BEYOND OUTRAGE
What Has Gone Wrong With Our Economy and Our Democracy, and How to Fix It
ROBERT B. REICH

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General Overview:
Our economy and our democracy are increasingly becoming rigged against the interests of average working Americans in favor of the rich and elite. It’s no longer enough just to concentrate on getting good people elected and expect them to solve the nation’s problems. The reality is nothing positive happens in Washington unless good people outside Washington are organized and mobilized to make the right things happen after the election. It’s time for us to focus on taking action against the regressive forces which are seeking to move our nation backward.

“I have been involved in public life, off and on, for more than forty years. I’ve served under three presidents. When not in office, I’ve done my share of organizing and rabble-rousing, along with teaching, speaking, and writing about what I know and what I believe. I have never been as concerned as I am now about the future of our democracy, the corrupting effects of big money in our politics, the stridency and demagoguery of the regressive right, and the accumulation of wealth and power at the very top. We are perilously close to losing an economy and a democracy that are meant to work for everyone and to replacing them with an economy and a government that will exist mainly for a few wealthy and powerful people. This book is meant to help you focus on what needs to be done and how you can contribute, and to encourage you not to feel bound by what you think is politically possible this year or next. You need to understand why the stakes are so high and why your participation—now and in the future—is so important.”

* Please Note: This political book summary does not offer judgment or opinion on the book’s contents. The ideas, viewpoints and arguments are presented just as the book’s author had intended.
Connecting the Dots

To make a meaningful contribution to the public debate, you first have to be able to see the big picture and understand how seemingly little and unrelated things can be interwoven. The challenge facing the United States of America today is systemic—the fundamentals of our economy are out of whack, our democracy has become distorted and it’s becoming progressively harder to right the ship.

To understand the big picture facing the nation circa 2012, there are seven factors to consider:

1. For the last three decades, almost all the gains from America’s economic growth have gone to the wealthiest 1 percent. The median wage has actually dropped since 2001 while the wealth of the top 1 percent of Americans has tripled from 9 percent to 23.5 percent of our total income. The 400 richest Americans now have more wealth than the entire bottom half of earners—150 million Americans—put together. While the rich have been doing exceptionally well, the average wages of American workers have grown by only $280 (adjusted for inflation) over the last three decades. That’s less than a 1 percent gain over a third of a century!

2. The Great Recession which started in 2008 has been followed by an anemic recovery because America’s middle class are in so much debt. They lack the collective purchasing power to keep this nation’s economy growing and they can no longer rely on borrowing more.

3. Political clout and power has also flowed to the top. In order to be elected or reelected, politicians are forced to rely on contributions from lobbyists of the wealthy elitists. That wealth is buying more direct access to elected officials than ever before.

4. Corporations today are paying less tax and receiving more government handouts than ever before. At the same time, they are bound by fewer regulations because the politicians they help get reelected feel obligated to respond positively to their requests.

5. Government budgets are being squeezed like never before because tax revenues at all levels of government have gone down precipitously. The result has been a decline in the quality of America’s public infrastructure—deteriorating schools, fewer police officers, crowded highways, inadequate public transportation and pretty much a downgrade in everything else the public relies on.

6. Average Americans are being forced to compete for slices of a declining pie. Competition for a dwindling number of jobs is now more intense than ever. Rather than Americans feeling like we’re all in this together, increasingly people sense they’re on their own. Furthermore, everyone feels threatened by others so you see native-born Americans rallying against new immigrants, private-sector workers being resentful of public employees and so on.

7. A meaner and much more cynical brand of politics is prevailing at present. Politics has become more polarized, more partisan and increasingly paralyzed. Elections have become downright venomous and negative rather than focused on finding the best solutions available. The compromise and inclusive politics of past eras have been replaced by a cynicism that practical solutions no longer exist. That cynicism is starting to become a self-fulfilling prophecy.

“Connect these dots and you understand why we’ve come to where we are. We’re in a vicious cycle. Our economy and our democracy depend on it being reversed. The well-being of your children and grandchildren requires it.”

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POLITICAL BOOK SUMMARIES

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The Rigged Game

There is increasingly a perception that free enterprise is on trial in America today – that Wall Street, big corporations and the very wealthy are rigging the system to their advantage. Rather than an attack coming from the left as most commentators have generally assumed, it’s coming from grassroots Americans who feel the longstanding basic bargain between pay and productivity has come apart. In short, many Americans today have concluded guts, gumption and hard work don’t seem to pay off as well as they once did because the rich and the powerful are ripping us off. The concept that wealth will trickle down to everyone’s benefit has lost its sheen because it’s just not happening anymore.

