



Our Deficit Obsession

BY ROBERT B. REICH
Tribune Media Services

I wish President Obama would explain to the nation that the federal budget deficit isn't the nation's major economic problem and deficit reduction shouldn't be our major goal.

Our biggest problem is lack of good jobs and sufficient growth. And our goal must be to revive both.

Deficit reduction leads us in the opposite direction — away from jobs and growth.

The reason the "fiscal cliff" is dangerous (and it's not really a "cliff" but more like a hill, because we won't fall off it immediately on Jan. 1) is because it requires too much deficit reduction, too quickly. It would suck too much demand out of the economy.

But more jobs and growth will help reduce the deficit. With more jobs and faster growth, the deficit will shrink as a proportion of the overall economy.

Recall the 1990s, when the Clinton administration balanced the budget ahead of the schedule it had set with Congress. That was because of faster job growth than anyone expected — creating more jobs and bringing in more tax revenues than anyone had forecast.

Europe offers the same lesson, but in reverse: Its deficits are growing because its austerity policies have caused its economies to contract. Sure, Greece had to pull in its belt. But Britain and Spain were doing fairly well before they began cutting public spending. Now they've pulled so much demand out of their economies that unemployment has risen and tax revenues have dropped.

Policymakers need to understand that when unemployment is high and workplaces are idle, the best way to generate jobs and growth is for the government to spend more, not less. And for taxes to stay low, or become even lower, on the middle class.

By the way, higher taxes on the rich don't slow economic growth, because the rich spend a much smaller portion of their earnings than does the middle class. And they'll continue to spend even if their tax rates rise. They're already taking home a near record share of America's total income and have a record share of total wealth.

Why don't our politicians and media get this? Because an entire deficit-cutting industry has grown up in recent years. It began with Ross Perot's third party in the 1992 election and continued through Peter Peterson's institute and other think tanks funded by Wall Street and big business. It was embraced in the late 1990s and earlier this century by the government-haters in the Republican Party and the eat-your-spinach deficit hawk crowd among Democrats. And it culminated in the Simpson-Bowles Commission that President Obama created in order to appease the



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hawks but which only legitimized them further.

As a result, much of official Washington and the media have bought into the narrative that our economic problems stem from an out-of-control budget deficit. They're repeating this hokum even now, when we're staring at a fiscal cliff that illustrates just how dangerous deficit reduction can be.

Deficit mavens routinely warn that unless the deficit is trimmed, we'll fall prey to inflation and rising interest rates. But there's no sign of inflation anywhere. The world is awash in underutilized capacity. As for interest rates, the yield on the 10-year Treasury bill is now lower than it's been in living memory.

In fact, if there was ever a time for America to borrow more in order to put our people back to work repairing our crumbling infrastructure and rebuilding our schools, it's now.

Public investments that spur future job growth and productivity shouldn't even be included in measures of government spending to begin with. They're justifiable as long as the return on those investments — a more educated and productive workforce, and a more efficient infrastructure, both generating more and better goods and services with fewer scarce resources — is higher than the cost.

In fact, we'd be nuts not to make these investments under these circumstances. No sane family equates spending on vacations with investing in their kids' education. Yet that's what we do in our federal budget.

Finally, the biggest driver of future deficits is the rising cost of health care — that same phenomenon that's causing headaches for individuals, families and businesses. America's wildly inefficient balkanized health-care system is already taking a far larger share of the total economy than that of every other rich nation (18 percent), and yet our health outcomes are worse.

So instead of fighting over how to cut the budget deficit, we should be having a constructive conversation about how to use government's bargaining power through Medicare and Medicaid to hold down health-care costs. And then use the Affordable Care Act as a stepping stone toward a single-payer health-care system.

So can we please stop obsessing about future budget deficits? They're distracting our attention from what we should be obsessing about — regaining jobs and growth, and making our health-care system work.

Robert Reich, former U.S. Secretary of Labor, is professor of public policy at the University of California at Berkeley and the author of "Aftershock: The Next Economy and America's Future." He blogs at www.robertreich.org.

YOUR LETTERS

Missing Mr. Anderson

Carrie Johnson, Washington
2005 Yankton High School graduate

I recently learned of Dick Anderson's passing, and in reflecting on my time in Mr. Anderson's A.P. Literature class, many enjoyable and cherished memories came to mind.

Through his course, I began my lifelong love for classical literature and a personal goal to one day read all of the books on Mr. Anderson's top 100 list. In his class, he empowered his students by giving them the independence to choose the books they wanted to read and filled his classroom with a wonderful mixture of humorous anecdotes and thought-provoking lectures. The constructive feedback I received on my literature papers left me with writing tips that I still use today, and I can frequently hear Mr. Anderson's voice in my head when I write.

