



QUOTE OF THE DAY

“I deeply regret my conduct and apologize to all those who have been affected.” — Lawyer Melvyn Weiss, apologizing in a written statement after pleading guilty to racketeering in a lucrative kickback scheme involving payments to plaintiffs in class-action lawsuits targeting some of the largest corporations in the nation.

VIEWPOINTS

Our country needs a new New Deal

By Harold Meyerson

Putting together everything we've learned over the last 10 days about high finance in Manhattan, one thing is clear: If Eliot Spitzer had saved all the money he apparently paid “Kristen” and her co-workers at the Emperors Club, he could have bought Bear Stearns.

Manhattan's culture of conspicuous consumption and conspicuous collapse has been on display in recent days as it has not since 1929. Now, as then, an edifice of shaky credit is toppling. Now, as then, what we took to be prosperity turns out to have been a bubble.

The key lesson Americans need to learn from today's troubles is how to distinguish faux prosperity from the genuine article. Over the last hundred years, we've experienced both. In the three decades after World War II we had the real thing. Led by our manufacturing sector, productivity increased at a rapid clip and median family incomes rose at a virtually identical rate. The value of the American work product grew significantly and that value was shared with American workers.

But we've had other periods of apparent prosperity that were based not on broad increases in personal income but on the inflation of assets. So it was with stocks in the late 1920s, a time when most Americans lacked substantial purchasing power. So it was with the dot-com bubble of the late '90s. And so it was with the rising value of American homes in recent years.

In the broadest sense, the American economy over the last three decades has been powered by ever more ingenious extensions of credit to a people whose incomes were going nowhere, unless they were in the wealthiest 10 percent of the population. There were some limits, as a result of New Deal regulations, on how old-line banks could extend credit, but investment banks and other institutions not legally obliged to keep a certain amount of cash in reserve operated under no such constraints. The risk was that one day, burdened by debt and static incomes, American homeowners would have trouble making their payments and the house of cards would come tumbling down. But what were the odds of that?

Pretty good, it turns out. And



Columnist Harold Meyerson writes that Bear Stearns' recent buyout is one sign that American citizens have been fooled by faux prosperity. — AP file photo

out of this debacle emerge two paramount lessons for our highest-ranking policymakers: Regulate the American financial sector, which is now turning to the government for a bailout. And commit the government to doing all in its power to generate broad-based prosperity, through laws enabling workers to bargain collectively, through a massive public commitment to projects “greening” the economy, through provision of universal health coverage and affordable college educations.

These are themes that should be central to the candidacies of Sens. Barack Obama and Hillary Clinton. If the Democrats are to win this year and then govern effectively, they need to offer a new New Deal to the American people. Sen. John McCain is at a distinct disadvantage in such a discussion: As the self-proclaimed heir to Ronald Reagan's legacy, he's no friend of the original New Deal, much less a new one.

On the regulatory front, now that the Federal Reserve is extending credit to the 20 largest dealers in securities — affording them the same advantages it had hitherto extended only to regulated commercial banks — it's only proper that those firms be subjected to regulations similar to those under which banks operate — which themselves need strengthening. Otherwise, the government is assuming risks incurred by the wildest operators on Wall Street.

Which, of course, is exactly what

the Fed did in agreeing to take \$30 billion of Bear Stearns' riskiest securities off J.P. Morgan's hands as a condition of its purchase of Bear. The Fed justifies these extensions of credit and assumptions of risk as necessary to prevent a financial meltdown, and the Fed is probably right. But what about the issue of equity, in both senses of that word — ownership and fairness?

Specifically, if the Fed's role in the Bear buyout is a model for its dealings in future Wall Street failures, it could well pay good money for warehouses of worthless paper while future J.P. Morgans make off with the money-making sides of the beleaguered banks. This solution doesn't look to be a great deal for the American public. It looks even worse when we recall that other governments — including those of China, Abu Dhabi and Kuwait — have also been bailing out our banks, through sovereign wealth funds, while getting shares in those companies in return.

Can't the American people get as good a deal as the Chinese when our government bails out a major American bank? At minimum, some public representation on the bank's board? Reshaping the U.S. economy, now part of the global economy, so that it actually benefits Americans won't be easy. But it must be done. Bring on the new New Deal.