Everyone expresses concern about big government but the size of the government isn’t the real problem. The problem is big money has taken over the United States government. Or put another way, today’s federal government is doing fewer of the things that benefit all of us – providing affordable access to education, improving our roads and bridges, maintaining safety nets and protecting the public from danger – and more of the things big corporations, Wall Street and wealthy plutocrats want it to do. The amount of money which is flooding into super PACs and nonprofit political fronts is staggering. Experts predict more than $6 billion will be spent on the 2012 presidential election race alone.

“The threat to America isn’t coming from peaceful demonstrators. And it’s not coming from a government that’s too large. It’s coming from unprecedented amounts of money now inundating our democracy, mostly from big corporations and a handful of the super-rich. And it is happening precisely at a time when an almost unprecedented share of the nation’s income and wealth is accumulating at the top. We cannot tolerate inordinate wealth for the few along with unbridled money in politics. As the great jurist and Supreme Court justice Louis Brandeis once said, “We may have democracy or we may have great wealth concentrated in the hands of a few, but we can’t have both.”

While middle- and lower-income Americans have endured major tax increases in recent years, wealthy Americans and corporations have seen their taxes lowered as a direct result of their political investments. As recently as forty years ago, the super-rich helped finance the U.S. government through the taxes they paid. Today, wealthy Americans help finance the government by lending it money. They’ve switched from being taxpayers to lenders and this dynamic has caused substantial problems for this nation. Around 40 percent of the national debt is owned by Americans – mostly those who are very wealthy. This great switch has happened in plain sight and very few people have picked up on it.

“For most of the last century, the basic bargain at the heart of the American economy was that employers paid their workers enough to buy what American employers were selling. That basic bargain created a virtuous cycle of higher living standards, more jobs, and better wages. But for the last thirty years that basic bargain has been coming apart. The real reason the American economy tanked in 2008, and why we’re still struggling to recover, is that the basic bargain has been broken.”

Contrary to popular wisdom, the underlying systemic problem with today’s employment markets isn’t so much that Americans have priced themselves out of the job market as much as it is that Americans are now receiving a smaller share of the pie and this is hobbling the economy. It is this surge towards inequality – where too much income goes to the top and not enough to the middle and lower sectors – which needs to be reversed. The American economy has always been built on the engine of commerce which is created when the nation has a large and vibrant middle class who buy what the country produces. Today, consumers just can’t afford to buy. They have been forced to work longer hours for less pay or to swap high paying jobs for those that pay much less. The American economy won’t return to the robust growth everyone wants until the basic bargain is restored and recommitted to once again.
Some people – notably the Republican Party – suggest big American corporations will solve the nation’s economic problems and lead the United States to a brighter and more prosperous future. Sadly, that won’t happen. The prosperity of America’s big businesses have become disconnected from the prosperity of most Americans. Furthermore, it’s not in the interests of big business to restore and reinvigorate the basic bargain. Their sole focus is on profits, not on creating more and better jobs.

“American companies don’t care, as long as the deals help their bottom lines. An Apple executive told The New York Times, “We don’t have an obligation to solve America’s problems. Our only obligation is making the best product possible.” He might have added, and showing profits big enough to continually increase our share price. If Apple or any other big American company can make a product best and cheapest in China or anywhere else, then that’s where it’ll do it. I don’t blame the companies. American corporations are in business to make profits and boost their share value, not to create good American jobs. That’s the form of capitalism we practice, in contrast with China’s “state-run” capitalism. China has a national economic strategy designed to create more and better jobs. We have global corporations designed to make money for their shareholders. No contest.

The biggest activity on Wall Street these days is to use its lobbying power to water down the regulations which emerged from the Dodd-Frank financial reform law. The Street these days is still clearly a train wreck waiting to happen. Instead of using Dodd-Frank to restore public trust, absurd amounts of money are being committed to sidestepping the new regulations. The six largest banks alone spent $29.4 million on lobbying in 2010 and even more in 2011. To put that in context, that’s roughly three thousand lobbyists or roughly five lobbyists for every member of Congress. Wall Street has also hired the same number to delay, weaken or otherwise do an end run around the implementation of Dodd-Frank. The end result is the public has become far more cynical than ever before and it is this cynicism more than anything else which has fueled the rise of the Tea Party and the Occupiers.

