

I don't usually rant publicly about politics or social issues, but I'm pretty tired of hearing our political leaders, on both sides, say, "We want a bi-partisan solution to deficit reduction, and I'm eager to work with ... fill in the blank ... to make this happen." But in the next breath they say, "But I won't vote to ... fill in the blank ..." It appears to me, that what they are really saying is "I have my agenda and that is all that matters."

Let's look at one example. Speaker of the House, John Boehner, is a nice guy. He even sheds a tear at times. He follows the "trickle down" economics of Paul Ryan, Chairman of the House Budget Committee. In 2008, Boehner voted in favor of the Troubled Asset Relief Program (President Bush's attempt to stop a complete economic meltdown), believing that the enumerated powers granted to Congress by the Constitution, give Congress the authority to "purchase assets and equity from financial institutions in order to strengthen the nation's financial sector." He evidently believes Congress can help financial institutions, but not other sectors of America. He has opposed funding for almost everything else.

Boehner and Ryan propose reducing the deficit by cutting most federal programs, including Medicare, Medicaid, Social Security, the EPA, and just about everything that has a direct impact on the average American citizen. And, they also propose to cut the deficit by reducing taxes on those with great wealth.

I studied economics in school, and found it pretty boring, but I did learn a few things. I learned the simple lesson that, if you try to make ends meet by cutting spending, it will be twice as hard to accomplish this goal if you also reduce your income. Cutting taxes on the wealthy reduces our government's income.

I know, of course, that there are many who say we have too much government. I am open to discussion on this proposition, but I'll save that for another "rant." If, however, someone wants to shut down our government, they shouldn't hide this by calling it deficit reduction.

Boehner and Ryan are trying to sell us on tax cuts to the very wealthy, by calling these tax cuts a stimulus to the economy. But are they? A look at the past fifty or sixty years proves this to be untrue.

Most Americans, who are old enough, will remember the 1950s and 1960s as a time of great economic growth and prosperity. The United States was the greatest industrial and economic power in the world. We had the highest standard of living in the world and we produced more hard goods and agriculture than ever before. At the same time, we built the interstate highway system and other major additions to our infrastructure. And, at the same time, most of our colleges and universities were affordable without bankrupting a student or the student's family.

Something else about the 1950s and 1960s that you might have forgotten. The tax rate on the wealthiest of our citizens was about 90 percent! Did our wealthiest citizens go to the poor house? Did our wealthiest citizens stop earning money? No. Of course not.

Yes, I know that few actually paid 90 percent. A person could reduce their taxes by donating to a worthy cause or reinvesting. Both of which are good for the economy, good for the country, and good for the soul.

Then what happened? Somewhere, sometime, somebody thought, ‘Let’s lower the tax rates on the wealthiest people. They will have more money to spend, and that will boost the economy.’ It even sounds like a reasonable proposition. But, here again, I’ll return to boring examples from economics in school. I’ll call this Economics 101.

In the first chart on the right, we have five people in a room. They each empty their pockets and put their money on the table in front of them. Their collective pocket change totals ten dollars. Poor Bill doesn’t have any pocket change.

Total Value \$10.00		
Jim	\$4.00	40%
Susan	\$3.00	30%
Tom	\$2.00	20%
Amy	\$1.00	10%
Bill	\$0.00	0%

In the next chart on the right, we show what happens when we try to manipulate outcomes. A banker comes in the room with an additional ten dollars. At first he wants to give Jim the extra ten dollars, because Jim is his best customer. Then the banker looks around the table, and decides it would appear fairer if he gave some money to everyone.

Total Value \$20.00		
Jim	\$10.00	50%
Susan	\$4.00	20%
Tom	\$3.00	15%
Amy	\$2.00	10%
Bill	\$1.00	5%

The banker decides to give Jim six dollars, and one dollar to each of the others. Bill, who had nothing, is pleased to have a dollar. Susan, Tom, and Amy are also pleased. Amy’s money is doubled, and Tom and Susan had a substantial percentage gain.

But, if we look at the value each person has after this financial handout, we notice that Susan, Tom, and Amy have actually lost ground as a percentage of the total. We can call Susan, Tom, and Amy the “middle class.”

I believe that this economic philosophy of making the wealthy even wealthier, has resulted in a “greed” mentality. The average citizen is being sold on this philosophy by insinuating that there is a chance you too can become filthy rich.

O.K. Let’s look at how much our wealthiest citizens need to actually become filthy rich. We can skip the salaries of sports super stars. Paying someone several million dollars a year to play a game seems obscene to me. And, paying them even if they don’t perform is even more obscene. At least in golf, if you don’t play well you don’t make much money.

The median executive salary (cash pay and bonuses) of American CEOs of major corporations rose by 79 percent from 1989 to 2000, and has continued to accelerate right through the current recession! Even when their companies were near bankruptcy! And that’s only the median. The average CEO cash and direct compensation growth is even higher than 79 percent.

But wait! That’s only CEO wage or ‘cash’ compensation. How about management incentives, stock options, special supplemental pensions, etc. etc. The growth of this ‘direct compensation’

of CEOs from 1989 to 2000 was no less than 342 percent! Put in real money terms, the median pay for an American CEO was \$2,436,000 in 1989 and \$10,775,000 by 2000.

The growth in CEO compensation has been unstoppable, and is accelerating faster every year. In 1965, CEO pay was 26 times that of their average worker. In 1980 it was 40 times. In 1989 it was 72 times. In 1999 it had risen to 310 times, and today, according to the accounting firm, Towers Perrin, it has reached 500 times.

The international comparisons are also interesting to note. Whereas the American worker today earns only about a third more than the average wage of the worker in 13 other industrialized countries, for those same countries the American CEO earns 300 percent, or three times, as much as his CEO counterpart. No average CEO compensation in any of the other 13 industrialized countries is equal to even half that of the typical American CEO. For example, the ratio of CEO to average worker's pay ranges from a low of around 10 to 1 for Japan and Switzerland to a high of around 25 to 1 in the UK and Canada.

Let me repeat. A CEO in Japan or Switzerland earns ten times as much as his average employee. In the UK and Canada an average CEO earns twenty-five times his average employee. In the United States, a CEO in a major corporation earns five hundred times his average employee.

And these same CEOs insist that the reason they 'must' send American jobs overseas is that American workers are not productive and are over-compensated. Give me a break!

And, let us not forget, Boehner, Ryan, and similar "trickle down" proponents, still want to cut individual tax rates on the very wealthy, eliminate the tax on capital gains, and reduce taxes on corporations. I'm not sure how they can accomplish the last of these goals. General Electric paid no federal taxes last year on 14.2 billion in profit, 5.4 billion of this in the U.S. Can you reduce no taxes even lower? Actually, GE's CEO, Jeffrey Immelt, was rewarded for his ability to avoid taxes. He got a 100+ percent pay raise from \$9.9 million a year to \$24.4 million, despite the fact that since taking over as CEO, GE's stock has dropped nearly 60%.

My point in all of this "rant" is that I believe we as a nation have lost our way. We have forgotten that privilege requires responsibility. We ignore the admonitions before us: "From everyone who has been given much, much will be demanded; and from the one who has been entrusted with much, much more will be asked." *Luke 12:48 NIV*

Are you listening America?

http://www.downeydaggetts.com/Rant_on_Economics.pdf