**Obama and the Limits of Reform:**

**Stiglitz, Krugman, and the Social Democratic Critique of Neoliberalism**

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Abstract: *In the context of the financial and economic crisis of 2008, and the election of Barack Obama as president, many political observers predicted and/or hoped for a new round of domestic political-economic reform rivaling the New Deal in scope. To do so would involve a sharp departure from neoliberal modes of political-economic governance. Obama’s record as president has fallen well short of such benchmarks. Two Nobel Prize in Economics winners, Joseph Stiglitz and Paul Krugman, have in recent years moved from more mainstream positions to strongly critical and progressive perspectives, essentially social democratic in nature, on U.S. market capitalism. While there are a variety of critical analyses of the Obama presidency from the left, this paper uses the work of Stiglitz and Krugman, to develop a plausible account of the limits of reform under President Obama.*

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As terms in contemporary American political discourse, socialism and social democracy are most often used as pejoratives from the standpoint of the political Right. Barack Obama’s conservative opponents have long sought to link him to a politics that they see as alien to American traditions.[[1]](#footnote-1) Thus in an October 2008 campaign rally, Republican vice-presidential nominee Sarah Palin warned against Obama’s tax proposals. “Friends, now is no time to experiment with socialism.” In 2009 the columnist Charles Krauthammer called a speech by Obama to a joint session of Congress “the boldest social democratic manifesto ever issued by a U.S. president.” In the 2012 Republican presidential campaign, candidates Rick Perry, Michelle Bachmann, and Newt Gingrich called Obama a socialist. Eventual nominee Mitt Romney said in a CNN interview, “I don’t use the word ‘socialist,’ or I haven’t so far. But I do agree that the president’s approach is government-heavy, government-intensive, and it’s not working.” In one of the GOP nomination debates Romney claimed that Obama “takes his political inspiration from Europe, from the socialist-democrats in Europe.” After Obama’s reelection in 2012 Sarah Palin told Sean Hannity of *Fox News* that “Barack Obama is a socialist” and that Obama’s approach to budgetary policy “is a sign of that idea of loving socialism.” She continued, “What goes beyond socialism, Sean, is communism. I know I’m going to get slammed for speaking so bluntly about what’s going on here, but that is exactly what is going on.” Many other examples could be given. In response Obama brushed off the charge and stated, revealingly, and in my view accurately, “The truth of the matter is that my policies are so mainstream that if I had set the same policies that I had back in the 1980s, I would be considered a moderate Republican.”[[2]](#footnote-2)

In this paper I will describe an emergent social democratic current of American political and economic thought that, in contrast to the conservative right, is very critical of “free market” neoliberalism and advocates moving U.S. policy in progressive directions towards something like social democracy, though not necessarily to socialism. Progressives and social democrats believe that the Democratic Party, at the presidential level, has mistakenly embraced corporate and Wall Street-friendly policies since the Clinton years, if not before. They criticize President Obama for insufficiently breaking with neoliberal modes of political-economic governance, and for supporting domestic political-economic policies that, in their view, are inadequate for resolving the economic crises he inherited. In their view too many Democrats have bought into the discourse of austerity and deficit reduction promoted by corporations and conservatives. Two Nobel Prize in Economics winners, Paul Krugman and Joseph Stiglitz,[[3]](#footnote-3) have in recent years moved from mainstream positions to strongly critical and progressive perspectives, essentially social democratic in nature, on the U.S. political economy, even if they more typically call themselves liberal, progressive or Keynesian. Robert Kuttner characterizes their public roles this way: “As the most prestigious economic dissenters of this era, Joseph Stiglitz and Paul Krugman form a category of two: astonishingly prescient, widely read, and largely ignored by those in power.”[[4]](#footnote-4) After briefly defining social democracy, I will describe Krugman and Stiglitz’s recent critical analyses of the U.S. political economy and show how their views overlap with an emerging body of analysis and proposals by academics, activists, and think tanks about how to move the U.S. in more progressive directions. Finally I will analyze the meaning of President Obama’s reelection in 2012 and ensuing battles over the fiscal cliff and budget sequestration from the standpoint of the social democratic critique of neoliberalism and austerity economics.