“All of this raises the basic question of whom the economy is for. Surely it’s not just for a few Wall Street executives and traders or a handful of managers of hedge funds and private-equity funds, and not just for big corporations and their CEOs. The success of our economy cannot be measured by how fast the GDP grows or how high the Dow Jones Industrial Average rises, because in an economy like ours very few of the gains from growth or from a rising stock market are trickling down to most people. The economy’s success can’t be measured by the unemployment rate, either. As I’ve emphasized, that rate doesn’t take account of declining wages. Nor does it account for all the people who have become too discouraged to look for work because there are no jobs for them, and all those who are working part-time who want and need full-time jobs—or the growing ranks of contract workers, temporary workers, and others living from paycheck to paycheck with no job security at all. Our economy’s success can’t even be measured by whether average incomes are turning upward. An average can disguise what’s happening to the majority because averages are pulled up by the top, and when the top is exceptionally high, the average can be far better than what most people experience. Even if most Americans are able to buy more, our lives will not improve if our schools, parks, roads, air and water, and other public goods continue to deteriorate. We won’t feel better off if our workplaces are unsafe, if we can’t safely walk on the streets of our communities, if we have no regular access to medical care, or if the cost of a major illness can wipe out our savings. And our lives will not be better if our democracy is dying, replaced by a system mostly responsive to big corporations and wealthy individuals. It is impossible to live happily in a society that seems fundamentally unfair or to live well in a nation rife with anger and cynicism.”
The Rise of the Regressive Right

‘People who call themselves conservative Republicans offer one option for what to do about all this, but their option would make matters worse. Their goal is not to conserve the best of what we now have; it is to return America to a time long before we achieved it. In truth, their agenda is regressive rather than conservative. They believe in social Darwinism, and many will stop at nothing to get their way. Their strategy is to divide working Americans and to convince them of the truth of a few very big lies.’

In the 1880s, William Graham Sumner was professor of political and social science at Yale. He brought Charles Darwin’s thinking to America and suggested life was a competitive struggle in which only the fittest could and should survive – and that this struggle was necessary in order for societies to grow stronger over time rather than whither away into irrelevance. He suggested civilization always has a simple choice. It’s either liberty, inequality and survival of the fittest or not-liberty, equality and survival of the unfittest. Sumner suggested liberty carries society forward and favors its best members while leveling the playing field carries society downwards and favors the dregs of society. If you listen to today’s generations of Republicans, they not only echo Sumner’s thoughts but they also mimic his arrogance.

To try and move their agenda forward, regressives tell at least ten big lies about the American economy over and over to try and paint a picture of a better America if social Darwinism were to replace the public good. Those lies repeated again and again are:

1. **Tax cuts for the rich trickle down to everyone else, whereas higher taxes on the rich hurt the economy and slow job growth.**
   
   This is obviously untrue. During the three decades of America’s greatest growth from the end of World War II until 1981, the richest Americans faced a top marginal tax rate of 70 percent and above. Both Ronald Reagan’s and George W. Bush’s tax cuts led to no growth. Trickle-down economics is a cruel joke.

2. **American corporations would create more jobs and growth if their taxes were lower.**
   
   That sounds reasonable until you find most of the large corporations currently manipulate the tax code so they don’t pay any tax anyway. Companies are sitting on more than $3 trillion in cash at present because they don’t see enough customers with cash in their pockets to buy what any additional manufacturing capacity would produce. What’s needed is more consumer spending, not lower taxes.

3. **If the size of government were to shrink, America would have more jobs and a much better economy.**
   
   Wrong. Fewer government workers results in smaller consumer markets. Less government contractors employ fewer private sector workers. Government spending is not the crux of our current challenges. It’s the concentration of wealth in the hands of the few that has done the most damage.

4. **We’d have a stronger economy if there were fewer regulations.**
   
   Again untrue. Corporations exist to make a profit for their shareholders, thereby increasing the value of their shares. They don’t exist to protect the public. Regulations always make sense where the benefits to the public exceed the costs incurred. Without public safety, a regime which is fair to small investors and a sustainable environment, we’d all be the poorer.

5. **The economy would improve if we were to cut the budget deficit with immediate effect.**
   
   Baloney. Budget cuts right now would only increase unemployment and reduce tax revenues. The time to cut the federal budget is when the economy gets back on track and unemployment drops back to less than 5 percent. The national debt is most certainly a problem but the ratio of debt to the economy’s output is not nearly as high as it was after World War II. If we move to a full recovery, revenues will pour into the Treasury and the “budget crisis” will evaporate. More than anything, we need to get people back to work.
6. Medicare and medicaid are runaway trains and need to be scaled back.
Again untrue. The reason their costs are rising so fast is because the nation’s overall health-care costs are rising faster still. Giving seniors vouchers to cash in for private insurance won’t work either—that will pull any budget savings out of the pockets of seniors as the vouchers will fall further and further behind the market price of health care. The best way to slow rises in medical costs is to use Medicare and Medicaid’s bargaining power over drug companies and hospitals to get better deals. Move from fee-for-services to fee-for-healthy-outcomes.

