MetroDenverGreens.org

February 16, 2011 Wednesday 5:47 PM EST

Federal Budget Kabuki Theater

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LENGTH: 3189 words

Feb. 16, 2011 (DaveChandler.us delivered by Newstex) --

It is an overdone, but ultimately meaningless drama being played out in Washington by our President and the 'Weeper of the House'.

I'm talking about the debate over cuts in the federal government's budget. Obama is proposing about $40 billion, the House Repuglicans about $60 billion in cuts -- yet the 'drama' being acted out on the mainstream news media stage is cast as some kind of momentous, important dialogue that will determine the entire fate of the nation.

But it is just a show.

Pres. Obama and the Repuglicans -- and most Americans -- are operating in a theater of the absurd. We are inside the "suspension of disbelief" and don't realize it ... since the Supreme Court awarded the presidency to George W. Bush the annual federal deficits have exploded into the rafters and tax rates have sunk into the basement. On the public stage, however, we don't see the illusion of the situation anymore, we are now used to it and self-interested in accepting unreality.

Because Bush/Cheney cut taxes and started two unfunded wars and expanded the size of the federal government significantly (eg. Department of 'Homeland Security'), the annual deficits began their trek into the half-trillion-dollar range. With the bank bailouts that Bush (with the consent of Congressional Dimocrats and Repugglicans) foisted upon us in his last year, we now -- under the supervision of Pres. Obama -- are dealing with deficits of at least a trillion dollars every year (probably nearly two trillion dollars for FY 2011).

Yup, trillion dollar annual deficits ... and we are supposed to take seriously Obama's and the Repuglican's bickering over a difference of about $20 billion?

It is obvious what the Washington politicians are up to: Obama is trying to appease the nutty Teabaggers sufficiently to get reelected; the Repuglicans are trying to inflame the Teabaggers and embarrass Obama sufficiently to defeat him. Their conflict is just highly stylized, exaggerated drama, the Kabuki theater of America's politics.

Meanwhile, the structural collapse of our national economy proceeds apace.

We are in a deep hole from which there simply may be no escape -- big cutbacks in federal domestic spending means increasing unemployment, for a minimal impact on the total annual deficit; but increase or maintain the present level of deficits and hasten the day when income tax revenues will not even pay the interest on the massive government debt.

So what is to be done? First, federal government cutbacks have to include very large reductions in the trillion dollar a year military/security budget. Second, corporate welfare and and tax giveaways to millionaires and billionaires has to end. Those steps might slow down the current slide into economic oblivion.

Ultimately, however, we need a revolution in how our economy is constructed: the Federal Reserve system of debt created money needs to be replaced by a labor and productivity backed currency. And, we need a revolution in how our politics is conducted: the corporatized, big-money campaign system in this country has to end along with our lobbyist driven government to be replaced by pubic finance of campaigns and the restoration of government "of the people, by the people and for the people."

Below links, excerpts and an article that display the 'federal budget kabuki theater' and that show just how much economic trouble we're still in.

Pentagons 2012 Spending Proposal Is [#x2dc]The Largest Request Ever Since World War II | ThinkProgress.org
Today [Monday], Defense Secretary Robert Gates will formally unveil the Pentagons spending plan on Capitol Hill. Promising to request oethe minimum level of funding we can live with, defense officials, congressional aides, and analysts insist that the proposal oewill make clear that the post-9/11 military spending spree has ended. But the actual number tells a different story: the Pentagons $553 billion price tag for 2012 actually marks oethe largest request ever since World War II:Defense Secretary Robert Gates already has revealed the Pentagon will seek $553 billion in its 2012 Pentagon budget plan " the largest request ever " and slower growth than planned over the next four years. He also has revealed proposals to end several major weapons programs, including the Marine Corps Expeditionary Fighting Vehicle (EFV).
That means the spending plan oewill be anti-climactic in the broad sense, according to one senior House defense aide.Indeed, while Gates promised to cut $78 billion over five years, most of that reduction would take place in 2014 and 2015. As Center for American Progress senior fellow and President Reagans former assistant secretary of defense Larry Korb points out, Obamas request is oe5% higher than what the Defense Department plans to spend this year. In inflation-adjusted dollars, this figure is higher than at any time during the Bush years or during the Cold War. In fact, the total military budget this year oecomes in at a thumping $750 billion " an annual tax of more than $7,000 on every household in the country. And while there are clear ways to cut $1 trillion from the Pentagon budget, it seems that many in the GOP have no intention of doing so.