**Social Democracy**

Twentieth century European social democracy has a complex history and is intimately involved with the creation of modern welfare states after World War II.[[5]](#footnote-5) In general social democracy is a reformist strategy on the left that eschews a systematic break with capitalism. For political scientist Sheri Berman social democracy involves “using the power of the democratic state to reform to reform capitalism.” For economic sociologist Fred Block social democracy rests on the “belief that the key to radical social change is to use democratic politics and the power of the state to challenge and reduce the inequalities of income wealth and power that result from the unequal ownership of property.”[[6]](#footnote-6)

For some erstwhile socialists and Marxists, social democracy represents a realistic post-Cold War adaptation to a world in which systemic alternatives to capitalism have been rendered obsolete. As Jürgen Habermas puts it, “Since 1989-90 it has become impossible to break out of the universe of capitalism; the only remaining option is to civilize and tame the capitalist dynamic from within.”[[7]](#footnote-7) While the figure of Habermas represents a shift towards the liberal center from the left, Krugman and Stiglitz represent a shift from the center to the (moderate) left. For example Stiglitz held government positions in the 1990s at the Council of Economic Advisers under Clinton, serving as its chair from 1995 to 1997, and as chief economist at the World Bank. After his resignation from the latter institution in January 2000, he wrote a revealing article for the *New Republic* that was widely noted at the time. Of his disillusionment he stated: “They’ll say the IMF is arrogant. They’ll say the IMF doesn’t really listen to the developing countries it is supposed to help. They’ll say the IMF is secretive and insulated from democratic accountability. They’ll say the IMF's economic ‘remedies’ often make things worse – turning slowdowns into recessions and recessions into depressions. And they’ll have a point. I was chief economist at the World Bank from 1996 until last November, during the gravest global economic crisis in a half-century. I saw how the IMF, in tandem with the U.S. Treasury Department, responded. And I was appalled.”[[8]](#footnote-8) By 2011 Stiglitz had virtually coined the concept of the top “1%” in a *Vanity Fair* article and later that year was addressing the Occupy Wall Street movement at Zuccotti Park in New York.[[9]](#footnote-9)

The social democratic tradition in the United States has been historically weak compared to those of Europe. However the case can be made that the American New Deal was the functional equivalent of European social democracy, with both approaches emphasizing interventionist economic policies, expanded social programs, and increased government spending.[[10]](#footnote-10) The gap between the scope and U.S. and American social democratic regimes and welfare states that widened in the postwar decades would have been narrower if the U.S. had embraced President Franklin D. Roosevelt’s call for a Second Bill of Rights in his January 1944 State of the Union Address to Congress, which included employment, housing, medical care, education, and several other provisions that should FDR thought should be considered rights. Roosevelt’s recommendations were based on the “clear realization of the fact that true individual freedom cannot exist without economic security and independence.” FDR hoped that “after this war is won we must be prepared to move forward, in the implementation of these rights, to new goals of human happiness and well-being.”[[11]](#footnote-11)

**Paul Krugman**

Paul Krugman became a *New York Times* columnist in January 2000 and soon established himself as one the foremost liberal critics of the George W. Bush administration. Prior to joining the *Times* Krugman was regarded warily by many on the left. As he noted in his 2003 collection of columns *The Great Unraveling*, “These days I often find myself accused of being a knee-jerk liberal, even a socialist. But just a few years ago the real knee-jerk liberals didn’t like me at all – one magazine even devoted a cover story to an attack on me for my pro-capitalist views, and I still have the angry letter Ralph Nader sent me when I criticized his attacks on globalization.”[[12]](#footnote-12) The experience of the George W. Bush administration appears to have somewhat radicalized Krugman somewhat. In this section I will focus on Krugman’s two most recent books *The Conscience of a Liberal* and *End This Depression Now* and on his commentary in the *Times* column.[[13]](#footnote-13)