7. America’s safety nets are overly and unsustainable generous.
This is a populist catcher of those seeking the Republican nomination. It’s completely baseless. If anything, America’s safety nets have been too small. Fix the worst economic catastrophe since the Great Depression and the need for the safety net at all will be dramatically reduced. The real scandal is that the number and percentage of Americans living in poverty has risen dramatically over the past three years.

8. Social Security is nothing more than a Ponzi scheme.
Don’t believe it. Social Security is solvent for the next twenty-six years as is and it could become solvent for the next century at least if the ceiling on income subject to the Social Security payroll tax were to be raised from its current ceiling of $110,100. Until 2012, Social Security took in more than it paid out and lent its surpluses to the rest of the government. Now that Social security is paying out more, it can collect what the rest of the government owes it. Raising the ceiling on income subject to Social Security tax is the logical response.

9. It’s unfair that middle- and lower-income Americans pay a smaller share of federal income tax.
Actually, there’s nothing unfair about that at all. The foundation of America’s tax code has always been that it’s progressive—those who make more money pay more taxes. In recent times, the top 1 percent have been earning more but the tax they pay has not kept pace. If the tax system were totally fair, their share of tax revenues would be more and everyone else’s share would be much less. Also keep in mind federal taxes are only one of the taxes Americans pay. Middle- and lower-income Americans pay a larger share of their incomes in these other taxes than do wealthy Americans.

10. A flat tax would be much fairer to all.
Don’t believe it for a moment. This would not simplify filing your tax return—you’d still have to figure out all your deductions, exemptions and credits the way you do right now. Furthermore, we already have a flat tax within the various income brackets which have been specified. Under the current tax code, no one pays income tax on the first $20,000 of their income and people in higher brackets only pay a higher tax rate on the portion of their income that hits that bracket. The real problem with the current regime is the top brackets are set too low relative to where the money is. The top bracket starts at $388,350 meaning a doctor who is making $390,000 will have the same tax rate as someone pulling down $2 or $20 billion a year. The regressive’s push for a flat tax is a smoke screen. We should be talking about the absurdity and unfairness of the current system.

“These ten whoppers have been repeated so often by regressives and their media outlets that many Americans have started to believe them. But every one of them is a lie. You hear them repeated endlessly on right-wing radio and on Fox News, and you read them incessantly on the editorial pages of The Wall Street Journal. Together they paint a picture of an America in which social Darwinism replaces the public good. Demagogues through history have known that big lies, repeated often enough, start being believed—unless they’re rebutted. George Orwell once explained that when a public is stressed and confused, a big lie told repeatedly and unchallenged can become accepted truth. Make sure you know the facts and spread them.”
What You Need to Do

“I don’t know where the Occupier movement is heading, but I do know there’s great energy at America’s grass roots for progressive change—more energy now than I’ve seen in decades. The question is how to harness that energy and turn it into a sustainable and powerful progressive movement to take back our economy and our democracy from the regressive forces that have been gaining ground.”

Instead of waiting for candidates who get elected to develop their political agendas (which takes a long time), you need to treat Election Day as the beginning of your personal campaign to put pressure on politicians to enact a progressive agenda which has the following elements:

- **Raise the tax rate of the rich to what it was before 1981.**
  Incomes in excess of $1 million a year should be taxed at 70 percent, not the 15 percent they now pay. Close this loophole but don’t penalize true entrepreneurs. If they have held their assets for at least twenty years, keep their capital gains taxes low.

- **Put a 2 percent surtax on the wealth of the richest one-half of 1 percent.**
  They own 28 percent of the nation’s wealth. They have more than $7.2 million in assets. A surtax on this group would generate $70 billion a year or $750 billion over a decade – which would be a handy reduction in the national debt.

- **Introduce a tax on all financial transactions of one-half of 1 percent.**
  This would bring in more than $250 billion over ten years while at the same time slowing speculators and dampening the wild gyrations of financial markets.

- **Cut the military budget more than is currently scheduled.**
  Over the next five years, the Pentagon will spend more than $2.7 trillion. We can save billions without jeopardizing the nation’s security by cutting programs no one really understands. Reduce the Navy and Air Force and build up the Army, Marines and Special Forces.

