



# FRIENDS OF THE MIDDLE NEWSLETTER #12 — NOV. 8, 2011

Welcome to always lively political discussion and whatever else comes up.  
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**INDEX: Click here.**

## **Government Can Work / Rich vs. Poor**

(posted by Steven W. Baker / SteveB, Nov. 8, 2011)

Today, I have to work on the process to get my Bolivian ID. This is the next step after acquiring my 1-year visa, which was also quite a process, necessitating a lawyer and cash. I don't even think of being an illegal alien. The penalties, while not jail, are steep and enforced. Almost no illegal would be able to work here. It's so simple to reserve one's own country for one's countrymen.

For the ID we have already paid ~\$15 to have someone stand in line for us before the offices open, then we go take their place. The lines, the time, and the hassle to do anything in the Third World are enormous. Just going to the bank can take all morning or afternoon. What giant inefficiencies and costs (real costs) get imposed upon the whole society! But taxes are low...



But in my blessed America, things are different. Efficient. Honest (at lower levels of government). Our government does good though unrecognized things to make all our lives better.

I marvel that, just as with Walmart and the destruction of the American economy, people want to save a little money. Let's cut this and that. The Post Office? Oh, that probably needs to go, along with all those useless programs like Social Security, Medicare, and education. Let's save money!

When America is like Bolivia, will these people be happy?

"U.S. Wealth Gap Between Young and Old Is Widest Ever" by Hope Yen, AP

Nov. 7, 2011, (<http://news.yahoo.com/us-wealth-gap-between-young-old-widest-ever-050259922.html>)

(WASHINGTON) The wealth gap between younger and older Americans has stretched to the widest on record, worsened by a prolonged economic downturn that has wiped out job opportunities for young adults and saddled them with housing and college debt.

The typical U.S. household headed by a person age 65 or older has a net worth 47 times greater than a household headed by someone under 35, according to an analysis of census data released Monday.

While people typically accumulate assets as they age, this wealth gap is now more than double what it was in 2005 and nearly five times the 10-to-1 disparity a quarter-century ago, after adjusting for inflation.

The analysis reflects the impact of the economic downturn, which has hit young adults particularly hard. More are pursuing college or advanced degrees, taking on debt as they wait for the job market to recover. Others are struggling to pay mortgage costs on homes now worth less than when they were bought in the housing boom.

The report, coming out before the Nov. 23 deadline for a special congressional committee to propose \$1.2 trillion in budget cuts over 10 years, casts a spotlight on a government safety net that has buoyed older Americans on Social Security and Medicare amid wider cuts to education and other programs, including cash assistance for poor families.

"It makes us wonder whether the extraordinary amount of resources we spend on retirees and their health care should be at least partially reallocated to those who are hurting worse than them," said Harry Holzer, a labor economist and public policy professor at Georgetown University who called the magnitude of the wealth gap "striking."

The median net worth of households headed by someone 65 or older was \$170,494. That is 42 percent more than in 1984, when the Census Bureau first began measuring wealth broken down by age. The median net worth for the younger-age households was \$3,662, down by 68 percent from a quarter-century ago, according to the analysis by the Pew Research Center.

Net worth includes the value of a person's home, possessions and savings accumulated over the years, including stocks, bank accounts, real estate, cars, boats or other property, minus any debt such as mortgages, college loans and credit card bills. Older Americans tend to hold more net worth because they are more likely to have paid off their mortgages and built up more savings from salary, stocks and other investments over time. The median is the midpoint, and thus refers to a typical household.

The 47-to-1 wealth gap between old and young is believed by demographers to be the highest ever, even predating government records.

In all, 37 percent of younger-age households have a net worth of zero or less, nearly double the share in 1984. But among households headed by a person 65 or older, the percentage in that category has been largely unchanged at 8 percent.

While the wealth gap has been widening gradually due to delayed marriage and increases in single parenting among young adults, the housing bust and recession have made it significantly worse.

For young adults, the main asset is their home. Their housing wealth dropped 31 percent from 1984, the result of increased debt and falling home values. In contrast, Americans 65 or older were more likely to have bought homes long before the housing boom and thus saw a 57 percent gain in housing wealth even after the bust.

Older Americans are staying in jobs longer, while young adults now face the highest unemployment since World War II. As a result, the median income of older-age households since 1967 has grown at four times the rate of those headed by the under-35 age group.