Even after graduating from Yankton High, I enjoyed stopping by his and Louise's store when I was home to catch up with Mr. Anderson and see if he had any free and delicious samples I could try.

My thoughts and prayers are with Mr. Anderson's family and friends during this difficult time. He was an exceptional teacher who touched the lives of countless students. I feel incredibly lucky for having had

Mr. Anderson as a teacher, and I will always remember him for his smile, keen knowledge of writing, and witty sense of humor.

A Plebe's Story

William J. Collen, Yankton

In 1959, I received an appointment from Nebraska to the U.S. Merchant Marine Academy.

When arriving at Kingsport, N.Y., we were given an indoctrination. We were given specific orders that we were not to fraternize with any officers, teachers or their family members. They said if they ever found out about such activity, it would mean immediate dismissal.

This is why I do not understand Gen. David Petraeus, who went to West Point. How could he have romanced and married the U.S. Military Academy commandant daughter and got away with it?

I guess, since he is 12 years my junior, the military became liberalized and political!

Maybe they should do as my boss did at Martin Colo., in 1962 when I got my top security clearance. He told me that before he gave me my badge, "If I ever told anyone about the computer information I was working on," he would send me to Leavenworth (USDB) and throw away the key!

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OPINION | OUR VIEW

A Cautious Budget, But Then What?

It's logical and understandable — at least at this point — that Gov. Dennis Daugaard is proposing a cautious budget for fiscal year 2014. He presented his blueprint to lawmakers Tuesday in the governor's annual budget address.

But it must be recognized that the circumstances in which this \$4.1 billion budget is being offered may very well change. And if they do change and there is more certainty in the situation, lawmakers should modify the budget accordingly to correct the wounds of past years.

But for now, we can only consider what we know for sure now — which, frankly, isn't much.

The current showdown in Washington over the so-called "fiscal cliff" has brought all practical projecting for the future to a virtual standstill. We do not know what will happen next, where spending cuts will be made, where tax cuts will be applied. We do not know if lawmakers will succeed or fail in their current negotiations — or even if they necessarily WANT to succeed. We do not know what priorities will emerge. And all told, we do not know what any of this will do to the U.S. economy and its current, fragile recovery.

Also, the drought has inflicted a good deal of harm on the state economy — and it is even less predictable than the "fiscal cliff." For all we know, it could start raining again tomorrow, or it might come next summer, or it might not come for a long time to come. The weather is currently an agonizing variable in our economic forecasting.

Under such a circumstance, a very cautious budgeting approach seems wise.

But the real question is, will this be only a short-term pause or will it reflect an ongoing, long-term mindset that has hurt some programs and many South Dakotans?

Daugaard is asking for a 3 percent increase in education aid, which is in keeping with state law (unless lawmakers decide to ignore that law, as was done a couple years ago). While this move helps schools tread inflationary water, it does nothing to bring back what was lost during the deepest cuts made in the depths of the Great Recession.

Medicaid is also projected to receive a modest increase for reimbursements, but again, this doesn't bring the program to the level it was at four years ago before a chainsaw was taken to these programs. And, Democrats charge, it comes after the state has rejected \$200 million in federal money from the Affordable Health Care Act targeted for 48,000 uninsured South Dakotans.

At some point, the lost ground must be recovered — the damage must be reversed. The longer the decisions are postponed, the more detrimental these cuts will be on matters that impact us now and will impact us greatly in the future.

That's why, if there is any possibility of moving extra money to education and Medicaid in this winter's legislative session, lawmakers must seize it. They must begin to repair the damage before it turns cancerous and crippling.

We shall see — three vague words that apply to these economic times. The lawmakers must wait, but they shouldn't be afraid to act when the conditions dictate it. We can't afford to do otherwise.

kmh

OUR LETTER POLICY

The **PRESS & DAKOTAN** encourages its readers to write letters to the editor, and it asks that a few simple guidelines be followed.

■ Please limit letters to 300 words or less. Letters should deal with a single subject, be of general interest and state a specific point of view. Letters are edited with brevity, clarity and newspaper style in mind.

■ In the sense of fairness and professionalism, the **PRESS & DAKOTAN** will accept no letters attacking private individuals or businesses.

■ Specific individuals or entities addressed in letters may be given the opportunity to read the letter prior to publication and be allowed to answer the letter in the same issue.

■ Only signed letters with writer's full name, address and daytime phone number for verification will be accepted. Please mail to: Letters, 319 Walnut, Yankton, SD 57078, drop off at 319 Walnut in Yankton, fax to 665-1721 or email to views@yankton.net.

TODAY IN HISTORY

By The Associated Press

Today is Wednesday, Dec. 5, the 340th day of 2012. There are 26 days left in the year.

