



## WARFARE – PART II: AND LO, OBAMA CREATED CLASS WARFARE

Stephen L. Bakke  November 21, 2011

*Thou shalt not covet thy neighbor's house; thou shalt not covet thy neighbor's wife, or his manservant, or his maidservant, or his ox, or his ass, or anything that is thy neighbor's.* – The Tenth Commandment – Not a bad standard to strive for - SB



*The sole condition which is required in order to succeed in centralizing the supreme power in a democratic community, is to love equality, or to get men to believe you love it. Thus the science of despotism, which was once so complex, is simplified, and reduced ..... to a single principle.* – Alexis de Tocqueville

### No Not Me

Some have questioned my motives for consistently taking strong stands against Obama's policies. It has been suggested I am just defending "my own turf." One such statement from someone close to me was "Sure! You and your corporate soul!"

While I have been blessed in life and am able to live well and enjoy many fine things and activities, I am solidly and permanently lodged **deep!** within the "victimized 99%." In fact, given my age, retirement status, relatively modest amount of income tax obligations and other relevant factors, I am probably someone who would "benefit" (as the term is often narrowly used) from many of Obama's misguided policies. But those policies are not best for the country.

### Obama Has Taken Aim – And He's Makin' Claims and Callin' Names



In my first report on "Warfare," I merely pointed out the harsh, divisive, inflammatory rhetoric which was introduced by our President and faithfully picked up and expanded by some influential followers. How has this warfare posturing manifested itself?

It's really very simple as to what is being said. It all boils down to these dismal "claims":

- Income disparity in the U.S. is forever growing.
- The poor and the middle class can no longer achieve the "American Dream."

- This is all caused by the “Greedy Whomevers” who control all the resources.
- The richest are escaping their share of taxes.
- The poor and middle class should not pay more taxes than the rich.
- The Bush tax cuts all accrued to the rich.
- Redistribution is the only way forward.

*Capitalism involves a class-based struggle between capitalistic profits and workers' desire for better wages and conditions. Hence is launched the desire to take from the rich and give to those with little. And this is done through seizing power. – A common interpretation of Marxism*



## **Battle One – Is Poverty Increasing?**

### *The Claim*

Mentioning poverty brings what thoughts to your mind? It has been shown that people quickly conjure up an image of starvation and destitution. According to some media reports, the number of people in the U.S. living in poverty has been rising consistently of many decades. It has also been reported that the U.S. poverty rate remains among the highest in the developed world. **Really?!**

*Wait a Minute! Did You Say We Have Higher Poverty Than Most Other Developed Countries?*

There is a ridiculous level of naïveté exhibited by media comparisons with other countries. **Remember**, poverty statistics are **relative measurements within that country**. Inter-country comparisons of “raw numbers” is therefore useless. In-depth studies indicate that in general, **the poor in the U.S. are better off than the poor in the rest of the world!!**

### *What is Poverty?*

The definition of poverty seems to be changing. I found reference to two different measurement revisions taking place. On the one hand, the Census Bureau has announced a new method which adds the value of “entitlements” received to measure how much the individual/family actually has available to spend as a consumer. The old method included only “earned income.” I think this new method makes a lot of sense! The result:

- It appears to me that the new measure won’t significantly change the “poverty threshold” income, nor the numbers of people in poverty. I’m not surprised with this, since no matter how hard one tries to eliminate it, poverty remains a “relative” measure – i.e. compared to everyone else. The “threshold” level remains in the “low 20s” for a family of four.
- Under the new system, more older people are now included in the poverty total, while fewer younger people are included. (More on older people and poverty later.)
- **But**, and for me **this is important**, the new method shows that people in the U.S. who meet the measurement for “poverty” actually have more “stuff” than previously thought. Therefore, **most** people living in poverty **do** have adequate food, shelter and medical care, air conditioning, cable TV, and DVD players (from The Heritage Foundation report).
- Similar considerations should also be made to realistically portray the “middle class” according to a report by Bruce D. Meyer of the University of Chicago and James X. Sullivan of the University of Notre Dame.