Social Security benefits account for 55 percent of the annual income for older-age households, unchanged since 1984. The retirement benefits, which are indexed for inflation, have been a consistent source of income even as safety-net benefits for other groups such as low-income students have failed to keep up with rising costs or begun to fray. The congressional supercommittee that is proposing budget cuts has been reviewing whether to trim college aid programs, such as by restricting eligibility or charging students interest on loans while they are still in school.

Sheldon Danziger, a University of Michigan public policy professor who specializes in poverty, noted skyrocketing college tuition costs, which come as many strapped state governments cut support for public universities. Federal spending on Pell Grants to low-income students has risen somewhat, but covers a diminishing share of the actual cost of attending college.

"The elderly have a comprehensive safety net that most adults, especially young adults, lack," Danziger said.

Paul Taylor, director of Pew Social & Demographic Trends and co-author of the analysis, said the report shows that today's young adults are starting out in life in a very tough economic position. "If this pattern continues, it will call into question one of the most basic tenets of the American Dream — the idea that each generation does better than the one that came before," he said.

Other findings:

- Households headed by someone under age 35 had their median net worth reduced by 27 percent in 2009 as a result of unsecured liabilities, mostly a combination of credit card debt and student loans. No other age group had anywhere near that level of unsecured liability acting as a drag on net worth; the next closest was the 35-44 age group, at 10 percent.
- Wealth inequality is increasing within all age groups. Among the younger-age households, those living in debt have grown the fastest while the share of households with net worth of at least \$250,000 edged up slightly to 2 percent. Among the older-age households, the share of households worth at least \$250,000 rose to 20 percent from 8 percent in 1984; those living in debt were largely unchanged at 8 percent.

On Monday, the Census Bureau planned to release new 2010 figures that will show a big increase in poverty for Americans 65 or older due to rising out-of-pocket medical expenses. Currently, about 9 percent of older Americans fall below the poverty line, based on the official definition put out in September, but that number did not factor in everyday costs such as health care and commuting.

The new supplemental figures will show poverty to be higher than previously known for several groups, although they may not fully reflect longer-term changes. For instance, a recent working paper by the National Bureau of Economic Research found that U.S. spending on the safety net from 1984 to 2004 shifted notably toward programs benefiting the near-poor rather than the extreme poor and to the elderly rather than younger adults. That trend, which has continued since 2004, has led to faster increases in poverty over time for some of the underserved groups.

Robert Moffitt, a professor of economics at Johns Hopkins University and co-author the paper, cited a series of cuts in government programs since 1984 for the neediest, including welfare payments to single parents and the

unemployed under the Temporary Assistance for Needy Families program, while Social Security and Medicare have either been expanded or remained constant.

"Over time, even under a revised poverty measure, the elderly have done better," he said.

Census Bureau: [www.census.gov](http://www.census.gov)

Pew: <http://pewsocialtrends.org>

"Kicking the Commander-in-Chief for Sport" by Joe Scarborough, Politico

Oct. 24, 2011, (<http://www.politico.com/news/stories/1011/66740.html>)

Republicans spent the past decade being shocked and stunned by Democrats who dared to question their president's motives for going to war in Iraq.

The late liberal lion, Sen. Ted Kennedy, took an extra large heaping of abuse from the right for his constant attacks on George W. Bush's character as commander in chief. One low point for political civility was when Kennedy said the war in Iraq was "made up in Texas" for political purposes.

The House Republican leader at the time called the remarks "hateful," "disgusting" and attacked the Massachusetts senator for "insulting the president's patriotism."

Rich Lowry, editor of the National Review, characterized this and other similar Kennedy comments as "paranoid lunacy."

I seem to remember him calling Kennedy's words "shameful."

And they were.

Can you imagine any United States senator stooping so low as to suggest that our commander in chief would risk the safety of American troops for political purposes?

Sadly, I can.

That's why I wasn't surprised to see GOP politicians lining up to question the president's character in recent days when the topic of Iraq came up again.

GOP Sen. Lindsey Graham practically lifted Kennedy's words line for line when he told CBS's Bob Schieffer that "Iraq and Afghanistan are being run out of Chicago, not Washington."

Presidential candidate Michele Bachmann piled on for the sport of it, saying the decision to end an 8-year war and occupation was decided by "General Axelrod", the architect of President Obama's reelection campaign.

Texas Gov. Rick Perry also channeled Teddy Kennedy by accusing the current commander in chief of "putting U.S. troops in peril by making a political statement to his base."