Today's Highlight in History: On Dec. 5, 1962, the United States and the Soviet Union announced a bilateral space agreement on exchanging weather data from satellites, mapping Earth's geomagnetic field and cooperating in the experimental relay of communications.

On this date: In 1776, the first scholastic fraternity in America, Phi Beta Kappa, was organized at the College of William and Mary in Williamsburg, Va.

In 1782, the eighth president of the United States, Martin Van Buren, was born in Kinderhook, N.Y.; he was the first chief executive to be born after American independence.

In 1791, composer Wolfgang Amadeus Mozart died in Vienna, Austria, at age 35.

In 1792, George Washington was re-elected president; John Adams was re-elected vice president.

In 1831, former President John Quincy Adams took his seat as a member of the U.S. House of Representatives.

In 1848, President James K. Polk triggered the Gold Rush of '49 by confirming that gold had been discovered in California.

In 1932, German physicist Albert Einstein was granted a visa, making it possible for him to travel to the United States.

In 1933, national Prohibition came to an end as Utah became the 36th state to ratify the 21st Amendment to the Constitution, repealing the 18th Amendment.

In 1955, the American Federation of Labor and the Congress of Industrial Organizations merged to form the AFL-CIO under its first president, George Meany.

In 1979, feminist Sonia Johnson was formally excommunicated by the Mormon Church because of her outspoken support for the proposed Equal Rights Amendment to the Constitution.

In 1991, Richard Speck, who'd murdered eight student nurses in Chicago in 1966, died in prison a day short of his 50th birthday.

In 1994, Republicans chose Newt Gingrich to be the first GOP speaker of the House in four decades.

Ten years ago: Strom Thurmond, the oldest and (until Robert Byrd overtook him) longest-serving senator in history, celebrated his 100th birthday on Capitol Hill. (In

toasting the South Carolina lawmaker, Senate Republican leader Trent Lott seemed to express nostalgia for Thurmond's segregationist past; the resulting political firestorm prompted Lott to resign his leadership position.) In Kansas City, Mo., Robert R. Courtney, a pharmacist who'd diluted chemotherapy drugs given to thousands of cancer patients, was sentenced to 30 years in prison. General Ne Win, former dictator of Myanmar, also called Burma, died in Yangon at age 91. ABC executive Boone A. Riedge died in New York at age 71.

Five years ago: A teenage gunman went on a shooting rampage at the Westroads Mall in Omaha, Neb., killing six store employees and two customers; Robert A. Hawkins, 19, then took his own life. President George W. Bush, trying to keep pressure on Iran, called on Tehran to "come clean" about the scope of its nuclear activities or else face diplomatic isolation.

One year ago: The cash-strapped U.S. Postal Service announced \$3 billion in reductions, with cuts to first-class mail service by the spring of 2012 and elimination of more than 250 processing centers. Former Chicago Cubs third baseman Ron Santo was posthumously elected to the baseball Hall of Fame by the Veterans Committee.

Today's Birthdays: Singer Little Richard is 80. Author Joan Didion is 78. Author Calvin Trillin is 77. Musician J.J. Cale is 74. Actor Jerrold Kranick is 68. Opera singer Jose Carreras is 66. Pop singer Jim Messina is 65. College Football Hall of Famer Jim Plunkett is 65. World Golf Hall of Famer Lanny Wadkins is 63. Actress Morgan Brittany is 61. Actor Brian Backer is 56. Pro Football Hall of Famer Art Monk is 55. Country singer Ty England is 49. Rock singer-musician John Rzeznik (The Go Go Dolls) is 47. Country singer Gary Allan is 45. Comedian-actress Margaret Cho is 44. Writer-director Morgan J. Freeman is 43. Actress Alex Kapp Horner is 43. Rock musician Regina Zernay (Cowboy Mouth) is 40. Actress Paula Patton is 37. Actress Amy Acker is 36. Actor Nick Stahl is 33. Rhythm-and-blues singer Kerli Hilsen is 30. Actor Frankie Muniz is 27. Actor Ross Bagley is 24.

Thought for Today: "As a rule, there is no surer way to the dislike of men than to behave well where they have behaved badly." — Lew Wallace, American author (1827-1905).

FROM THE BIBLE

She said to her mistress, "Would that my lord were with the prophet who is in Samaria! He would cure him o his leprosy." 2 Kings 5:3. Portals of Prayer, Concordia Publishing House, St. Louis

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Published Daily Monday-Saturday

Periodicals postage paid at Yankton, South Dakota, under the act of March 3, 1979.

Weekly Dakotian established June 6, 1861. Yankton Daily Press and Dakotian established April 26, 1875.

Postmaster: Send address changes to Yankton Daily Press & Dakotian, 319 Walnut, Yankton, SD 57078.

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