— The Washington Post

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California home-schoolers are welcome in the Sooner State

By Brandon Dutcher and J. Scott Moody

In the 1930s, hardship and adversity forced many Okies to leave their homes and start a new life in California. Perhaps now is a good time for some Californians to leave their home-schools and start a new life in Oklahoma.

“California is now on the path to being the only state to deny the vast majority of home-schooling parents their fundamental right to teach their own children at home,” said Michael Smith, president of the Home School Legal Defense Association, after a recent state

appellate court ruling declared that parents don't have a constitutional right to home-school their children.

Brad Dacus, president of the Pacific Justice Institute, added, “There are going to be a lot

of parents forced to make some very difficult decisions if an appeal is not successful.”

Parents weighing their options might want to consider the most home-school-friendly state in the country. For when it comes to educational freedom for home-schoolers, “You're doin' fine, Oklahoma” is a massive understatement.

“Oklahoma law does not require parents to use certified teachers or state-approved curricula, initiate contact with, register with or seek approval from state or local officials, test their students or permit public school officials to visit or inspect homes,” HSLDA points out. “If a parent is teaching his children the basic subjects for at least 180 days, the law requires nothing more.”

Indeed, HSLDA notes, Oklahoma is the only state with a constitutional provision guaranteeing the right to home-school. The state constitution directs the Legislature to provide for attendance at some public or other school “unless other means of education are provided.”

As one delegate to the Oklahoma Constitutional Convention argued in 1907, “People ought to be allowed to use their own discretion as to how to educate their children.”

Not only will ex-Californians be pleased with the freedom to teach their own children at home, they'll be pleasantly surprised at how many

square feet they can afford in which to do it.

According to ACCRA, the nation's most respected cost-of-living index, of the 329 U.S. metropolitan areas surveyed in 2007, all the California cities represented are huddled together in the most expensive 20 percent. San Francisco leads the way with a cost of living that exceeds the national average by a whopping 70.9 percent. The most “reasonable” cost-of-living city in California is Bakersfield, at 8.2 percent above the national average.

Oklahoma, on the other hand, is at the other end of the cost-of-living spectrum, with its represented cities falling in the bottom one-third of all cities surveyed.

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This cost-of-living difference not only means that your dollar will buy more goods and services in Oklahoma, it also means lower federal income taxes. How so? Because the federal income

tax code does not adjust items such as the standard deduction, exemptions, or tax brackets for cost of living. As a result, folks in high cost-of-living areas suffer a cost-of-living tax penalty.

For example, take a married couple with one child earning \$100,000 who purchase a fixed bundle of goods. If they lived in San Francisco, they would need to earn \$170,852 to buy those goods, whereas in Oklahoma City they would need only \$92,202. However, the couple in San Francisco would pay 19.8 percent of their income to Uncle Sam, but the Oklahoma City couple would pay only 13.3 percent.

In addition to federal taxes, there is also a disparity between the state and local tax burdens in the two states. On average, California residents pay 11.2 percent of their income in state and local taxes whereas Oklahoma residents pay 9.75 percent — or 13 percent less.

So if you're tired of traffic and high prices, maybe it's time to pack up those moving trucks and get your kicks on Route 66. When your friends and neighbors ask why you're leaving, just tell them, “We'd sooner home-school.”

Brandon Dutcher is vice president for policy at the Oklahoma Council of Public Affairs, an independent think tank. J. Scott Moody is an OCPA research fellow.

SOUND BITES » HOW THE NEWSMAKERS SEE IT

“Mr. Reiser, your attitude is disrespectful and condescending and I will no longer tolerate it.” — Alameda County Superior Court Judge Larry Goodman, temporarily halting the trial Thursday of computer programmer Hans Reiser because he was angry about Reiser's behavior on the witness stand. Reiser is accused of killing his estranged wife, Nina.

“Palestine cannot be retaken by negotiations and dialogue, but with fire and iron.” — Osama bin Laden, in his second message in as many days, speaking on the violence in the Hamas-controlled Gaza Strip.