- **Use Medicare to control soaring health-care costs.**
  Medicare’s huge bargaining leverage over drug companies and health-care providers should be used to bring down the costs of health care. The United States must move from a pay-for-service model to a pay-for-healthy-outcomes system and Medicare can be the catalyst to make that happen. Instead of reimbursing doctors and hospitals for costly tests, drugs and surgical procedures, we should be paying them incentives to keep everyone healthy.

- **Fight for Medicare for all.**
  The real answer to America’s health-care challenges is to allow anyone at any age to join Medicare. The reality is Medicare’s administrative costs are around 3 percent – well below the 10-15 percent of everyone else. If Medicare were to be made available to every working American through public insurance funded by a payroll tax, the nation would save something in the range of $58 billion to $400 billion a year. More Americans would get quality health care at the same time as our long-term budget crisis is sharply reduced.

- **Use added revenues and budget savings to invest more in public goods.**
  America’s educational system is underfunded and the nation’s infrastructure is crumbling and yet we are reducing educational budgets and committing only minuscule amounts to infrastructure spending. It’s time to rebuild America. Infrastructure and education are the sole areas where it makes sense to borrow so we can be more productive in the future. The United States should borrow from global investors and put that money – as well as any budget savings which can be found – towards funding more childhood and higher education, modernizing the electricity grid, expanding high-speed Internet and building infrastructure.
- **Reinstate the Glass-Steagall Act.**  
  In 1929, the Glass-Steagall Act was put in place to stop banks from making speculative investments with people’s bank deposits. It was repealed in 1999 and replaced with the Dodd-Frank Act but Wall Street lobbyists have drilled so many loopholes in the new law banks continue to gamble with other people’s money. This is lunacy. We must resurrect the Glass-Steagall Act and stop this immediately.

- **Cap the size of Wall Street’s biggest banks.**  
  The moral of the Dodd-Frank legislation is Wall Street is too powerful to allow effective regulation to take place. We learned that the hard way in 2008. The best way to avoid another bailout is to use the Sherman Antitrust Act of 1890 and the Clayton Act of 1914 to break the big banks up and then put a cap on the maximum size they are permitted to grow to in the future. It’s crazy to talk about banks being too big to fail – this is a clear and present danger to our economy and our democracy. Big finance has to be tamed.

- **Require banks to modify all mortgages which are underwater.**  
  In the United States today, close to eleven million borrowers are underwater on their loans by about $700 billion. Regardless of how this arose, a relief package is required. This must be launched immediately with all the legal resources which will be required. Allowing millions of homeowners to find ways to stay in their homes will have the obvious flow-on effect of reversing the collapse of housing prices which will be good for everyone. At the very least, bankruptcy laws should be modified to allow struggling homeowners to declare bankruptcy on their primary residence.

- **Get Big Money out of politics.**  
  In order to get any of this done, we have to get big money out of politics. It’s time for a constitutional amendment which declares that corporations are not citizens entitled to contribute to political elections and that Congress has the power to set limits on campaign spending. At the very least, all donors to super PACs should be publicly disclosed and corporations should be required to get the approval of every shareholder before spending shareholder funds on politics. Furthermore, an executive order should be issued immediately which requires that all government contractors must disclose their political spending. There should be a ban on all political activity by companies which derive half or more of their revenues from the U.S. Government. It defies logic that companies which have government contracts can spend part of that money lobbying for even more defense contracts in the future. This obvious and expensive conflict of interest can be ended with the stroke of a pen and it should be.

“The great arc of American history reveals an unmistakable pattern. Whenever privilege and power conspire to pull us backward, we eventually rally and move forward. Sometimes it takes an economic shock like the bursting of a giant speculative bubble; sometimes we just reach a tipping point where the frustrations of average Americans turn into action. Look at the progressive reforms between 1900 and 1916; the New Deal of the 1930s; the civil rights struggle of the 1950s and 1960s; the widening opportunities for women, minorities, people with disabilities, and gays, starting in the 1960s and continuing, in fits and starts, to the present day; and the environmental reforms of the 1970s. In each of these eras, regressive forces reignited the progressive ideals on which America is built. The result was fundamental reform. It will happen again—but it will not happen automatically. The nation’s forward movement has always depended on the active engagement and commitment of vast numbers of Americans morally outraged by how far our economy and our democracy have strayed from our ideals—and committed to move beyond outrage to real reform. Your outrage and your commitment are needed once again.”

— Robert Reich