
Jeffrey Sachs: Budgetary Deceit and America's Decline

As I shuttle between East Africa, where a severe drought threatens the lives of more than 10 million people, and Athens, where a financial crisis threatens Greece and all of Europe, I am shocked by the U.S. budget negotiations between Congress and President Obama.

Every part of the budget debate in the U.S. is built on a tissue of willful deceit. Consider the Republican Party's double-mantra that the deficit results from «runaway spending» and that more tax cuts are the key to economic growth. Republicans claim that the budget deficit, around 10 percent of GDP, has been caused only by a rise in outlays. This is blatantly untrue. The deficit results roughly equally from a fall of tax revenues as a share of GDP and a rise of spending as a share of GDP.

On both sides of the ledger -- spending and taxes -- part of the shift results from the weak economy («cyclical factors») and part from long-term trends. Spending, for example, is higher in part because of unemployment compensation, food stamps, and other federal spending to help the downtrodden in a weak economy. That's the «cyclical» component. Part of the higher spending reflects long-term patterns, such as rising health care costs and an aging population, as well as America's chronic addiction to wrongheaded wars and military occupations in Africa, the Middle East and Central Asia.

Taxation is lower also because of short-term factors and long-term factors. The short-term factors involve reduced federal revenues in an economy with high unemployment. The long-term factors involve repeated tax cuts for companies and high-income individuals that have systematically eroded the tax base, giving unjust and unaffordable benefits for

America's millionaires, billionaires, and multinational corporations.

The Republicans also misrepresent the costs and benefits of closing the deficit through higher taxes on the rich. Americans wants the rich to pay more, and for good reason. Super-rich Americans have walked away with the prize in America. Our country is run by millionaires and billionaires, and for millionaires and billionaires, the rest of the country be damned. Yet the Republicans and their propaganda mouthpieces like Rupert Murdoch's media empire, claim with sheer audacity that taxing the rich would kill economic growth. This trickle-down, voodoo, supply-side economics is the fig leaf of uncontrolled greed among the right-wing rich.

The truth is that we need more federal spending to create good jobs and remain globally competitive, not as some kind of short-term «stimulus» but as a long-term investment in education, job skills, science, technology, energy security, and modern infrastructure. I travel around the world as part of my job, and I can say without doubt that America has failed to modernize the economy and is steadily losing its international competitiveness. No wonder the good jobs are disappearing and the pay is stagnant, unless of course you are a CEO who can keep grabbing stock options and profits from the shareholders (who are anyway enjoying record incomes because of stagnant wages and high profits earned overseas).

The Democrats of the White House and much of Congress have been less crude, but no less insidious, in their duplicity. Obama's campaign promise to «change Washington» looks like pure bait and switch. There has been no change, but rather

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more of the same: the Wall-Street-owned Democratic Party as we have come to know it. The idea that the Republicans are for the billionaires and the Democrats are for the common man is quaint but outdated. It's more accurate to say that the Republicans are for Big Oil while the Democrats are for Big Banks. That has been the case since the modern Democratic Party was re-created by Bill Clinton and Robert Rubin.

Thus, at every crucial opportunity, Obama has failed to stand up for the poor and middle class. He refused to tax the banks and hedge funds properly on their outlandish profits; he refused to limit in a serious way the bankers' mega-bonuses even when the bonuses were financed by taxpayer bailouts; and he even refused to stand up against extending the Bush tax cuts for the rich last December, though 60 percent of the electorate repeatedly and consistently demanded that the Bush tax cuts at the top should be ended. It's not hard to understand why. Obama and Democratic Party politicians rely on Wall Street and the super-rich for campaign contributions the same way that the Republicans rely on oil and coal. In America today, only the rich have political power.

Obama could have cut hundreds of billions of dollars in spending that has been wasted on America's disastrous wars in Afghanistan, Iraq, Libya, and Yemen, but here too it's been all bait and switch. Obama is either afraid to stand up to the Pentagon or is part of the same neoconservative outlook as his predecessor. The real cause hardly matters since the outcome is the same: America is more militarily engaged under Obama than even under Bush. Amazing but true.

The stimulus legislation, pushed by Obama at the start of his term on the basis of antiquated economic theories, wasted the public's money and also did something much worse. It discredited the vital role of public spending in solving real and long-term problems. Rather than thinking ahead and planning

for long-term solutions, he simply spent money on short-term schemes.

Obama's embrace of «shovel-ready» infrastructure, for example, left America with an economy based on shovels while China's long-term strategy has given that country an economy based on 21st-century Maglev trains. Now that the resort to mega-deficits has run its course, Obama is on the verge of abandoning the poor and middle class, by agreeing with the plutocrats in Congress to cut spending on Medicaid, Medicare, Social Security, and discretionary civilian spending, while protecting the military and the low tax rates on the rich (if not lowering those top tax rates further according to the secret machinations of the Gang of Six, now endorsed by the president!)

Who runs America today? The rich and the multinational corporations. Who runs the White House? David Plouffe, whose job it is to make sure that ever word, every action of the president is calculated for electoral gain rather than the country's needs. Who runs the Congress, on both sides of the aisle? The lobbyists, who win in every negotiation. And who loses? The American people, who have said repeatedly that they want a budget that sharply cuts the military, ends the wars, raises taxes on the rich, protects the poor and the middle class, and invests in America's future not just in Obama's speeches but in fact.

America needs a third-party movement to break the hammerlock of the financial elites. Until that happens, the political class and the media conglomerates will continue to spew lies, American militarism will continue to destabilize a growing swath of the world, and the country will continue its economic decline.

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