Given GOP comments over the past weekend, are we to assume that Republicans now consider it acceptable to accuse a president of politicizing a war while threatening the safety of Americans for nakedly political considerations?

Did it ever occur to these Republican candidates that there are millions of conservative Americans who believe that after 8 years, 4,500 U.S. deaths and the federal government's spending of \$750 billion of taxpayers' money, we have given enough of our blood and treasure to Iraq? That maybe it is time to stop rebuilding Iraq and start rebuilding the U.S.A.?

And that perhaps the president made the decision he did because he thought it was in America's best interest, instead of simply his own?

I doubt it. Whenever Democrats or Republicans lash out at their political opponents, logic never seems to get in the way of a cheap shot.

At the start of the Iraq war, Ted Kennedy conveniently forgot that the idea to depose Saddam Hussein was not "made up in Texas" but rather during the Clinton administration, when regime change in Iraq became official policy. Kennedy himself supported Clinton's Iraq policy and told fellow senators that "we have known Saddam Hussein has been seeking and developing weapons of mass destruction for some time."

This week, it is Republicans who are making themselves look foolish by attacking Obama for following a timeline laid out not by "General Axelrod" but by George W. Bush.

The GOP would do well to live by the same standards of civility that they espoused during the Bush era and be guided by the quaint belief that politics should end at the water's edge.

A guest columnist for POLITICO, Joe Scarborough hosts "Morning Joe" on MSNBC and represented Florida's 1st Congressional District in the House of Representatives from 1995 to 2001.

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### **FotM NEWSLETTER #12 (Nov. 8, 2011)—HYPERTEXT INDEX**

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<a href="#"><u>20111107-01</u></a>	08:21	SteveB	Re: CREDO Action Petition: Don't Cut Medicare, Medicaid or Social Security! (reply to Pam, FotM Newsletter #11) & "2012 Race Likely to Be Tough, Maybe Brutal"
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<a href="#"><u>20111107-03</u></a>	10:55	Pam	Lobbyists & Corruption
<a href="#"><u>20111107-04</u></a>	11:29	SteveG	Re: Lobbyists & Corruption (reply to Pam, above)
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<a href="#"><u>20111107-06</u></a>	22:35	SteveG	Write to the Super Committee

<a href="#"><u>20111107-01</u></a>	08:21	SteveB	Re: CREDO Action Petition: Don't Cut Medicare, Medicaid or Social Security! (reply to Pam, FotM Newsletter #11) & "2012 Race Likely to Be Tough, Maybe Brutal"
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Pam, as I say in today's FotM Newsletter, I believe the Republican primaries will predict the tone of 2012, though this author makes a good case for why Obama might run a very different campaign than he did in 2008...a much more negative campaign. We shall see...

"2012 Race Likely to Be Tough, Maybe Brutal" by Charles Babington, AP

Nov. 5, 2011, ([http://www.msnbc.msn.com/id/45175020/ns/politics-decision\\_2012/#](http://www.msnbc.msn.com/id/45175020/ns/politics-decision_2012/#))

(Americans likely to see more partisan contest, with Ohio, Fla. playing crucial roles.)

(WASHINGTON) One year to go until Election Day and the Republican presidential field is deeply unsettled, leaving President Barack Obama only to guess who his opponent will be. But the race's contours are starting to come into view.

It's virtually certain that the campaign will be a close, grinding affair, markedly different from the 2008 race. It will play out amid widespread economic anxiety and heightened public resentment of government and politicians.

Americans who were drawn to the drama of Obama's barrier-breaking battle with Hillary Rodham Clinton, and the up-and-down fortunes of John McCain and Sarah Palin, are likely to see a more partisan contest this time, with Ohio and Florida playing crucial roles as they did in 2000 and 2004.

Republicans have their script; they just need to pick the person to deliver it. It will portray Obama as a failed leader who backs away when challenged and who doesn't understand what it takes to create jobs and spur business investment.

Obama will highlight his opponent's ties to the Tea Party and its priorities. He will say Republicans are obsessed with protecting millionaires' tax cuts while the federal debt soars and working people struggle.

#### 'Expect a very negative campaign'

On several issues, voters will see a more distinct contrast between the nominees than in 2008. Even the most moderate Republican candidates have staked out more rigidly conservative views on immigration, taxes and spending than did Arizona Sen. McCain.

Democrats say Obama has little control over the two biggest impediments to his re-election: unemployment and congressional gridlock.

