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Wonkbook: Republicans have won. But can they stop there?

Posted by Ezra Klein at 07:13 AM ET, 07/25/2011

Photos: Debt ceiling doomsday scenarios (YURI GRIPAS - REUTERS) We don't yet know what the final deal to raise the debt ceiling will be. But now that Harry Reid is developing a proposal with \$2.7 trillion in cuts and nothing in revenues, it's a safe bet that it won't include any tax increases. Which means that whether Republicans realize it or not, they've won. The question now is whether they can stop.

Originally, the Democratic position was that we should simply raise the debt ceiling. Republicans said "no." There would have to be a deal that reduced the deficit by at least \$2.4 trillion -- which is the size of the debt ceiling increase needed to get us into 2013.

Then the Democratic position was that we should raise the debt ceiling through a deal that reduced the deficit by about \$2.4 trillion, with \$2 trillion of that coming from spending cuts and \$400 billion coming from taxes. Republicans said "no." There would have to be a deal that disavowed taxes.

Then the Democratic position was that we should raise the debt ceiling through a deal brokered by Barack Obama that reduced the deficit by \$4 trillion, with about \$3 trillion of that coming from spending cuts and about \$1 trillion coming from tax increases. Republicans said "no." There would have to be a deal that disavowed taxes, and it would have to be cut between the congressional leadership of the two parties. Obama couldn't have this as a win.

That brings us to where we are now. John Boehner is proposing a deal with about \$1 trillion in spending cuts and a short-term increase in the debt ceiling and a bipartisan congressional committee charged with developing a large deficit reduction package that would be immune to amendments and filibusters and would be the price of the next increase in the debt ceiling. Harry Reid is developing a package of spending cuts that Democrats could accept and would reach Boehner's \$2.4 trillion mark.

If you take the Republicans' goals as avoiding a deal in which they have to vote for tax increases and denying Obama a political victory, it looks like they have succeeded. That success has come with costs -- they've done themselves political damage, are risking a crisis that could do the economy tremendous harm, and have left the Bush tax cuts unresolved, which means they might end up watching taxes rise much higher than if they'd taken Obama's offer -- but it's still been a success.

The question is, what happens if they don't stop pushing?

Late last week, pollster Mark Blumenthal summarized the "consistent findings" from the polling on the debt ceiling. First, he said, "Americans prefer a deal featuring a mix of tax hikes and spending cuts to a deal featuring just spending cuts." Second, "most of the surveys find strong sentiment in favor of compromise, especially among Democrats and independents." Finally, "the surveys all show Americans expressing significantly more confidence and trust in President Obama's handling of the issue than of either the Republican or Democratic leadership in Congress."

Republicans have leverage because the debt ceiling needs to be raised and it can't be raised without their support. But they don't have popular support behind their position or their leadership. They can push this up to the brink and win, because Democrats really, really, really don't want a debt-ceiling crisis that could set back the economy. But if they push it over the brink, they're likely to lose, as the public really, really doesn't want Congress to create an economic crisis that will set back the economy, and they're primed to blame the GOP if one does in fact come to pass.

Five in the morning

1) The House and Senate are preparing rival debt deals, reports Lori Montgomery: "House and Senate leaders were preparing separate backup plans Sunday to raise the federal debt limit after another day of intense negotiations failed to break a partisan impasse that threatens to throw the government into default next week...Reid said he would turn instead to an entirely new approach 'that meets Republicans' two major criteria,' which are spending cuts designed to meet or exceed the amount of the debt-limit increase and no new taxes. Under Boehner's rules, Reid said, the \$2.7 trillion debt-reduction package he plans to unveil Monday should buy the Treasury sufficient borrowing authority to pay the nation's bills through the end of next year."

And the House plan: "[Boehner's] strategy calls for Congress to act first on a short-term extension of the debt limit that would give the Treasury about \$900 billion in additional borrowing authority -- enough to pay the nation's bills only through early next year. That would be paired with about \$1.2 trillion in cuts to government agencies, including the Pentagon, over the next decade. Under the plan, Congress would also create a 12-member committee staffed with lawmakers from both the House and Senate and tasked with identifying at least \$1.6 trillion in additional savings by a deadline set for later this year. Those savings would be paired with a second debt-limit increase, meeting Boehner's dollar-for-dollar condition."

2) Asian markets are down -- but not dramatically -- in the absence of a debt deal, reports Cezary Podkul: "Asian financial markets slid in early trading Monday as investors watched closely to see whether the impasse in U.S. debt negotiations will prompt a dramatic sell-off on global exchanges. Japan's Nikkei 225 index, which includes major Japanese companies, was down about 0.63 percent in early trading Monday. The Standard & Poor's 500 /ASX 200 index, a measure of Australia's blue-chip stocks, was down about 0.86 percent. South Korea's benchmark KOSPI index was down about 0.7 percent. Hong Kong's Hang Seng index slid about 0.63 percent in early trading, while Shanghai's Stock Exchange Composite index was down about 0.73 percent."

3) Obama still wants a big deal, reports Zachary Goldfarb: "Obama's political advisers have long believed that securing

such an agreement would provide an enormous boost to his 2012 campaign, according to people familiar with White House thinking. In particular, they want to preserve and improve the president's standing among political independents, who abandoned Democrats in the 2010 midterm elections and who say reining in the nation's debt is a high priority. In many ways, it has been a remarkable transformation for a Democratic president who had made the centerpiece of his first year in office a massive spending bill to boost the economy and the expansion of health insurance. The risk for Obama now is that his pursuit of a far-reaching package could deeply disappoint his Democratic allies who believe he may be giving away too much."

4) Wall Street is getting ready for a downgrade in US debt, reports Zachary Goldfarb: "Wall Street's top concern is no longer that the United States will fail to increase the federal limit on borrowing by Aug. 2 but that political leaders will fall short in their negotiations over an ambitious plan for taming the nation's debt, according to financial analysts. If President Obama and Congress are unable to reach such an agreement for reducing the debt, credit-rating firms -- in particular, Standard & Poor's -- could cut the top-notch U.S. debt rating, sending a shock across U.S. financial markets. S&P has said that raising the \$14.3 trillion debt ceiling by the deadline, and thus avoiding a potential default, is not enough to avoid a downgrade...Wall Street bankers have begun discussing plans for responding to a downgrade of U.S. credit, according to people familiar with the talks."

