The New Congressional Debt Panel: An Opportunity for an Essential Economic Debate

Contributed by Brent Blackwelder
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Editor's note: Brent Blackwelder's flawless analysis of advisable revenue changes shows that the tiny minority strangling this country gets away with untapped astronomical riches. Culture Change would also emphasize slashing the worst of the waste in expenditures, the out-of-control war machine. Another way to slash costs on the debt burden is to enter into a debt for nature swap with China, which happens to need carbon credits more than ever.

Blackwelder calls for four major changes:

• Putting a price on carbon through a carbon tax or a fuel tax

• State and federal tax codes provide enormous subsidies to polluters and can be changed

• “Anonymous wealth” tax

• Tax that would apply to wholesale foreign exchange transactions (not to retail customers)

As president emeritus of Friends of the Earth in Washington D.C., Culture Change readers can appreciate Brent Blackwelder. His leadership meant that Friends of the Earth became the only solid road-fighting group in the Washington environmental establishment. He was the only one to praise our Alliance for a Paving Moratorium (a "great initiative," as I recall from 1990). - Jan Lundberg

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The debt ceiling debacle was temporarily resolved in early August with a deal that included the creation of a 12-member Congressional debt panel (officially labeled the Joint Select Committee on Deficit Reduction). This panel is charged with producing recommendations by this November to reduce federal budget deficits by at least $1.5 trillion over 10 years.

The Congressional debt panel will be under huge pressure from the corporate-driven Tea Party to limit its consideration only to cuts in federal government spending to achieve deficit reduction. This means average Americans, the poor, and minorities are the ones who will lose important programs designed for their benefit, while the tax giveaways for transnational corporations will continue. This is a recipe for social upheaval.

Some progressives argue that this panel of six Republicans and six Democrats, along with a President who cannot drive a hard bargain, guarantees gridlock and mounting frustration; however, now is a teachable moment for steady staters and other reformers to get on the offensive and present a larger economic vision. Those concerned with a sustainable economy should seize this opportunity to demand meaningful changes, such as basic reforms of the Tax Code. But make no mistake — it will be a big fight. The corporate-run Tea Party is intent on forcing the Republican Party to resist increases in anyone’s taxes, especially those of the well-to-do.

Three revenue changes are urgently needed: (1) cutting government handouts to polluters; (2) instituting revenue-raising measures that move us toward sustainability, such as a carbon tax and a transactions tax on international currency trading, and (3) cracking down on tax dodgers and offshore tax havens, which cost the Treasury an estimated $100 billion a year and which undermine the ability of governments to function.

Cutting Polluter Subsidies

Both state and federal tax codes provide enormous subsidies to polluters, thereby sending the wrong ecological price signal to the consumer. After reviewing more than $100 billion in subsidies to old energy technologies, Michelle Chan, director of international programs at Friends of the Earth, notes: “We are not going to get past reliance on yesterday’s technologies if we continue to subsidize them as if they were brand new.” But a bill in the Senate this spring to cut $20 billion in oil and gas subsidies was vigorously opposed by oil companies like Conoco Phillips who labeled the legislation "un-American." Since when did subsidies to bloated corporations become the definition of "American?"

Fossil fuel barons, like the Koch brothers who underwrite the Tea Party, understand the enormous potential of solar, wind, geothermal, and conservation efforts to undermine their polluting industries. Thus, they seek to portray the removal of these special fossil fuel subsidies as a "tax increase." Such flimflam must be exposed.

Raising Money through Carbon Prices and Fees on Currency Transactions

Putting a price on carbon through a carbon tax or a fuel tax, could provide major revenue. The Carbon Tax Center provides details on such taxes. In addition to fundraising potential, a strong carbon price signal would decrease pollution from fossil fuel usage.

Two huge new revenue raisers could come from the financial sector and involve modest surcharges on groups that not only could readily pay them, but also richly deserve to pay them: major banks and their super rich, often tax-dodging global corporate and individual clients (James Henry and I have suggested these measures before).