In *The Conscience of a Liberal* Krugman declares his beliefs: “I believe in a relatively equal society, supported by institutions that limit extremes of wealth and poverty. I believe in democracy, civil liberties, and the rule of law. That makes me a liberal and I’m proud of it.”[[14]](#footnote-14) Krugman examines the dynamics of the U.S. political economy over the past three-quarters of a century. He divides this period into the Great Convergence, beginning in the New Deal and continuing in the post-World War II era, and the Great Divergence, from the 1970s through the first decade of the twenty-first century. He writes: “There have, then, been two great arcs in modern American history – an economic arc from high inequality to relative equality and back again, and a political arc from extreme polarization to bipartisanship and back again. These two arcs move in parallel: The golden age of economic equality roughly correspond to the golden age of political bipartisanship.”[[15]](#footnote-15) His view of the New Deal is very positive: “The New Deal did more than create a middle-class society. It also brought America closer to its democratic ideals, by giving working Americans real political power and ending the dominant position of the wealthy elite.”[[16]](#footnote-16) Krugman has come to emphasize politics rather than economics in determining economic inequality. “Political change, then, seems to be at the heart of the story.” According to Krugman, “Since the 1970s norms and institutions in the United States have changed in ways that either encouraged or permitted sharply higher inequality. Where, however, did the change in norms and institutions come from? The answer appears to be politics.”[[17]](#footnote-17)

For Krugman the key political changes are those brought about by a “movement conservatism” that targeted labor unions and social welfare policies, established new think tanks and other conservative institutions, and oversaw the transformation of the Republican Party into a consistently right-wing force. Krugman, drawing on Thomas Frank’s *What’s the Matter With Kansas?* underscores the role played by social issue “distractions” in undermining the Democratic Party base. However he does not in this book examine the retreat from the New Deal legacy on the part of leading Democrats. Of Bill Clinton he merely writes that Clinton “never had a well-defined agenda…. He ran the government well, but he didn’t advance a larger agenda, and he didn’t build a movement.”[[18]](#footnote-18) Krugman contends that “race is at the heart of the country I grew up in.” He goes so far as to suggest that, but for the politics of race, the U.S. might have gone much further in the direction of social democratic policies: “The principal reason movement conservatives have been able to flourish here… is the racial tension that is the legacy of slavery. Ease some of that tension, or more accurately increase the political price Republicans pay for trying to exploit it, and America becomes less distinctive, more like other Western democracies where support for the welfare state and policies to limit inequality is much stronger.”[[19]](#footnote-19) Krugman calls for a “new New Deal” and calls health care reform “the first domestic priority for progressives.” While accepting that a single-payer system is the best plan in economic terms, he argues that it is better to go with a political feasible plan that achieves the advantages of a single-payer approach, rather than hold out for an ideal solution. Krugman’s plan involves community rating, subsidies for low-income families, mandated coverage, and public-private competition which would enable people to buy into a Medicare-type government insurance plan and in that way simulate a single-payer system.[[20]](#footnote-20)

During the 2008 Democratic nomination fight Krugman on several occasions described Obama’s economic policies as less progressive than those of John Edwards and Hillary Rodham Clinton. Responding to a new stimulus plan by the Obama camp in January 2008, Krugman found that it “tilted to the right” and lack the alternative energy proposals, aid to hardest hit families, and assistance for state and local governments found in the Clinton and Edwards plans. “I know that Mr. Obama’s supporters hate to hear this, but he really is less progressive than his rivals on matters of domestic policy.”[[21]](#footnote-21) In early February Krugman compared the health care plans of Obama and Clinton and found that Clinton’s approach would cover almost twice as many of the uninsured as Obama’s, at only slightly higher cost. Similarly, on the issues of financial regulation and mortgages, Krugman thought that Obama’s “proposals for aid to the victims of the current crisis, though significant, are less sweeping than Mrs. Clinton’s: he wants to nudge private lenders into restructuring mortgages rather than having the government simply step in and get the job done.”[[22]](#footnote-22) By the summer of 2008, after Obama had wrapped up the nomination, Krugman continued to argue that “Progressive activists, in particular, overwhelmingly supported Mr. Obama during the Democratic primary even though his policy positions, particularly on health care, were often to the right of his rivals’. In effect they convinced themselves that he was a transformational figure behind a centrist façade. They may have had it backward.”[[23]](#footnote-23)