5) Passing a bill in time is logistically difficult, report Rosalind Helderman, David Fahrenthold and Lori Montgomery: "After a difficult weekend of negotiations between the White House and top congressional leaders, legislators return Monday to Washington with no clear way forward to raise the \$14.3 trillion debt limit before the Aug. 2 deadline...In the House, Republicans who took charge last year promising a new era of transparency have said they will not force votes on legislation that has been public for less than three days. Unless they reverse themselves on this new rule, the earliest the House could pass a bill would be Wednesday. A bill approved by the House that day would then take at least four to six days to make its way through the Senate. That timeline would conceivably allow a bill to reach Obama by the deadline -- but only if there were agreement in both chambers, and so far there is none."

Radio session interlude: Toro y Moi play "Still Sound" live on KEXP.

Got tips, additions, or comments? E-mail me.

Still to come: Wall Street is preparing for a downgrade in US debt; key elements of health care reform were on the chopping block in the debt talks; farm subsidies are fading without legislators doing anything; the House again considered a proposal targeting fluorescent light bulbs; and a dog tries, fails to move his swimming pool indoors.

Economy

John Boehner proposed a "revenue ceiling" during debt talks, reports John McKinnon: "Last week's grand-bargain discussions between House Speaker John Boehner and President Barack Obama included a highly unusual feature, according to two people familiar with the situation: a ceiling on future federal revenues, in order to limit the size of any future tax increase...The revenue ceiling being advanced by the speaker's side would have capped future federal revenues at \$36.2 trillion over the next decade, according to one person familiar with the discussions. That's about \$800 billion more than the amount that's expected to be produced by current tax policies, including the Bush-era rates for individuals. But it's far less than the amount that would be produced by returning as scheduled to pre-Bush rates after 2012."

Tea Partiers in the House want to set Obama's payment priorities if the debt ceiling is reached, reports Alexander Bolton: "Tea Party conservatives hope to make a push on the House floor to force President Obama to avoid a national default if Congress fails to raise the debt limit. Members of the Senate Tea Party Caucus have met with House fresh-

men to discuss a plan to pressure House Speaker John Boehner (R-Ohio) to bring the Full Faith and Credit Act to the floor. The legislation would direct Obama to prioritize federal payments to the nation's creditors, Social Security recipients and soldiers serving in Afghanistan and Iraq. The bill has been revised since it was introduced earlier this year. The previous version simply required the Treasury Department to pay the principal and interest on the debt held by the public over other obligations incurred by the federal government."

Obama's economic policy is centered around reelection, reports Elizabeth Drew: "The speech Obama gave on April 13 marked his conversion to fiscal centrism; to being the fiscally responsible Democrat. In that speech he stated that he wanted to reduce the debt by \$4 trillion...It was all about reelection politics, designed to appeal to this same group of independents. 'And that's why,' I was told by the person familiar with the White House deliberations, 'he went bigger in the deficit reduction talks; bringing in Social Security is consistent with that slice of the electorate they're trying to reach...This all fits with another development in the Obama White House. According to another close observer, David Plouffe, the manager of Obama's 2008 presidential campaign, who officially joined the White House staff in January 2011, has taken over."

A court struck down a new SEC rule on corporate boards, reports David Hilzenrath: "Business lobbies won a major victory over shareholders Friday in the battle for control of corporate boards. A federal appeals court struck down a Securities and Exchange Commission rule that would have made it easier for stockholders to throw out directors and put forward their own candidates for board seats. The U.S. Court of Appeals in Washington found that the SEC fumbled one of its biggest initiatives in recent years by failing to adequately assess the potential economic effects of the rule. The decision preserves a long-standing corporate voting system that gives powerful advantages to candidates nominated by incumbent directors."

Financial reformers want Comptroller of the Currency John Walsh out, reports Binyamin Appelbaum: "John Walsh voiced the frustrations of many bankers when he warned in a speech last month that federal regulators were not paying attention to the cumulative impact of new rules and restrictions, jeopardizing the ability of banks to support economic growth. 'I might have titled these remarks, 'Beware of the Pendulum,' he said. 'To put it plainly, my view is that we are in danger of trying to squeeze too much risk and complexity out of banking.' What made the speech unusual was that Mr. Walsh is a federal regulator. In fact, he is responsible for overseeing most of the nation's large banks. And as the text of his remarks ricocheted across the electronic landscape of official Washington, it drew a furious reaction from advocates of increased regulation, who called on the White House to replace him."

Short-term debt limit increases are the norm, writes Keith Hennessey: "In his remarks to the press Friday, the President insisted that any debt limit extension be 'through the next election, into 2013.' That's a bit more than seventeen months. He has threatened to veto a shorter term increase...Over the last twenty years Congress and the President have acted 44 times to increase the debt limit. Ten of those 44 times lasted more than a year. The other 34 were for less than a year. Over the past (roughly) 20 years, the U.S. government spent 18% of its time, or more than 3 and a half years, operating under a debt limit increase that lasted for less than a year. The average period between increases was 333 days (almost 11 months), and the median was 131 days (just over four months)."

The DC bubble is preventing clear thinking on the debt, writes Steven Pearlstein: "In Washington, the group think and paranoia now run so deep in both the Republican and Democratic cloakrooms on Capitol Hill that even the modest tax increases or benefit cuts required for politically achievable budget compromise are treated as earth-shaking political and economic calamities, totally out of proportion to their real-world impact. Figuring out how to break out of these insular bubbles and see the world as it really is may be the central challenge of modern leadership. Which is why Jonnie Marbles, the British pie-throwing comedian, gets my nomination for Man of the Week...Now if someone could only figure out how to deliver a similar reality-check to the political leaders managing the world's debt crises..."