The jobless rate will stand at levels that have not led to a president's re-election since the Great Depression. Largely because of that, Obama will run a much more negative campaign, his aides acknowledge, even if it threatens to demoralize some supporters who were inspired by his 2008 message of hope.

The Tea Party, one of the modern era's most intriguing and effective political movements, will play its first role in a presidential race. After helping Republicans win huge victories in last year's congressional elections, activists may push the GOP presidential contenders so far right that the eventual nominee will struggle to appeal to independents.

"It's going to be extremely different, with much more hand-to-hand combat, from one foxhole to another, targeted to key states," said Chris Lehane, who helped run Democrat Al Gore's 2000 presidential campaign.

Republican consultant Terry Holt agreed. "You can expect a very negative campaign," he said. "In 2008, Barack Obama was peddling hope and change. Now he's peddling fear and poverty."

Obama and his aides reject that characterization, of course. They say the Republican candidates are under the tea party's spell, noting that all of them said they would reject a deficit-reduction plan even if it included \$10 in spending cuts for every dollar in new taxes.

Both parties agree that jobs will be the main issue. The White House predicts unemployment will hover around 9 percent for at least a year, a frighteningly high level for a president seeking a second term.

GOP lawmakers, who control the House and have filibuster power in the Senate, have blocked Obama's job proposals, mainly because they would raise taxes on the wealthy. The candidates, echoing their Republican colleagues in Congress, say new jobs will follow cuts in taxes, regulation and federal spending.

With the economy struggling and Obama hemmed in legislatively, his advisers sometimes say the election will be a choice between the president and his challenger, rather than a referendum on the administration's performance.

"That's a very genteel way of saying 'Were going to rip your face off,'" said Dan Schnur, a former aide to McCain and other Republicans, and now a politics professor at the University of Southern California. Obama has little choice but to try to portray the GOP alternative as worse than his own disappointing record, Schnur said.

### Nominees and the president

Some Republican candidates would be tougher targets than others. Texas Gov. Rick Perry promotes his state's significant job growth, leaving Democrats to grouse that he was a lucky bystander rather than the cause.

Former Massachusetts Gov. Mitt Romney says his years in the private sector make him best suited to lead an economic expansion. But Obama's allies have gathered details of jobs that were eliminated when Bain Capital, a takeover firm that Romney headed, restructured several companies.

Obama can't fine-tune his strategy until Republicans pick their nominee, and that may take months. So he's spending part of this year traveling to some of the most contested states, telling disappointed liberals he still deserves their strong backing and trying to convince centrists that he can revive the economy.

Obama's overall job-approval rating was 46 percent in an Associated Press-GfK poll from October. Only 36 percent of adults approved of his handling of the economy, a worrisome number for any incumbent.

Yet 78 percent said he's a likeable person, which forces Republicans to be careful. It's possible Obama will run a more cut-throat campaign than will his challenger. For now, anyway, Romney calls Obama "is a nice guy" who doesn't know how to lead.

Republican insiders see Romney as their most plausible nominee. He has run the steadiest and best-financed campaign thus far, relying on lessons and friends picked up in his 2008 bid.

But the GOP race has been unpredictable, and Romney has struggled to exceed one-fourth of the support in Republican polls. Rep. Michele Bachmann of Minnesota emerged as his main challenger last summer, only to be supplanted by Perry. A few halting debate performances hurt Perry, and former pizza company executive Herman Cain replaced him at or near the top of the polls, along with Romney.

Last week, Cain tried to swat down allegations of sex harassment from the 1990s. Party activists are waiting for the impact. Some, however, think Cain's lack of political experience and his unorthodox style, which includes largely ignoring Iowa and New Hampshire, are more likely to bring him down.

Two schools of thought run through Republican circles. One holds that Romney is the logical nominee and will consolidate the party's somewhat grudging support after conservatives stop flirting with longshots such as Bachmann and Cain. Republicans have a history of nominating the runner-up from previous primaries, and Romney fits that bill.

The competing theory holds that Americans are angrier at government and the two parties than political pros realize, and the tea party is just the start of a potent, long-lasting movement. Under this scenario, Romney can never placate conservative voters because of his establishment ties and the more liberal positions he once held on abortion, gay rights and gun control.

If this view is right, the shifting support for Bachmann, Perry and Cain is more than a flirtation, and someone will emerge as the "non-Romney" who wins the nomination.

