox cable (MSNBC, with its three-hour "Morning Joe" and its neutral daytime programming, only goes part way).

This may sound like a repudiation of the concept of unbiased media, and it is. But that concept, and the idea that it should be maintained, is based on a fallacy, that unbiased media has been the norm. It has actually been an aberration in this country. Biased media, competing against one another for customers, has been the norm for almost all of our country's history.

Furthermore, the only ones crying foul will be Republicans – and it's about time they were put on the defensive. The litany of lies coming from Fox hosts, from Sean Hannity to Glenn Beck to Steve Doocy cannot be stopped with complaints; they know they're lying and they're just fine with it. Countering them, however, with a litany of truths from a competing network would require them either to ignore the competition, which won't make it go away, or complain, which puts them on the defensive.

Is there a chance that this could happen? If it did, would it force the mainstream mass media to abandon their practice of merely parroting both sides' press releases and actually report the facts? There's only one way to find out.

Or we can sit back and allow the Republicans to force a permanent war on us.

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⁸ http://www.newsmeat.com/media_political_donations/Les_Moonves.php

⁹ http://www.newsmeat.com/fec/bystate_detail.php?city=Burbank&st=CA&last=Iger&first=Robert