You can do fiscal stimulus without increasing the deficit, writes Robert Shiller: “In December, I wrote about the concept of the balanced-budget multiplier and of raising taxes and government expenditure by the same amount, dollar for dollar. These ideas were first put on the national stage in 1943 by Paul Samuelson, the Nobel laureate. He argued that such a policy would be one-for-one expansionary: each dollar spent is a dollar of new national income. As long as interest rates are near zero -- as they were then and are now -- there should be no ‘crowding out’ of private expenditures by government ones. We can restore some worthwhile projects that have already been cut significantly...Beyond that, we should create major new programs, all paid for by additional taxes...This is an expansionary change in fiscal policy that won’t require additional increases in the national debt.”

Obama can and should raise the debt ceiling on his own, write Eric Posner and Adrian Vermeule: “President Obama should announce that he will raise the debt ceiling unilaterally if he cannot reach a deal with Congress. Constitutionally, he would be on solid ground. Politically, he can’t lose...Our argument is not based on some obscure provision of the 14th amendment, but on the necessities of state, and on the president’s role as the ultimate guardian of the constitutional order, charged with taking care that the laws be faithfully executed. When Abraham Lincoln suspended habeas corpus during the Civil War, he said that it was necessary to violate one law, lest all the laws but one fall into ruin. So too here: the president may need to violate the debt ceiling to prevent a catastrophe.”

Adorable children talkin’ flight safety interlude: Pegasus Airlines’ kindergartener-starring safety announcement video.

Health Care

The idea of using health reform changes as a “trigger” was raised, rejected, report Jake Sherman and Carrie Budoff Brown: “The two sides are tens of billions of dollars apart on Medicaid cuts, and they differ on principles of tax reform and on changes to Social Security. Not to mention the so-called ‘trigger’ that would force Congress to find additional savings: Republicans want to repeal the individual health care mandate and the Independent Payments Advisory Board, both integral pieces of the Democrats’ health care law President Barack Obama has already rejected using changes to the health care law as a trigger.”

Only repealing the individual mandate is a horrible idea, writes Avik Roy: “While the individual mandate is one of the very worst features of Obamacare, repealing it while leaving the rest of the law intact would be disastrous. First, it would totally destabilize the private insurance market. The Obamacare individual mandate is relatively weak, as mandates go; but repealing it, while maintaining the law’s requirements that insurers take all comers regardless of age or health, will drive insurers out of business, in what economists call the ‘adverse selection death spiral.’ Second, the aforementioned destruction of the private insurance market will rightly be blamed on Republicans, who will no longer be able to entirely pin insurance disruptions on the other side.”

Obama’s prepared Medicare changes are terrible policy, writes Paul Krugman: “According to many reports, the president offered both means-testing of Medicare benefits and a rise in the age of Medicare eligibility. The first would be bad policy; the second would be terrible policy. And it would almost surely be terrible politics, too...Medicare, with all its flaws, works better than private insurance...It’s true that Medicare expenses could be reduced by requiring high-income Americans to pay higher premiums, higher co-payments, etc. But why not simply raise taxes on high incomes instead?...What’s the difference between means-testing Medicare and raising taxes? Well, the truly rich would prefer means-testing, since they would end up sacrificing no more than the merely well-off. But everyone else should prefer a tax-based solution.”

Domestic Policy

High crop prices are already cutting farm subsidies, reports Scott Kilman: “Payments from America’s primary farm-

subsidy program, dating from the 1930s, have stopped here. Grain prices are far too high to trigger payouts under the program’s ‘price support’ formula. The market, in other words, has done what decades of political wrangling couldn’t: slash farm subsidies. Though the subsidy payments always ebbed and flowed with crop prices, many economists are convinced that what is happening now is different. A fundamental upward shift in crop prices is creating the real possibility that Midwestern farmers won’t ever again qualify for the primary form of farm subsidy. There remain other types of subsidies, which continue to pay out because they aren’t linked to market prices. But high prices are undermining political support for those programs.”

States will suffer if the debt ceiling isn’t raised, writes Tracy Gordon: “State and local governments are already feeling the brunt of ‘extraordinary measures’ undertaken when the federal government hit its debt limit in May. Back then, the U.S. government stopped issuing State and Local Government Securities. Affectionately known as SLUGs, these securities allow state and local governments (much like mortgage holders) to refinance their debt without violating federal rules against arbitrage, or profiting from their tax-exempt bond authority. This is a headache, although hardly the end of the world. State and local borrowers can still refinance, but they have to do it by assembling the right bundle of regular U.S. Treasuries, usually with the help of a paid financial advisor. Now, if U.S. Treasuries were downgraded, all state and local debt refinanced in this manner would fall with it.”

We should tax junk food, writes Mark Bittman: “Rather than subsidizing the production of unhealthful foods, we should turn the tables and tax things like soda, French fries, doughnuts and hyperprocessed snacks. The resulting income should be earmarked for a program that encourages a sound diet for Americans by making healthy food more affordable and widely available...Simply put: taxes would reduce consumption of unhealthful foods and generate billions of dollars annually...Some advocates for the poor say taxes like these are unfair because low-income people pay a higher percentage of their income for food and would find it more difficult to buy soda or junk. But since poor people suffer disproportionately from the cost of high-quality, fresh foods, subsidizing those foods would be particularly beneficial to them.”

Adorable animals achieving their dreams interlude: A dog tries to bring his pool inside.

Energy

The House held yet another vote on fluorescent light bulbs, reports Dan Berman: “The House isn’t ready to give up compact fluorescent light bulbs just yet. Lawmakers rejected, 130-283, an amendment to the legislative branch spending bill that would have blocked Congress from buying or installing the energy-efficient light bulbs. Amendment sponsor Rep. Glenn Thompson (R-Pa.) said the purpose of the rider is to support American jobs, such as those making halogen incandescent light bulbs...Thompson also said the small amount of mercury in the CFLs would require lawmakers to flee if one breaks...Friday’s action was the third light bulb-related vote in the House this month.”

California can and should lead on emissions, write William Reilly and George Mitchell: “The Obama administration is reportedly looking at ambitious new targets for 2017-2025 that could increase the fuel standard significantly. The greatest consumer and environment benefits would occur with a standard of 62 mpg, or as much as a 6 percent improvement annually...Like many rules promising environmental benefits, this one is mired in controversy...The last time California set new vehicle emissions standards, 13 other states and the District of Columbia followed. This covers nearly half the nation’s vehicle market. Eventually, the nation was transformed by California’s lead...If the federal government cannot agree to strong new mileage and emissions standards, California should again lead the way.”