Veterans of past presidential campaigns tend to doubt this outcome. But even with Obama's economic woes, plenty of Republican insiders worry that Romney's inconsistency on important issues and voters' doubts about his authenticity could let the president slip away.

Romney should have put his GOP rivals "in the rear-view mirror" by now, said Mike McKenna, a Republican lobbyist who has tracked focus groups and polls in various states. "The problem is, a huge part of the party views him as a third Bush term."

McKenna said pundits don't realize that the tea party movement was as much a rejection of the high-spending, high-deficit practices of President George W. Bush and Republican lawmakers as it was a reaction against Obama's health care plan. With his ties to New England and the party establishment, Romney "looks like the lineal descendant of Bush," McKenna said.

He said he fears that a lot of conservatives will sit out the 2012 election if Romney is the nominee.

Plenty of strategists reject that view. They think conservatives' deep antipathy toward Obama will cause them to overcome their misgivings and fully back Romney.

David Axelrod, Obama's top political adviser, points to issues Obama can cite success on, from health care and undermining al-Qaida to reviving the auto industry and ending the Iraq war.

"We're going to have a very robust debate," he said. "The Republicans say if we just cut taxes and spending and regulations, we will grow. And I think the American people understand it's more complicated than that."

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<a href="#">20111107-02</a>	10:38	Pam	Re: "2012 Race Likely to Be Tough, Maybe Brutal" (reply to SteveB, above)
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From Pam (10:38 am)—ref: Politics

I feel about political polls and prognostications the way I feel about those onetime athletes and coaches who sit behind a desk and discuss which of the day's teams is going to win and why. They talk and talk and predict all sorts of things, but if what they said made any difference, the teams wouldn't have to play the game. I imagine the upcoming campaign will get down and dirty. I, for one, will not enjoy that, so I plan to follow as little of it as I can. All those slick commercials are a total waste of money if their goal is to persuade me of anything.

I am reading a book, *The Swerve* by Stephen Greenblatt (an esteemed Shakespeare scholar), about the ancient Roman philosopher Lucretius. In it I found a passage that I relate to our online conversation. I want to share it with you. Greenblatt talks about Cicero and his participation in discussions with his friends about virtually everything under the sun. In the ancient world, and for centuries after, life was more or less lived in public view. Among the elites, learned conversation was a noble and enjoyable pastime. It was common practice for philosophers to write their ideas in the form of dialogues among friends who would present various points of view. Cicero adopts a casual, modest persona, and while the dialogues aim at finding "a semblance of the truth," they are not meant to be conclusive.

The exchange itself, not its final conclusions, carries much of the meaning. The discussion itself is what most matters, the fact that we can reason together easily, with a blend of wit and seriousness, never descending into gossip or slander and always allowing room for alternative views. 'The one who engages in conversation [Cicero wrote] should not debar others from participating in it, as if he were entering upon a private monopoly; but, as in other things, so in a general conversation he should think it not unfair for each to have his turn.'

We are in good company, people.

<a href="#">20111107-03</a>	10:55	Pam	Lobbyists & Corruption
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Did any of you, by any chance, see "60 Minutes" last night? That program is guaranteed to almost always make me furious and reduce me to tears. It did both yesterday. The first segment was on the disgraced lobbyist Jack Abramoff. He sat there cool as a cucumber and told Leslie Stahl how he had "bought Congressmen." He estimated that at one time he had "owned" [his word] 100 U.S. Representatives and felt like a failure because he didn't control more. He explained the bribes, the quid pro quos, and the arrant corruption that earned him millions and gave him unprecedented and illegal power. Leslie Stahl was horrified by his disclosures and said so. At one point, she said, "I hate you." If half of what Abramoff said is true, we have a very corrupt government. Something is rotten in Denmark. Only one Congressman went to jail, despite the fact that many were obviously guilty. We need to send a few more corrupt politicians and law-breaking lobbyists to jail and put the miscreants on notice that the country will not put up with this sort of thing anymore.

The next segment provided an ironic contrast. There is a program, just getting started, to help wounded Iraq War vets heal by returning them to Iraq and the scene of their injury. Most of them were just kids, 18 or 19, when they lost their limbs, their sight, their wits. They were proud to be back in uniform and were given a heroes' welcome by soldiers still stationed in Iraq. The medical personnel were especially affecting. Many of the nurses were in tears, as was I. So there we have it: rich, corrupt, power-hungry men plugged into the establishment vs. young soldiers, without that kind of power, willing to lose everything. Their wounds will last a lifetime. The fellow who lost two legs and was blinded will never "heal." To see these brave, strong men tell their stories with quivering chins and a catch in their voice made Abramoff's confession of wrongdoing look absolutely pathetic.