Where to Find a Trillon Dollars | William Hartung/TalkingPointsMemo.com
... the Pentagon will barely be touched. In fact, the $553 billion proposal for the agency's base budget announced by the Obama administration today is a 4% increase from current levels. And the highly touted $78 billion in Pentagon "cuts" Secretary of Defense Robert Gates has called for over the next five years are essentially a slowing in the rate of growth of Pentagon spending. As Christopher Preble of the Cato (NYSE:CATO) Institute has suggested, only in Washington, DC can a spending increase be described as a "cut." ...
Among the items that can be cut without harming our security:¢The $238 billion Joint Strike Fighter program: Cancelling the program and relying instead on upgraded versions of current aircraft would save almost $50 billion over ten years.

¢The MV-22 Osprey: Replacing this dangerous, overpriced, and underperforming aircraft with cheaper alternatives would save over $10 billion over ten years.

¢Reducing the number of U.S. troops in Europe and Asia to 100,000 from current levels of 150,000 would save $80 billion over a decade.

¢Reforming Pentagon health care systems so that retirees pay modest, reasonable premiums could save $60 billion over a decade.

¢Scaling back missile defense and space weapons programs could save over $50 billion over a decade.

¢Further reductions in the U.S. nuclear arsenal, including deployment of fewer ballistic-missile launching submarines, could save over $100 billion in a ten year period, much of it in operating costs.

¢Reducing the size of the Navy from 286 to 230 ships would save over $125 billion over ten years.

Deficit is Biggest as Share of Economy Since 1945 | Associated Press/Yahoo! News
Not since World War II has the federal budget deficit made up such a big chunk of the U.S. economy. And within two or three years, economists fear the result could be sharply higher interest rates that would slow economic growth.

"Slow Train Wreck Coming" in U.S. Debt, Treasury Department Says | Denver Post/Bloomberg News
President Barack Obama might lose the advantage of low borrowing costs as the Treasury Department says what it pays to service the national debt is poised to triple amid record budget deficits.

Interest expense will rise to 3.1 percent of gross domestic product by 2016, from 1.3 percent in 2010 with the government forecast to run cumulative deficits of more than $4 trillion through the end of 2015, according to Page 23 of a 24-page presentation made to a 13-member committee of bond dealers and investors that meet quarterly with Treasury officials.

While some of the lowest borrowing costs on record have helped the economy recover from its worst financial crisis since the Great Depression, bond yields are now rising as growth resumes. Net interest expense will triple to an all-time high of $554 billion in 2015, from $185 billion in 2010, according to the Obama administration's adjusted 2011 budget.

VIDEO: Sachs Says Democrats, GOP Both `Unrealistic' on Budget | Bloomberg.com/YouTube.com

Companies Warn That Higher Prices Are Looming | New York Times
A package of Oscar Mayer cold cuts. A pair of Nine West boots. A Whirlpool washing machine. By the fall, people will most likely be paying more for each of them, as rising prices hit most consumer goods, say retailers, food companies and manufacturers of consumer products.
Cotton prices are near their highest level in more than a decade, after adjusting for inflation, and leather and polyester costs are jumping as well. Copper recently hit its highest level in about 40 years, and iron ore, used for steel, is fetching extremely high prices. Prices for corn, sugar, wheat, beef, pork and coffee are soaring. Labor overseas is becoming more expensive, meanwhile, and so are the utility bills to keep a factory running.

oeThere are cost pressures from virtually everywhere, said Wesley R. Card, the chief executive of the Jones Group, whose brands include Nine West and Anne Klein. After trying to keep retail prices flat or even lower during the recession, Jones says prices for its brands will climb 15 to 20 percent by autumn. ... MORE!Paul Farrell: "Fed Dictator Bernanke Needs To Be Toppled" | MarketWatch/ZeroHedge.com
Fed Dictator Bernanke Needs To Be Toppled
Fed boss Ben Bernanke is the most dangerous human on earth, far more dangerous than Hosni Mubarak, Egypts 30-year dictator, ever was. Bernanke rules a monetary dictatorship that will trigger the coming third meltdown of the 21st century.