*Guess What! Obama Has a New Idea on How to Measure Poverty – Look Out – It Could Be Self-serving!*

I read that Obama also wants to “supplement” other poverty measures with some ideas of his own. It appears that for his administration, poverty should automatically shift relative to an average for all Americans. In that case, if the entire population experienced an approximately equal, but significant, increase in “prosperity/money/stuff/living conditions,” the numbers in poverty would not change, even though most would be experiencing “vast prosperity.” How silly is that?! Again, we witness **the (not always unintended) false results of this “relative measurement”!**

**The bottom line for me is: poverty will never be “officially” eliminated as long as “relative measurements” are used!** Traditional measurements and the myriad of reports we typically are given, **dramatically understate the well-being of Americans.** Establishing policy based upon reality would permit us to **truly concentrate on those who desperately need a government “safety net” – and there are many!**



### **Battle Two – How Poor are the “Old Folks”? Isn’t “Old” Synonymous With “Poor”?**

I recently read a commentary by economist Thomas Sowell and it reminded me that in all the reports about inequality of wealth and income, nowhere have I ever heard a discussion of the impact of age on these differences. I think I understand why the democrats have avoided the topic. Think about it, it would be hard to get the general public “all worked up” over the fact that young people just starting out in their careers are not making nearly as much money as their parents or grandparents make. And that’s what the statistics show. There are a lot of poor old people. But there’s a whole bunch of “old folks” who have plenty “o’dough.” And doesn’t that seem kinda’ OK?

Sowell reported on a research project that showed households headed by someone 65 years and older have more than 15 times as much wealth as households headed by someone under 35 years of age. Are these really different classes of people? The young also will age and prosper.

As I became more interested in this topic, I noted something reported by CNNMoney that showed even greater multiples of old vs. young wealth statistics. And as one would imagine this discrepancy has grown in recent years, considering the housing market decline coupled with the fact that younger families have a greater percentage of their net worth tied up in their home.

I venture to say that a significant portion of those truly in poverty are in fact elderly – and we must attend to those people. But, lost in all of this is the fact that older Americans generally are financially more secure compared with those much younger. And ignoring the impact of this on the statistics causes incorrect conclusions and solutions. It all boils down to a question of mobility which I will deal with later.

*Imagine no possessions / I wonder if you can / No need for greed or hunger / A brotherhood of man / Imagine all the people / Sharing all the world – “Imagine” by John Lennon, 1971. In SB’s opinion, this expresses the antithesis of individualism and freedom. Teaching an unrealistic ideal of equality has contributed to the attitude of “class warfare” that we observe today. **It’s a really COOL song, tho’!***



### **Battle Three is About Taxes**

*The middle class and those who aspire to it have been sacrificing for the better part of 30 years right now and have seen their income go down and the share of taxes that*

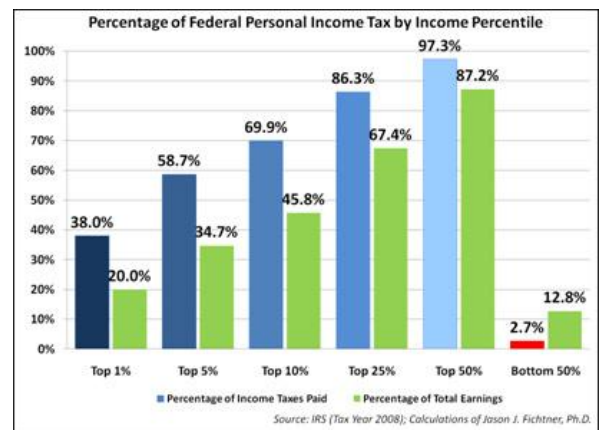
*they pay has been significant and so I think that right now what we need [is] to create fairness ..... – Representative Jan Schakowsky (D-IL)*

*The Bush tax cuts all accrued to the rich. The richest are now escaping their share of taxes. The poor and middle class should not pay more taxes than the rich. – Thus declareth Obama, 2008, 2009, 2010, 2011, soon 2012 and way beyond I am sure!*

