

## MEMO TO MCCAIN: THE ECONOMY TANKED LONG AGO

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All year long John McCain has repeated, at least 17 times, George Bush's mantra: "The fundamentals of the American economy are strong." The last time he said it was September 15, right after Lehman Brothers folded, Merrill Lynch was bought by Bank of America, and American International Group, the world's largest financial insurer, was on the edge of collapse.

McCain has admitted that he knows very little about economics, and this gaffe proved that in spades. McCain thought that as president he could fire the chairman of the Security and Exchange Commission (no way, Senator), and his running mate Sarah Palin was blithely unaware that Fannie Mae and Freddie Mac were semi-private companies.

McCain once said that there has been "great economic progress" under Bush, but, less than 24 hours later, he stated that "Americans are not better off than they were eight years ago." As far as America's working people are concerned, the economy tanked long ago.

- Since the election of Ronald Reagan in 1980 real wages, primarily because of GOP anti-union policies, have risen only 1 percent vs. 78 percent from 1947-1979. McCain's opposition to the minimum wage would have made matters much worse.
- American workers are the most productive in the world, but they are not receiving any of the fruits of their labor. If productivity had been rewarded with wage hikes as the rate it was the 1950s, the minimum wage would now be \$19.12.

- Traditionally companies reinvested their profits, but more and more of them are buying up their own stock instead.
- Bush's job growth record is the worst since Herbert Hoover, and the economy has lost 768,000 jobs this year, 442,000 in manufacturing alone. Unemployment may reach 8 percent by the end of the year. McCain has voted against extended unemployment benefits.
- Real income dropped by .7 percent in July alone, and in August industrial production in fell 1 percent with 12 percent fewer new cars.
- The success of General Motors was always a sign of a good economy, but GM's stock value is at a 34-year low at \$6.47 billion in stark contrast to Toyota's \$164.6 billion.
- The number of those in deep poverty—\$7,800 for a family of three—is the highest since 1975, when such surveys began.
- 74 million Americans earn \$9.60 per hour or less, and 28 million Americans redeem food stamps, the highest number since the program's inception.
- The *Nation* reports that Ohio's governor "has commissioned a task force to look into why a full third of Ohioans are unable to afford basic necessities."
- In 2008 the average American household savings was \$392, whereas savings rates in Asia are as high as 30 percent of income.
- It is now estimated that the people Generation Y will not surpass the living standards of their parents.

With no real pay raises, many people turned to their houses to finance their expenses. Doug Henwood, editor of *Left Business Observer*, describes what happened: "Between 2001 and 2007, homeowners withdrew almost \$5 trillion in cash from their houses [which] accounted for 30 percent of the growth of consumption over that six-year period," and which brought the country out of the 2001 recession. Unable to get support for liberalized labor laws from a GOP

majority, Democratic lawmakers made things worse by pressuring lenders to offer easier terms for millions of struggling Americans.

Under Bush the national debt has grown from \$5.7 trillion to \$10 trillion. In the old days Americans used to own their own debt, but now foreigners own 67 percent of it. McCain vows to keep Bush's tax cuts in place and give an additional \$300 billion back to America's rich. The Tax Policy Center estimates that a McCain/Palin administration would add another \$8.5 trillion to the national debt, twice as much as Obama would.

McCain claims that he can reduce our huge budget deficits by eliminating earmarks, \$800 million of which Governor Palin has garnered for her own state and \$27 million that Mayor Palin grabbed for her own town of 6,000 souls. (Just think: a state with .23 percent of the population receives 4.8 percent of the earmarks!) Currently all earmarks total \$16.5 billion, so that simply will not do the job. When McCain met an ovarian cancer patient at a Pennsylvania clinic, he promised her that he would not cut the earmark that made her experimental treatment possible. When reporters asked about studying bear DNA, McCain's favorite earmark to trash, his office would not even say that this one would go (*The New Republic* [6/11/08]).

McCain's health care plan is a gigantic budget buster. He would raise \$360 billion by taxing employee health benefits, which a recent study estimated would drive 20 million employees from employer plans to the private sector. McCain's promise to give every individual and family a \$2,500/\$5,000 tax credit would cost \$810 billion. If one limits the calculation to those who file tax returns, the cost is still \$509 billion. For more see [www.home.roadrunner.com/~nickgier/ObamaHealth.htm](http://www.home.roadrunner.com/~nickgier/ObamaHealth.htm).

With regard to social security, McCain said that "without privatization, I don't see how you can possibly, over time, make sure that young Americans are able to receive social security benefits." That was 2004, but on June 12 of this year

he said that "I'm not for privatizing social security, I never have been, I never will be." Given the fact that the Dow Jones has fallen 4,000 points and decimated pension funds, this is another flip flop that went the right way.

McCain and Palin are now preaching the Gospel of Government Regulation, but McCain has a long history as a champion of deregulation. On August 4<sup>th</sup> Politicor reminded us that in the 1980s "McCain supported deregulation of the savings and loan industry, all the while accepting lavish gifts and trips on private jets from [loan magnate] Charles Keating. . . . The savings and loan industry then crashed, costing the American taxpayers \$30 billion."

One of the reasons McCain opposed this year's farm bill was that it contained a provision that would close what is called the "Enron Loophole," which would leave energy traders unregulated. The loophole was engineered by former Senator Phil Gramm, McCain's "economic brain" and once touted as his future Secretary of the Treasury. Jason Leopold of the *Baltimore Chronicle and Sentinel* reports that "Enron – with Gramm's wife Wendy serving on its board of directors – worked to create false electricity shortages in California, bilking consumers out of an estimated \$40 billion" (May 19, 2008).

Europe's economy is much more regulated, and European workers have universal health care and generous unemployment benefits. European leaders are now calling for an end to America's "casino capitalism." Our sub-prime mortgages were hidden in bundled securities, which were then sold throughout the world. The very first causality was a small conservative German bank that was deceived by these new fangled financial instruments. German lawmaker Martin Schulz declared that the U.S. financial crisis "shows the bankruptcy of 'law of the jungle' capitalism that no longer invests in companies or job creation, but instead makes money out of money in a totally uncontrolled way" (Associated Press, 9/30).

Since the early 1980s profits from the financial service industry rose from 10 percent of total corporate profits to 40 percent today. It's high time to close America's financial casinos, and I for one would not trust a McCain/Palin administration, recent converts to regulation, to stop this disastrous game of making money out of money without sufficient regulation.