But this reign of economic terror will end.

Just as Mubarak was blind to the economic needs of the masses and democratic reforms, Bernanke is blind to the easy-money legacy thats set the stage for revolution, turning the rich into super rich while the middle class stagnates and peanuts trickle down to the poor.

Warning, Egypt also had a huge wealth gap before its revolution. Bernanke is the final egomaniac in Americas bubbling 30-year wealth gap, where the top 1% went from owning 9% of Americas wealth to owning 23% during this dictatorship.

Bernankes ruling ideology is the culmination of a 30-year economic war that has forged together Reaganomics for the super rich, former Fed chairman Alan Greenspans toxic allegiance to Wall Street, the extreme Ayn Rands capitalist dogma, culminating in the toxic bailouts of Treasury Secretaries Hank Paulson and Tim Geithner, two Wall Street Trojan Horses corrupting government from within.

Since 1981 this monetary dictatorship has caused enormous collateral damage, systematically sabotaging democracy, capitalism and the American dream while fueling the rise of our most dangerous new enemy, China. See oeSecret China war plan: trillions in U.S. debt.

When Obama reappointed Bernanke a couple years ago, oeBlack Swans Nicholas Taleb was oestunned. Bernanke oedoesnt even know that he doesnt understand how things work, that Bernankes economic methods are so inadequate they make oehomeopath and alternative healers look empirical and scientific.

We called Bernanke, the oeCaptain of the Titanic, warning that he was setting up the third meltdown of the 21st century, predicted by oeIrrational Exuberances Robert Shiller, a coming crash worse than the 2000 dot-com crash and the subprime credit meltdown of 2008 combined. See oeCapt. Bernanke sinks the U.S.S. Titanic.

Inside the Fed: Cassandras, Chicken Littles, governors crying wolf

Unfortunately, as with Egypts dictator, the 30-year dictatorship now headed by Bernanke must end soon: And this class war will not be pretty. But it is no black swan; no one can claim they didnt see a new crash coming.

For several years before the 2008 meltdown we reported on money managers, economists and financial gurus warning of a coming meltdown. They included two Fed governors who warned Greenspan in the early Bush years. And yet, as late as summer 2008 Bernanke, Paulson and Greenspan were systematically dismissing mounting evidence of a mega crash dead ahead.

Thats why Time magazines cover story about Thomas Hoenig, president of the Federal Reserve Bank of Kansas City, grabbed me. David Von Drehles oeThe Man Who Said No to Easy Money is a warning to all America.

Like Ed Gramlich and William Poole, the two Fed Governors who warned Greenspan during the Bush years, Hoenig regularly dissented from Bernankes easy-money policies that have been favored by Wall Street throughout this 30-year dictatorship.

Were paraphrasing Drehles interview with Hoenig as 10 warnings because it brilliantly reveals the broader historical tragedy of the Feds 30-year monetary dictatorship driving America to the edge of another 1930s economic revolution, one that will be triggered by a repeat of the 1929 wake-up call.

1. Commodity price inflation will soon end the Fed dictatorship

Hoenig consistently oecast his lonely ballot against the indefinite reign of easy money. Eight meetings, eight no votes ¦ an unyielding point of view, one that has become ever more relevant now that rising commodity prices have put inflation worries back on the economic radar screen.

In short, global commodity inflation may soon do what Hoenig could not, put an end to Americas self-destructive easy money reign of economic terror, and more importantly finally end the Feds 30-year oemonetary dictatorship.

2. Central bank dictatorship destroying Americas democracy

Hoenig was Americas lone voice against the Bernanke monetary dictatorship, says Drehle: oeFor all the headlines over the past quarter-century about the death of American manufacturing and the twilight of community banks and the vanishing farmer, those humble building blocks of a sound economy still figure significantly in Hoenigs perspective. The way to strengthen them ¦ is not by pumping money into a financial system that encourages megabanks to engage in high-risk speculation. You build them up by encouraging savings, which form capital for investment, which builds stronger businesses, which hire workers and pay dividends, which leads to more savings and more investment.

3. Near-zero rates, banks richer, masses poorer, meltdown

Honenigs opposition to Bernanke dictatorship is also clear, says Drehle: oeBy keeping interest rates near zero indefinitely, the Fed is asking savers to continue to subsidize borrowers. What incentive is there to save and invest?