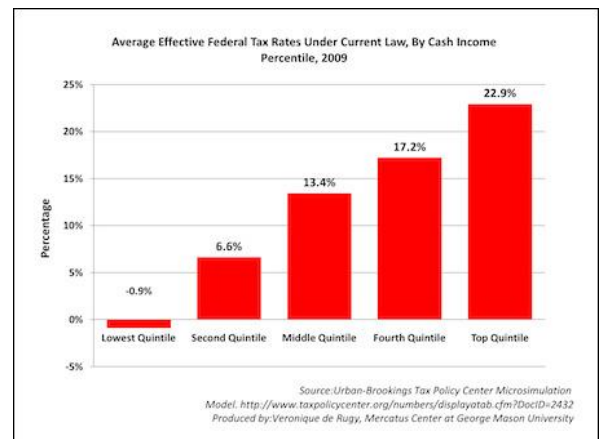
Let me be perfectly clear! I believe the wealthy can and should pay more than the poor and middle class. My point here is that they already do – in spite of what we are told. Much is said and written about the Bush era tax cuts. They are said to have given all the benefit to the rich. Actually, while the rich did get tax cuts, so did everyone else. In fact, the rich seem to have received proportionately less benefit than others. The overall result, reports Jay Ambrose, was that the rich paid a higher share of the income tax than they had before the tax cuts.

I've done this comparison so many times I'm thinking many people are getting tired of reading about it. But here I go again. Who pays taxes? Who pays the most taxes? Who escapes virtually all taxes? **And once we've established that, what next?**

Consider this illustration. It couldn't be more clear? Isolated examples of "rich payin' nothin'" aside, (I agree that's wrong) the rich do pay more! Let's just stop even arguing about that. **Now let's argue about how much more they should pay and whether all relatively prosperous and thriving U.S. citizens should pay something?**



How about tax rates? What are they? We are led to believe that millionaires and billionaires usually pay a lower rate than their secretaries and janitors. **That's simply not true!** You've heard that argument stated in just those words! Please spare me one moment more of that lame discussion! Once again, some isolated examples may be "kicked up." But that's not the general rule. And we must be careful to accurately present reality when we are implementing important federal policies and legislation. These "be the facts," my friends! **Henceforth, please! No more demagogues in my kitchen!**



There's so much more information to provide for this discussion. But that just would add to the confusion. Let me conclude this section by quoting something that "struck home" with me:

*[To President Obama] Either you don't understand the basics of America's tax policies even after you have been President for three years, or you are engaged in calculated*

*deception thinking your fairy tale will fool enough gullible people that you can be re-elected despite an economic record so bad that it is threatening to rival the Great Depression. – Peter Ferrara, (Whozat? Check it out?)*



## **Battle Four is About Class Mobility – Does It Exist? Dems Say No! I Say Yes!**

*[An important measurement is] to what degree can individuals change their economic status through their own labor and without having to overcome obstacles to their efforts by law or custom? – The Washington Examiner, on “Mobility”*

*[Americans are] troubled that the heart of the American dream – upward mobility – seems to have stopped beating. – Political scientists Jacob Hacker and Paul Pierson on how America has become a society starkly divided into winners and losers?*

*Everyone is entitled to his own opinion, but not his own facts.” – Daniel Patrick Moynihan*

“Income disparity in the U.S. is forever growing and the poor and the middle class can no longer achieve the “American Dream.” That is one of the biggest “battle cries” used by Obama and the democrats as they encourage class envy and conduct class warfare. If mobility actually existed, and if that was preached rather than despair and victimhood, wouldn’t Obama’s whole strategy of class warfare and envy fall apart? Here are some recent research results:

- Commentator and author, Michael Medved recently pointed out the NY Times report that made a claim that the “top 1% doubled their share of the nation’s income.”
- It is now known that the NYT was using a CBO analysis for the period 1979 through 2007. Note that this study used information which excluded the period after the 2008 meltdown.
- In fact, using figures from the IRS, between 2007 and 2009, the number of Americans earning \$1 million or more fell a staggering 40%.
- In addition, as to the last point, this top group’s combined incomes fell by nearly 50%, compared to a drop of 2% for those making \$50,000 or less – again for 2007 through 2009.
- The same CBO report indicates that while the top group did very well from 1979 through 2007, it was not at the expense of other groups.
- In fact, all groups moved ahead in inflation-adjusted earnings – that applies to middle income earners (the middle 3 quintiles) and the bottom quintile as well.
- **What the NYT article didn’t disclose**, however, was that the CBO study reminded the readers that it’s important to remember that these raw numbers disguise considerable movement from group to group. **That’s called mobility.**