Closing credits: Wonkbook is compiled and produced with help from Dylan Matthews and Michelle Williams.

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No, Congress did not declare pizza a vegetable
Posted by Sarah Kliff at 09:15 AM ET, 11/21/2011

(Linda Davidson - THE WASHINGTON POST) There are many ways for Congress to frustrate the American people. A high-profile failure to cut \$1.2 trillion from the deficit, for example. But declaring pizza sauce a vegetable? That, it turns out, might work even better.

Congress passed a revised agriculture appropriations bill last week, essentially making it easier to count pizza sauce as a serving of vegetables. The move has drawn widespread outrage from consumer advocates and pundits, who see “pizza is a vegetable.” as outlandish.

There’s just one little misperception: Congress didn’t declare pizza to be a vegetable. And, from a strictly nutritional standpoint, there’s decent evidence that lawmakers didn’t exactly bungle this decision.

Let’s revisit the facts: Despite what one might expect from the headlines, if you scour the agriculture appropriations bill, referenced in numerous stories, you won’t find a single mention of the word “pizza,” or even “vegetable,” for that matter.

This is not a fight over pizza. It is, instead, a fight about tomato paste. Specifically, it’s a fight about how much of the product counts as one serving of vegetables.

Right now, tomato paste gets a sort of special treatment under school lunch regulations. Just “an eighth of a cup of tomato paste is credited with as much nutritional value as half a cup of vegetables,” my colleague Dina ElBoghdady explained last week.

The Obama administration guidelines, outlined in January, would have nixed tomato paste’s extra credit, counting a half cup as a half cup. “Under this proposal, schools would credit tomato paste and puree based on actual volume as served,” the regulation, published in the Federal Register on Jan. 13, 2011, explains. “Schools would not be allowed to credit a volume of fruits or vegetables that is more than the actual serving size.”

What happened this week was that Congress blocked that change: Tomato paste will continue to get outsized credit, with one-eighth of a cup essentially counted as something four times larger.

This makes it easier, and cheaper, for pizza manufacturers to produce a product that includes a serving of vegetables.

But, as my colleagues over at The Checkup emphasize, it by no means declares the pizza itself a vegetable. Schools lunches are still measured by federal regulations for calories (no more than one-third of daily recommended value) and fat content (less than 30 percent of the meal), which limits how much pizza students can be served. A cafeteria worker can’t just pile a slice of pizza on a plate and say she’s serving salad.

Back to the tomato paste controversy: Should a smaller serving of tomato paste have equal footing with a half-cup of other fruits and vegetables?

If you stack one-eighth of a cup of tomato paste up against a half-cup of some pretty common fruits and vegetables, the paste actually doesn’t do so badly. Here are nutrition facts for one-eighth of a cup of tomato paste (left) versus a half a cup of apples (right):

All told, the nutrition facts look really similar. Tomato paste does do a lot worse on sodium, but it also does much better in terms of calcium and potassium content. It also slightly edges out apples on dietary fiber, with a lower amount of sugar.

I tested out a few other comparisons, and they came out relatively close. You can see the results below.

Measuring fruit and vegetable servings by volume is a bit of an odd convention in the first place. When it comes to calories and nutrients, they’re really all over the map. A half-cup of avocado is quite nutritionally different from a half-cup of zucchini.

As for the half-cup of tomato paste at the center of this debate, it would no doubt have had more nutrients than an eighth-cup. Advocacy groups were disappointed to see the regulatory change blocked. More tomato paste would mean more pizza sauce, would mean more potassium and fiber. But the smaller serving, in strictly nutritional terms, looks a whole lot like the larger serving of some of the most common fruits and vegetables we consume.

Moreover, it’s far from clear how much this decision matters for what students actually eat. While the U.S. Department of Agriculture writes guidelines for what school meals should look like, few schools actually follow them. Just 20 percent of schools served meals that met federal guidelines for fat content, according to a 2007 USDA audit.

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Getting ready for a wave of coal-plant shutdowns
Posted by Brad Plumer at 12:19 PM ET, 08/19/2011

(JOHN GILES/ASSOCIATED PRESS) Over the next 18 months, the Environmental Protection Agency will finalize a flurry of new rules to curb pollution from coal-fired power plants. Mercury, smog, ozone, greenhouse gases, water intake, coal ash—it's all getting regulated. And, not surprisingly, some lawmakers are grumbling.

Industry groups such as the Edison Electric Institute, which represents investor-owned utilities, and the American Legislative Exchange Council have dubbed the coming rules "EPA's Regulatory Train Wreck." The regulations, they say, will cost utilities up to \$129 billion and force them to retire one-fifth of coal capacity. Given that coal provides 45 percent of the country's power, that means higher electric bills, more blackouts and fewer jobs. The doomsday scenario has alarmed Republicans in the House, who have been scrambling to block the measures. Environmental groups retort that the rules will bring sizeable public health benefits, and that industry groups have been exaggerating the costs of environmental regulations since they were first created.

So, who's right? This month, the nonpartisan Congressional Research Service, which conducts policy research for members of Congress, has been circulating a paper that tries to calmly sort through the shouting match. Thanks to The Hill's Andrew Restuccia, it's now available (PDF) for all to read. And the upshot is that CRS is awfully skeptical of the "train wreck" predictions.

First, the report agrees that the new rules will likely force the closure of many coal plants between now and 2017, although it's difficult to know precisely how many. For green groups, that's a feature, not a bug: Many of these will be the oldest and dirtiest plants around. About 110 gigawatts, or one-third of all coal capacity in the United States, came online between 1940 and 1969. Many of these plants were grandfathered in under the Clean Air Act, and about two-thirds of them don't have scrubbers:

(FGD = Flue Gas Desulfurization, SCR = Selective Catalytic Reduction)

CRS notes that many of the plants most affected by the new EPA rules were facing extinction anyway: "Many of these plants are inefficient and are being replaced by more efficient combined cycle natural gas plants, a development likely to be encouraged if the price of competing fuel—natural gas—continues to be low, almost regardless of EPA rules."