Earlier in his long career, Hoenig was heartsick as an oeirrationally exuberant Alan Greenspan kept piling so much money onto the economic bonfire that led to the Great Recession in 2008. Now the oetimes come to start sobering up. Except Wall Streets addicted to easy money, wont sober up.

4. Easy money blowing new speculation bubble ¦ pops soon

oeThis is how bubbles are formed, warns Hoenig, whose long career as president of the Kansas City Federal Reserve Bank made him leery of the power buildup by the central banks monetary dictatorship. So again, oerocketing land and energy prices are telltale signs ¦ too much money sloshing around. When you put this much liquidity into the system, it has to go somewhere.

But with the Fed keeping interest rates near zero, easy money wont go into savings. Instead, oemoney starts chasing assets with higher yields " like land, the once again booming stock market and energy and oeas more money joins the chase, asset prices rise and keep rising until ¦ pop, a new meltdown.

5. Bernankes narcissistic illusion of monetary power

The Fed has too much power: Hoenig oewatched uncomfortably as the central bank began playing a larger and larger role in the publics perception of the economy. Monetary policy came to be seen as the solution to more and more economic issues. It has been used to deal with one crisis after another, stock .market crashes, recessions, the tech bubble, after the 9/11 attacks, during the Iraq war, then the 2008 meltdown.

Hoenig warns against the Feds power: oePeople came to feel that all you had to do was ease interest rates and everything would be fine. But thats what gives us these bubbles.

6. Easy money fueling worldwide inflation, and a new meltdown

Yes, Hoenigs an inflation hawk: oeThe sequence of events that led to runaway inflation in 1979 got started back in the mid-1960s. Thats ¦ long term. Drehle captures the shift in Hoenigs position: At first backing oethe Feds dramatic actions in 2008 and 2009 to pour trillions into the staggering financial system.

But now it is time to stop. As easy money chases higher returns across the world, in places like Brazil and China, Hoenig warns that oeinflation is rising sharply. Global food prices have risen 25% in the past year, according to the U.N., and many nations are starting to hoard commodities.

7. Fed policies favor the rich, sabotaging American Dream

In favoring Wall Street bankers, Bernankes monetary dictatorship is clearly feeding the conditions that, as happened in Egypt, will ignite a class war in America: oeThe poorest 60% of American households spend 12% of their income on energy alone, compared with the 3% spent by the richest 10% ¦ Inflation is so unfair ¦ it is the most regressive tax you can impose on the public ¦ eroding the buying power of the poor and people on fixed incomes. The people who have money and are savvy come out ahead. In fact, they end up stronger than before.

8. Unfortunately, the Fed learned nothing from the 2008 crisis

A lot more than the Feds toxic alliance with Wall Street bothers Hoenig: America oelearned little from the crisis ¦ government policy continues to smile on Wall Street but not on Main Street. Instead of breaking up the financial giants whose gambles crashed the economy, the government has let the biggest banks grow even bigger. Now theyre gorging on free money.

9. Market economy? A joke, big-money lobbyists run America

Remember folks, 20 years ago in the S&L bank crisis 3,800 bankers were jailed. This time? Wall Street robbed us, got away with it, are still robbing us. Hoenig asks: oeWheres the penalty for failure? ¦ We dont have a market economy. American capitalism is now oecrony capitalism ¦ who you know, how big your political donation is.

10. America must end easy money, add new Glass-Steagall

What would Hoenig do as Fed chairman? oeHigh savings rates, low leverage and a strong currency. Finally, Drehle says Hoenig would bring back the Depression-era Glass-Steagall rule that barred commercial banks from taking excessive risks. He would reduce government debt and promote a manufacturing revival, but it wont be easy, there is no painless approach.

Unfortunately, none of this will happen until America gets hit over the head by brutal wake-up call, like 1929 and the Great Depression 2. Until then, the 30-year monetary dictatorship now headed by Bernanke will keep pushing its self-destructive easy-money policies, ignoring the warnings of Thomas Hoenig and all of the other Cassandras, Chicken Littles and Americans Crying Wolf, over and over again.

Newstex ID: DAVE-0002-100776301

LOAD-DATE: February 16, 2011

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Web Blog