Mobility refers to the extent that individuals move between economic classes/earnings quintiles. Here are some more research findings:

- Other studies have demonstrated that **the majority** of households that found themselves in the bottom 20% three decades ago have moved up the income scale, with their places taken by young people just beginning their careers. (Refer to the earlier section on “Old People.”)
- Tax and transfer payment policies under “W” reduced the share of after-tax income that went to the top 1%, dropping their portion of the nation’s economic productivity from 20% (of before-tax “market income”) to 17% (after tax and transfers). This measurement **includes** transfer payments as discussed in the earlier “What is Poverty?” section.
- IRS statistics show that taxpayers in the top 1% in 1996 had their incomes go down by a whopping 26% by 2005.

- And between 2007 and 2009, according to Steven Kaplan of the University of Chicago Booth School of Business, the share of all income going to the richest 1% fell by a full 25%.

The American Enterprise Institute's Mark Perry used Federal Reserve data and published an interesting analysis in *The Washington Examiner*:

- 56% of those who in 2001 were in the lowest quintile of income earners moved up to a higher income quintile.
- At the opposite end of the spectrum, 66% of those who in 2001 were in the highest quintile of income earners dropped at least one quintile by 2007.
- This same phenomenon was also experienced when Fed data was used and compared for the period 1996 to 2005. This appears to be the rule, not the exception, in recent decades.
- "Slicing the apple" a different way using information from the 1996 book "The Millionaire Next Door" by Thomas J. Stanley and William D. Danko. Their research indicated that 80% of America's millionaires were not born millionaires. **They are first generation affluent!**

Robert Frank wrote in a recent *Wall Street Journal* article that the well-to-do haven't really done so well lately:

- The mega-rich have succumbed to the lure of low interest rates and have become the "leveraged elite."
- The household debt of the top 1% surged more than three-fold between 1989 and 2007, and it grew faster than their net worth.
- The over-leveraged rich are feeling significant pain, and have suffered severe losses, both to their income and net worth.
- As of 2009, the richest 20% showed the largest decline in mean wealth of any group.
- Only 27% of America's 400 top earners have made the list more than one year since 1994.

The government's own study "Income Mobility in the U.S. from 1996 to 2005" (2007 - Department of the Treasury) shows considerable income mobility:

- Roughly half of taxpayers who began in the bottom income quintile in 1996 moved up to a higher income group by 2005.
- Among those with the highest incomes in 1996 (the top 1/100<sup>th</sup> of 1%) only 25% remained in this group in 2005. And their median real income declined over the period.

Regarding the poorest citizens, an old University of Michigan study showed:

- Most working people who were in the bottom 20% income earners in 1975 were also in the top 40% at some point by 1991.
- Only 5% percent of those in the bottom quintile in 1975 were still there in 1991.
- 29% of those in the bottom quintile in 1975 were in the top quintile in 1991.

**No matter how you slice it and dice it, significant levels income/class mobility has existed for decades, and continues to this day. Yet we constantly hear this sort of lie from the news media:**

*The American Dream is all about social mobility in a sense – the idea that anyone can make it ..... The American dream seems to be thriving in Europe not at home. – CNN's Fareed Zalaria*

## **Battle Plans 2012**

Gird yourself for battle because Obama has decided that, there's no more Mr. Nice Guy! By that he means, in the last election he was willing to wait just a bit for everyone to agree with his vision for America (or perhaps the world?). He never see errors in his ways. Now, as we approach the election, the gloves are coming off and his totalitarian "streak" is leaking out. Obama will no longer have patience with any who may disagree. He will turn up the level of class envy and warfare.



**He's Not So Nice Any More!**

**We need to shout it from the rooftops**  : **Class warfare, doesn't**

**have a leg**  **(nice!) to stand on!!**

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*A confident, successful society neither idolizes nor demonizes its rich, but instead believes that the wealth can be created rather than taken from others. And it simply judges the better-off by the content of their characters, not the size of their wallets.*  
- Historian Victor Davis Hanson