Still, that's a lot of plants. Won't this wreak havoc on the grid? Not necessarily, the CRS report says, although the tran-

sition won't be simple. For one, most of these plants don't provide as much baseload power as it appears on first glance—pre-1970 coal plants operating without emissions controls are in use, on average, only about 41 percent of the time. Second, the report notes that "there is a substantial amount of excess generation capacity at present," caused by the recession and the boom in natural gas plants. Many of those plants can pitch in to satisfy peak demand. Third, electric utilities can add capacity fairly quickly if needed — from 2000 to 2003, utilities added more than 200 gigawatts of new capacity, far, far more than the amount that will be lost between now and 2017.

Granted, those upgrades and changes won't be free. The CRS report doesn't try to independently evaluate the costs of the new rules, noting that they will depend on site-specific factors and will vary by utility and state. (Matthew Wald recently wrote a helpful piece in The New York Times looking at how utilities might cope.) But, the report says, industry group estimates are almost certainly overstated. For one, they were analyzing early EPA draft proposals, and in many cases, the agency has tweaked its rules to allay industry concerns. And many of the EPA's rules are almost certain to get bogged down in court or delayed for years, which means that utilities will have more time to adapt than they fear.

The CRS report also agrees with green groups that the benefits of these new rules shouldn't be downplayed. Those can be tricky to quantify, however. In one example, the EPA estimates that an air-transport rule to clamp down on smog-causing sulfur dioxide and nitrogen dioxide would help prevent 21,000 cases of bronchitis and 23,000 heart attacks, and save 36,000 lives. That's, at the high end, \$290 billion in health benefits, compared with \$2.8 billion per year in costs (according to the EPA) by 2014. "In most cases," CRS concludes, "the benefits are larger."

Granted, few would expect this report to change many minds in Congress. Just 10 days ago, Michele Bachmann was on the campaign trail promising that if she becomes president, "I guarantee you the EPA will have doors locked and lights turned off, and they will only be about conservation." That doesn't sound like someone who's waiting for a little more data before assessing the impact of the new regulations.

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Click link for live web page : http://www.washingtonpost.com/blogs/ezra-klein/post/who-are-the-99-percent/2011/08/25/gIQAt87jKL_blog.html



Who are the 99 percent?

Posted by Ezra Klein at 09:16 AM ET, 10/04/2011

(Ramin Talaie - BLOOMBERG) "I did everything I was supposed to and I have nothing to show for it."

It's not the arrests that convinced me that "Occupy Wall Street" was worth covering seriously. Nor was it their press strategy, which largely consisted of tweeting journalists to cover a small protest that couldn't say what, exactly, it hoped to achieve. It was a Tumblr called, "We Are The 99 Percent," and all it's doing is posting grainy pictures of people holding handwritten signs telling their stories, one after the other.

"I am 20K in debt and am paying out of pocket for my current tuition while I start paying back loans with two part time jobs."

These are not rants against the system. They're not anarchist manifestos. They're not calls for a revolution. They're small stories of people who played by the rules, did what they were told, and now have nothing to show for it. Or, worse, they have tens of thousands in debt to show for it.

"I am a 28 year old female with debt that had to give up her apartment + pet because I have no money and I owe over \$30,000."

College debt shows up a lot in these stories, actually. It's more insistently present than housing debt, or even unemployment. That might speak to the fact that the protests tilt towards the young. But it also speaks, I think, to the fact that college debt represents a special sort of betrayal. We told you that the way to get ahead in America was to get educated. You did it. And now you find yourself in the same place, but buried under debt. You were lied to.

"Married mother of 3. Lost my job in 2009. My family lost our health insurance, our savings, our home, and our good credit. After 16 months, I found a job -- with a 90 mile commute and a 25 percent pay cut. After gas, tolls, daycare, and the cost of health insurance, i was paying so my kids had access to health care."

Let's be clear. This isn't really the 99 percent. If you're in the 85th percentile, for instance, your household is making more than \$100,000, and you're probably doing okay. If you're in the 95th percentile, your household is making more than \$150,000. But then, these protests really aren't about Wall Street, either. There's not a lot of evidence that these people want a class war, or even particularly punitive measures on the rich. The only thing that's clear from their mis-sives is that they want the economy to start working for them, too.

"I am young. I am educated and hard working. I am not able to pay my bills. I am afraid of what the future holds."

I don't imagine that too many members of, say, the 97th percentile are writing in to this Web site. But imagine yourself as a young person who took out loans to go to college, got good grades, and has graduated into an economy that doesn't seem to want you. You did everything you were told to do, and it didn't work out. That hurts, of course, but it's a bad economy, and everybody is suffering. At least, that's what they say.

"i am a 19 year old student with 18 credit hours and 2 part time jobs. i am over 4000 dollars in debt but my paychecks are just enough to get me to school and back. next year my plan was to attend a 4 year college and get my bfa, but now i am afraid that without a co-signer i will have no shot at a loan and even if i can get a loan i am afraid that i will leave college with no future and a crippling debt."

But you look around and the reality is not everyone is suffering. Wall Street caused this mess, and the government paid off their debts and helped them rake in record profits in recent years. The top 1 percent account for 24 percent of the nation's income and 40 percent of its wealth. There are a lot of people who don't seem to be doing everything they're supposed to do, and it seems to be working out just fine for them.

"I went to graduate school believing that there might be some financial security afforded by a higher degree, and that with that security I could finally buy my mom her own house and take care of her. Instead, I have wasted six years of my life."

Perhaps that's part of the reason that the movement doesn't have clear demands. It's easy to explain how to punish the rich. You can tax them, or regulate their activities. It's a bit hard to say how to make the economy work better for average people. There's an intuition out there that part of the reason it's not working better is that the rich hold too much political power, and so there's a clear desire to reduce that political power, but it's not clear how far that actually gets you in terms of bringing wages up.