<a href="#">20111107-04</a>	11:29	SteveG	Re: Lobbyists & Corruption (reply to Pam, above)
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The first part I watched and kept trying to figure out what is the difference between what Jack did and what the Supreme Court's Citizens United decision allows. Any ideas?

<a href="#">20111107-05</a>	11:51	Art	"Wall Street Surges Under Obama"
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Good article (see attached) this AM in the *Washington Post* about how well corporations (well banks at least) have done under current administration. Sort of shoot holes in that argument that new health care plan or policies of the administration are destroying them. One eye watering quote is that they have made more in the past 2 1/2 years than under the 8 years of Bush. Hmmmm?

"Wall Street Surges Under Obama" by Zachary A. Goldfarb, *The Washington Post*

Nov. 6, 2011, (<http://www.thefiscaltimes.com/Articles/2011/11/07/WP-Wall-Street-Surges-under-Obama.aspx#page1>)

President Obama has called people who work on Wall Street "fat-cat bankers," and his reelection campaign has sought to harness public frustration with Wall Street. Financial executives retort that the president's pursuit of financial regulations is punitive and that new rules may be "holding us back."

But both sides face an inconvenient fact: During Obama's tenure, Wall Street has roared back, even as the broader economy has struggled.

The movement, which started Sept. 17 with a few dozen demonstrators who tried to pitch tents in front of the New York Stock Exchange, has spread to cities around the world.



**Total assets of the top 10 largest banks**



Source: Securities Industry and Financial Markets Association  
The Washington Post

<http://www.washingtonpost.com/business>

The largest banks are larger than they were when Obama took office and are nearing the level of profits they were making before the depths of the financial crisis in 2008, according to government data.

Wall Street firms — independent companies and the securities-trading arms of banks — are doing even better. They earned more in the first 2<sup>1</sup>/<sub>2</sub> years of the Obama administration than they did during the eight years of the George W. Bush administration, industry data show.

Securities Industry Annual Profit/Loss (in billions)

Year to date	30-Jun-11	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Net income	\$8.18*	\$24.81	\$49.53	-\$24.75	\$5.96	\$27.26	\$15.01	\$12.52	\$19.26	\$8.75	\$13.16

\* minimum, based only on NYSE firms

Source: Securities Industry and Financial Markets Association (2001-2010); New York Stock Exchange (2011)

Behind this turnaround, in significant measure, are government policies that helped the financial sector avert collapse and then gave financial firms huge benefits on the path to recovery. For example, the federal government invested hundreds of billions of taxpayer dollars in banks — low-cost money that the firms used for high-yielding investments on which they made big profits.

Stabilizing the financial system was considered necessary to prevent an even deeper economic recession. But some critics say the Bush administration, which first moved to bail out Wall Street, and the Obama administration, which ultimately stabilized it, took a far less aggressive approach to helping the American people.

“There’s a very popular conception out there that the bailout was done with a tremendous amount of firepower and focus on saving the largest Wall Street institutions but with very little regard for Main Street,” said Neil Barofsky, the former federal watchdog for the Troubled Assets Relief Program, or TARP, the \$700 billion fund used to bail out banks. “That’s actually a very accurate description of what happened.”

Neither the Bush administration nor the Obama administration, for instance, compelled banks to increase lending to consumers, known as “prime borrowers.” Such a step might have spurred spending and growth, although generating demand for loans may have proved difficult in the downturn.

A recent study by two professors at the University of Michigan found that banks did not significantly increase lending after being bailed out. Rather, they used taxpayer money, in part, to invest in risky securities that profited from short-term price movements. The study found that bailed-out banks increased their investment returns by nearly 10 percent as a result.

“If the goal was to support lending, it would have been sensible to require a portion of the money to support credit origination,” said Ran Duchin, one of the finance professors who completed the study. “Lending to prime consumers was not the most profitable use of their capital.”

20111107-06	22:35	SteveG	Write to the Super Committee
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Your super committee at work – tell them what you think:

<http://www.deficitreduction.gov/public/>.

[July 22, 2012: link seems to be extinct. –SteveB]

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—Friends of the Middle,  
Steven W. Baker (SteveB), Editor/Moderator

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