The first is a version of the Tobin tax that would apply to wholesale foreign exchange transactions (not to retail customers). Given the astonishing $4 trillion per day of such transactions, a tax of less than a dime per $1,000 of transactions would yield at least $50 billion per year. A similar low marginal tax rate on all international financial transactions, including stocks, bonds, options, and derivatives, could readily collect at least twice that amount.

The second new revenue stream is an "anonymous wealth" tax: a modest 0.5% annual withholding tax on the estimated $15 to $22 trillion of liquid private financial assets — bank deposits, money-market funds, mutual funds, public securities, and precious metals — now sitting, almost entirely untaxed, in anonymous offshore accounts, trusts, and foundations.

This tax could raise between $25 billion to $50 billion per year. Such a tax is easy administratively because these "private banking" assets are heavily concentrated in the hands of a small number of leading banks and the largest recipients of "too big to fail" assistance.

Cracking Down on Tax Dodgers and Closing Loopholes

The unwillingness of Republicans to look at revenues lost as a result of tax dodging is astonishing since the $100 billion they sought to cut is the figure estimated to be lost as a result of offshore tax havens. Fortunately Senator Levin has introduced legislation (endorsed by the Tax Justice Network) to close tax loopholes.

Many objectionable loopholes could be closed and thereby yield revenue. For example, obscenely wealthy hedge fund managers pay a lower rate on their income than regular wage earners.

Rallying for a Just Cause

Now is the time to put grassroots pressure on the media, especially in the states and districts of the 12 Senators and Representatives on the debt panel. Let's seize the offensive and move the discussion of tax code changes under the framework of responsibility. Below are the members of the panel, in case you're feeling motivated to start a conversation.

Democratic Senators: Patty Murray (Washington), Max Baucus (Montana), and John Kerry (Massachusetts).

Republican Senators: Jon Kyl (Arizona), Rob Portman (Ohio), and Patrick Toomey (Pennsylvania).

Democratic Representatives: James Clyburn (South Carolina), Xavier Becerra (California), and Chris Van Hollen (Maryland).

Republican Representatives: Jeb Hensarling (Texas), Dave Camp (Michigan), and Fred Upton (Michigan).

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The above article is from the Daly News, published by CASSE, the Center for the Advancement of the Steady State Economy. Brent Blackwelder's previous article was The Role of Regulation in a Steady State Economy. Excerpt:

Regulations have played an essential role in modern attempts to curtail pollution, prevent abuses in the banking system, ensure safe food, and protect public health. They have been indispensable in checking powerful corporate interests that abuse the public trust.

Jan Lundberg's comment on the Daly News (named after economist Herman Daly, the originator of the Steady State Economy,   August 23, 2011:

A Major Opportunity for Debt & Deficit Reduction:

A debt for nature swap between China and the U.S. might do wonders:

See China's Debt-for-Nature Opportunity for Virtually Bankrupt U.S.

The U.S. is trending toward being a plundered Third World country, so let's act like it to the extent it helps. China has made a lot of money off U.S. demand for consumer "goods." China also enjoys vast income from interest on debt it owns that the U.S. must pay. The U.S.'s largest owner of debt by far is China. But in China's meteoric economic expansion it has become the top greenhouse gas emitter. For China to get vast carbon credits and to help the U.S. "grow up" (China views the debt crisis as pathetically childish and irresponsible), a debt for nature swap would see the U.S. get out from under debt and some of the huge deficit, in exchange for U.S. policy changes regarding energy. The transportation sector would be a great opportunity, getting the U.S. back to bicycling, trains, sail power, walking, and better urban design. Same for the food sector. We need to change, toward subsistence and away from unlimited waste. Look to China for greater leadership in these matters: It banned plastic bags and other plastics in one fell swoop, and the nation is the biggest solar panel manufacturer in the world.

The debt for nature idea and my article have been thoroughly floated in China and among energy & environmental staffers inside the White House. I hope the idea will not be ignored by the Congressional Debt Panel.

Jan Lundberg

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