"I am a 27 year old with a bachelor degree. I ran out of my student loans while trying to find a job. I am 'living' with my mother again to get back on my feet. So far, the best I can do is a part time retail job paying \$8 an hour. I am hearing impaired with cochlear implant. My cochlear implant warranty expired. I do not have the money to renew it. How can I work at my new minimum wage job when my implant is broken? I need it to HEAR."

But this is why I'm taking Occupy Wall Street -- or, perhaps more specifically, the 'We Are The 99 Percent' movement -- seriously. There are a lot of people who are getting an unusually raw deal right now. There is a small group of people who are getting an unusually good deal right now. That doesn't sound to me like a stable equilibrium.

The organizers of Occupy Wall Street are fighting to upend the system. But what gives their movement the potential for power and potency is the masses who just want the system to work the way they were promised it would work. It's not that 99 percent of Americans are really struggling. It's not that 99 percent of Americans want a revolution. It's that 99 percent of Americans sense that the fundamental bargain of our economy -- work hard, play by the rules, get ahead -- has been broken, and they want to see it restored.

The Washington Post

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Wonkbook: The GOP's dual-trigger nightmare
Posted by Ezra Klein at 06:39 AM ET, 11/23/2011

Imagine if the Democrats offered Republicans a deficit deal that had more than \$3 in tax increases for every \$1 in spending cuts, assigned most of those spending cuts to the Pentagon, and didn't take a dime from Social Security, Medicaid or Medicare beneficiaries. Republicans would laugh at them. But without quite realizing it, that's the deal Republicans have now offered to the Democrats.

House Speaker John Boehner, a Republican from Ohio, second left, speaks to reporters during a news conference in Washington in April. (Brendan Hoffman - BLOOMBERG) In August, Republicans scored what they thought was a big win by persuading Democrats to accept a trigger that consisted only of spending cuts. The price they paid was 1) concentrating the cuts on the Pentagon while exempting Social Security, Medicaid, Medicare beneficiaries, and 2) delaying the cuts until January 1, 2013. That was, they figured, a win, as it eschewed taxes. Grover Norquist's pledge remained unbroken.

But 12 years earlier, George W. Bush had set a trigger of his own. In order to pass his tax cuts using the 51-vote budget reconciliation process, he had agreed to let them sunset in 2010. A last-minute deal extended them until the end of 2012.

So now there are two triggers. One is an extremely progressive spending trigger worth \$1.2 trillion that goes off on January 1, 2013. The other is an extremely progressive tax trigger worth \$3.8 trillion that goes off on...January 1, 2013. If you count reduced interest payments, the two policies alone would reduce future deficits by about \$6 trillion. That's far more than anything the supercommittee came close to discussing. It's distributed far more progressively than anything the Democrats have even considered proposing. And all that needs to happen for it to pass is, well, nothing.

Republicans can't stop these triggers on their own. They need Senate Democrats and President Obama to join them in passing an alternative, or they need House and Senate Democrats to join them in overturning President Obama's veto of their alternative. So the only way for Republicans to avoid this dual-trigger nightmare is to somehow convince Democrats to bail them out. And for that, they have two points of leverage.

The first is political: Democrats don't want to raise \$3.8 trillions in taxes, much of which will fall on middle-class households. Already, Democrats have said that their preference is to make the the Bush tax cuts for income under \$250,000 permanent. That means making 80 percent of them permanent.

The second is that this particular deficit-reduction plan could be devastating for the economy. Rather than phasing in slowly over the course of the next decade, it would all hit at once. If the economy was stronger, that might be fine. But in a recovery this weak, it could lead to another contraction.

So the GOP is not without options. But the Democrats are in the driver's seat. Gridlock means a deficit deal that they could never have imagined getting any other way. Basic negotiating theory would suggest that whatever the Republicans offer them must somehow be better even than that. And yet, that's not how either party is acting. Republicans don't seem particularly worried about the triggers and Democrats don't seem particularly interested in pressing their advantage. At least for now.

Talk to the White House, and you'll hear that they fiercely oppose permitting the Bush tax cuts to expire, and that they would prefer to see the spending trigger replaced with a bigger, more thoughtful deficit-reduction plan. But then, they would say that, wouldn't they?

Letting the Bush tax cuts expires is not a popular policy. Nor do crowds cheer for automatic sequestration. If they happen due to Republican obstruction, that's one thing. If they happen because Democrats don't want to make an alternative deal, that's quite another.

So I take the White House at their word when they say they want to extend most of the Bush tax cuts. But it's hard not to wonder. Their economic-policy team can run the numbers as well as anyone else can. They know the revenue levels they're talking about are completely insufficient to deal with the retirement of the Baby Boomers. And if they try their hardest to come to a deal with the Republicans, but it, like so many other deals over the last year, falls apart at the last minute because the GOP won't break their tax pledge and let the upper-income cuts expire, do they really think that would be a bad outcome? Or is it a better one than they could have imagined?

Top stories

1) Obama is stepping up his campaign to renew the payroll tax break, report Peter Wallsten and Lori Montgomery: "With taxes set to rise for nearly every American worker, President Obama sought Tuesday to highlight his tax-cutting bona fides, accusing Republicans of hypocrisy if they do not agree to extend a payroll tax cut that is set to expire in January. Obama's comments were part of an escalating White House campaign against Republicans that is painting them as defenders of the wealthy at the expense of the middle class. That effort took on new life Tuesday, a day after a congressional 'supercommittee' declared that it had failed in its efforts to forge a new fiscal path for the country, including possibly extending the payroll tax cut. As the White House looks for a political advantage on the payroll tax issue, lawmakers in both parties are conflicted about an extension of the break."

2) It looks like the supercommittee's defense cuts are here to stay, reports Jennifer Steinhauer: "Mere seconds after the leaders of a joint Congressional committee announced their failure to reach a deficit deal, the chairman of the House Armed Services Committee announced he would try to undo the consequences. Yet...members of Congress who hope to overturn the automatic cuts may find their biggest obstacle is not President Obama, who has already called the reversal of \$1.2 trillion in cuts over 10 years a nonstarter, but leaders of both parties in Congress..."

Democrats have said that absent a plan with spending cuts and new taxes -- like the one members of the so-called supercommittee tried in vain to produce -- the Pentagon cuts will abide...On the Republican side, the leadership also seems unenthusiastic about a messy floor fight over the automatic cuts.”

3) Obama will veto a full extension of the Bush tax cuts, reports Brian Beutler: “President Obama has threatened to veto any legislation that attempts to eliminate the automatic penalties for Super Committee failure. But on January 1, 2013 -- the same day the automatic, across the board spending cuts are scheduled to take effect -- all of the Bush tax cuts are set to expire. And the White House plans to use the threat of full expiration the exact same way they’re using the threat of sequestration -- to force Republicans to accept a higher tax burden on wealthy Americans. ‘He won’t sign a full extension,’ said one Senior Administration Official at a White House background briefing for reporters on the Super Committee. ‘I think if you look at everything that happens in January 2013, it is a compelling argument that there’s a need to make real policy,’ said another Senior Administration Official.”

4) Italian bondholders could control the country’s fate, reports Landon Thomas: “Even though Europe’s debt crisis has turned Rome into financial ground zero, Italy has been able to lean on at least one solid support: the relatively large amount of government debt held by Italians themselves. Nearly 57 percent of Italian debt is held by Italian banks, insurance companies and individuals. Those holdings have helped slow the flight of capital from Italy, even as foreign investors have been withdrawing their money from the country to park in safe havens like German, Swiss, American or Japanese government bonds. But financial officials have become jittery about the possibility that Italians may stop buying this debt, and instead become more like Greeks and send their hard-earned savings abroad. If that were to happen, it would greatly raise the odds that Italy...would be forced to seek a bailout.”

Top op-eds

1) Income inequality is breaking America’s political system, writes Peter Orszag: “It is striking that both income inequality and political polarization began to rise sharply in the U.S. in the mid- to late 1970s. Yet many pundits airily dismiss this connection, arguing that because blue states are, on average, higher-income than red states, the link between income and partisanship must be weak. Instead, they attribute increasing political polarization to the gerrymandering of legislative districts. Both of these assertions are empirically false...Residential segregation by income has been increasing markedly, and since income is strongly related to voting patterns, this phenomenon may help explain the rise in residential segregation by political party. As we surround ourselves with people like us, we reinforce our own views, and the result is a more polarized population.”

2) America’s political system isn’t democratic enough, writes Francis Fukuyama: “The advantage of the British system with its fewer opportunities to cast vetoes is clear when it comes to passing budgets. The budget is written by the chancellor of the exchequer, who as an executive agent makes the difficult trade-offs between spending and taxes. This budget is passed by parliament, with little modification, a week or two after the government introduces it. In the American system, by contrast...the budget that eventually emerges after months of interest group lobbying is the product not of a coherent government plan, but of horse-trading among individual legislators, who always find it easier to achieve consensus by exchanging spending increases for tax cuts. Hence the permanent bias towards deficits.”

3) Big federal cuts are possible, writes Glenn Hubbard: “We should...let states experiment with alternatives to our current one-size-fits-all federal solution. The best example is Medicaid, which should be converted into a block grant. Replacing federal matching support with block grants eliminates state incentives to attract additional federal subsidies, while allowing states to manage Medicaid more efficiently. Federal Medicaid costs should be capped at growth of 1% over the inflation rate...A more modern version of traditional Medicare would replace Parts A, B and D with comprehensive benefits including coverage for catastrophic costs and prescription drugs. Simpler cost-sharing would

be offered--with one deductible for inpatient and outpatient services and a common coinsurance rate for all services. Medicare would be placed on a budget through premium support.”

4) The supercommittee’s failure isn’t Obama’s fault, writes Ruth Marcus: “For all the eleventh-hour, ‘where-was-Obama?’ moaning, the bipartisan congressional directive to the White House as the supercommittee did its work was simple: Back off. That’s right. The message from both Republican and Democratic members of the group was that presidential involvement could only be counterproductive. The more a particular approach was associated with the president, they argued, the harder it would be for Republicans to embrace it. Anything that looked like an Obama “win” would have been unacceptable to Republicans in an election cycle.”

‘90s pop interlude: Matthew Sweet performs, discusses “I’ve Been Waiting”.

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Still to come: The Fed is running a new round of stress tests; automatic Medicare cuts would hit hospitals the hardest; Newt Gingrich is tacking left on immigration; the EPA is under fire for new mercury rules; and a raccoon sits down for a meal.

Economy

The Fed will stress test big banks again, reports Neil Irwin: “Bank regulators will test the ability of the nation’s largest banks to withstand a new deep recession and wider financial crisis in Europe, the Federal Reserve said Tuesday. The Fed detailed its plans for the second annual stress test of large financial institutions, a step meant to ensure that giant banks can survive and remain well-capitalized even in grim scenarios for the economy. The stress-test approach was first used during the depths of the financial crisis in 2009, and has become a part of the Fed’s regular tool kit for overseeing big banks. Fed examiners will estimate the losses that would be incurred by the 19 largest U.S. banks -- including Citigroup, J.P. Morgan Chase and Bank of America -- if a new economic downturn drove the U.S. unemployment rate to 13 percent and if Europe experienced a severe recession.”

Foreclosure negotiators are moving forward without California, report Ruth Simon and Nick Timiraos: “Bank representatives and government officials are working on a broad settlement of most state and federal foreclosure-practices investigations that could move forward without the participation of California, long considered a key to any deal, people familiar with the negotiations said. The terms of the deal remain fluid. Banks have proposed a deal excluding California that would carry a value of \$18.5 billion, though the final outcome remains uncertain, people familiar with the discussion said. Negotiators are continuing to make a push to persuade California to join a settlement valued at \$25 billion among federal officials, state attorneys general and the nation’s five largest mortgage servicers: Ally Financial Inc., Bank of America Corp., Citigroup Inc., J.P. Morgan Chase & Co. and Wells Fargo & Co.”

The economy grew more slowly than thought this year, reports Neil Irwin: “The U.S. economy grew more slowly in the summer than earlier thought, according to new data. But the reason could bode well for the final months of the year. Economic activity, as measured by gross domestic product, rose at an annual rate of only 2 percent in the July-through-September quarter, not the 2.5 percent that the Commerce Department estimated late last month. The revision, however, stemmed from businesses running down their inventories by \$8.5 billion, which means that the nation’s factories may need to ramp up output to meet demand for their products. Revised figures for final sales, which reflect growth excluding inventory fluctuations, remained the same as originally estimated.”

A bank defendant is blaming his regulator, report Louise Story and Gretchen Morgenson: “In the whodunit of the financial crisis, Wall Street executives have pointed the blame at all kinds of parties -- consumers who lied on their mortgage applications, investors who demanded access to risky mortgage bonds, and policy makers who kept interest rates low and failed to predict a housing market collapse. But a new defense has been mounted by a bank executive: my regulator told me to do it. This unusual rationale is presented by the bank executive in one of the few fraud suits brought against a mortgage banking official in the aftermath of the financial crisis -- the one filed by the Securities and Exchange Commission against Michael W. Perry, former chief executive of IndyMac Bancorp, which failed spectacularly in mid-2008.”

Adorable animals thinking they're people interlude: A raccoon sits down to dinner.

Health Care

Automatic Medicare cuts would hit hospitals the hardest, reports Sam Baker: “Automatic Medicare cuts triggered by the congressional supercommittee’s failure would hit hospitals harder than any other health industry, according to an analysis from Avalere Health. The report puts hard numbers to across-the-board cuts that stakeholders have mostly viewed in broad, general terms. But Avalere chief executive Dan Mendelson cautioned that the figures also assume the automatic cuts will actually happen -- an assumption he’s not ready to make. The supercommittee’s cuts, if it had agreed on a deal, likely would have started next year. But sequestration isn’t scheduled to begin until 2013...The automatic Medicare cuts are reductions in payments to doctors, hospitals and other healthcare providers. The trigger does not include any direct cuts to Medicare benefits.”

Congressional Democrats are lobbying the White House to hold the line on birth control, reports N.C. Aizenman: “Democratic lawmakers, fearful that President Obama is on the verge of significantly diluting a proposed regulation that would give millions of women access to birth control without out-of-pocket insurance charges, are furiously lobbying the White House to hold the line. At issue is whether the provision, announced in August, should exempt a far broader range of religious organizations than originally proposed. In a phone call with senior White House adviser David Plouffe on Tuesday afternoon, eight senators argued that the consequences of expanding the exemption would be devastating, according to people familiar with the call. Sen. Jeanne Shaheen (D-N.H.) also raised the issue with Obama while she was with him in New Hampshire on Tuesday, her spokesperson said.”

Domestic Policy

Newt Gingrich is tacking left on immigration, reports Alexander Burns: “Ascendant Republican presidential candidate Newt Gingrich delivered an unapologetic defense of his views on immigration Tuesday night, declaring in a foreign policy debate that the GOP should not adopt a platform on immigration that ‘destroys families that have been here a quarter-century.’ Gingrich came under fire from multiple opponents for declining to say that he would turn out all of the country’s illegal immigrants...But Gingrich stood by his past support for policies loathed by some immigration hawks, including the Simpson-Mazzoli immigration law that included an amnesty provision. And he said the United States had a responsibility to respect families who have been in the country for decades - even if they include members who originally crossed the border illegally.”

The FCC wants to block AT&T and T-Mobile’s merger, reports Jia Lynn Yang: “AT&T, with its powerful army of lobbyists and years of experience navigating Washington, thought it could easily persuade the government to approve its merger with T-Mobile. But regulators aren’t buying it, and the \$39 billion deal is facing its biggest threat yet. Federal Communications Commission Chairman Julius Genachowski dealt a serious blow to the merger Tuesday, moving to

block the deal on the basis of findings that it would cause job losses and higher prices for consumers, officials said. It was an unusual move for the FCC, which has not tried to block a deal since 2002. AT&T now faces its second major barrier from the government. The Justice Department’s antitrust division has already sued and is scheduled to present its case against the deal in February before a federal judge.”

The bar association is blocking a number of Obama court picks, reports Charlie Savage: “The American Bar Association has secretly declared a significant number of President Obama’s potential judicial nominees “not qualified,” slowing White House efforts to fill vacant judgeships -- and nearly all of the prospects given poor ratings were women or members of a minority group, according to interviews. The White House has chosen not to nominate any person the bar association deemed unqualified, so their identities and negative ratings have not been made public. But the association’s judicial vetting committee has opposed 14 of the roughly 185 potential nominees the administration asked it to evaluate, according to a person familiar with the matter.”

Grassroots opposition to the Stop Online Piracy Act is spreading, report Hayley Tsukayama and Cecilia Kang: “As Web firms recently pressed Congress to free them from liability for pirated content on their sites, they turned to a natural lobbying technique: starting a viral campaign. First came the catchy slogan: ‘Don’t Break the Internet.’ Then came pleas for support on message boards, Twitter and online forums. The result: a million people e-mailing Congress and 87,000 telephone calls, according to figures posted on the American Censorship Day Web site. The campaign illustrated the quick ability of Silicon Valley to generate a massive grass-roots movement to serve its interests...Some of the biggest companies in technology, including Google, Facebook, Microsoft and Intel...want to soften a bill in Congress that could empower law enforcement to shut down their sites if they host pirated content.”

DVD commentary interlude: Arnold Schwarzenegger’s thoughts on “Conan the Barbarian”.

Energy

The EPA’s new mercury rule is drawing fire, reports Darius Dixon: “The Environmental Protection Agency soon-to-be-issued utility mercury and air toxics rule could be a death knell for reliable electric service in parts of the country, opponents warn -- while accusing the agency of intentionally ignoring the potential harm. But supporters call those complaints exaggerated, saying they come largely from a small portion of the energy industry trying to protect older coal-fired power plants. Meanwhile, nobody has produced a universally accepted estimate of how the rule would affect power generation. Utilities are divided over the rule. Even members of the Federal Energy Regulatory Commission, which has responsibilities for overseeing the electric grid, disagree on how a suite of EPA air and water regulations will affect reliability.”

Wonkbook is compiled and produced with help from Dylan Matthews and Michelle Williams