Krugman’s 2012 book *End This Depression Now!* is dedicated “to the unemployed, who deserve better.” Krugman’s main target is the “austerians” who advocate balanced budgets, spending cuts and high interest rates even as unemployment remained high and the economy was in a slump deep enough for Krugman to call it a “depression.” For Krugman, the austerians have forgotten Keynes’ dictum: “The boom, not the slump, is the time for austerity.”[[24]](#footnote-24) Political leaders have forgotten the lessons about the 1930s that Keynes and others taught, and fail to understand that we have both the knowledge and the tools to end this suffering.[[25]](#footnote-25) In his evaluation of Obama’s first term, Krugman thought the period from 2009 to 2011 was one in which “even as the president bought into deficit obsession and calls for austerity, the whole national discourse shifted away from job creation.” While Krugman saw signs in 2011 that Obama was regaining his focus, the concluded that “the experience of Obama’s first term suggests that not talking about jobs simply because you don’t think you can pass job-creation legislation doesn’t work even as a political strategy.”[[26]](#footnote-26)

**Joseph Stiglitz**

In his 1995 book *Whither Socialism* Joseph Stiglitz more or less proclaimed socialism, even market socialism, to be dead as a viable economic system. At the same time it was possible to find in Stiglitz arguments for systematic alternatives to the dominant form of capitalism that cut across the market-mania of the time. Thus the “analytical Marxist” John Roemer, reviewing Stiglitz in *New Left Review*, found arguments for systemic alternatives to the dominant form of capitalism: “In sum, Joseph Stiglitz, although posing as a critic of socialism, in fact provides a sharp attack on the neo-Hayekian dogma which has gained such prominence in the past twenty years, and is the real antagonist in the debate concerning the feasibility of more egalitarian societies…. Whether Stiglitz’s choice of anti-socialist vocabulary is, like Marc Antony’s, a clever rhetorical device, or whether he really believes that socialism is dead, does not much matter. For his arguments lay to rest many commonplace false beliefs about the optimality of private property as a social institution, and thus lay the groundwork for fruitful discussion about alternative, and more egalitarian, social and economic organization.”[[27]](#footnote-27)

In his 2010 book *Freefall: America, Free Markets, and the Sinking of the World Economy*, Stiglitz analyzed the great recession that began in 2008 and the responses of the Bush and Obama administration. He begins conventionally enough by stating “I believe that “markets lie at the heart of every successful economy but that markets do not work well on their own.” But the depth of the crisis, and its underlying causes, lead him to argue less than ten pages later, “The current crisis has uncovered fundamental flaws in the capitalist system… It is not just a matter of flawed individuals or specific mistakes, nor is it a matter of fixing a few minor problems or tweaking a few policies.”[[28]](#footnote-28) He hoped that the collapse of Lehman Brothers in 2008 would be to “market fundamentalism” what the fall of the Berlin Wall was to communism. However, his detailed analysis of Obama’s approach to the economic crisis found that it was basically one of “muddling through,” in part because key economic policy-makers were Clinton era holdovers who had not sufficiently rethought the dangers of market fundamentalism. In that sense President Obama “only slightly rearranged the deck chairs on the Titanic.”[[29]](#footnote-29) Obama and his team either did not recognize, or failed to act on the understanding, that “the failures in our financial system are emblematic of broader failures in our economic system, and the failures of our economic system reflect deeper problems in our society.”[[30]](#footnote-30)

In *The Price of Inequality* Stiglitz examines these deeper social problems, especially the rapid growth of economic inequality in recent decades.[[31]](#footnote-31) In a June 2012 column Stiglitz summarized his analysis as follows: “There is less equality of opportunity in the United States today than there is in Europe – or, indeed, in any advanced industrial country for which there are data. This is one of the reasons that America has the highest level of inequality of any of the advanced countries – and its gap with the rest has been widening. In the “recovery” of 2009-2010, the top 1% of US income earners captured 93% of the income growth. Other inequality indicators – like wealth, health, and life expectancy – are as bad or even worse. The clear trend is one of concentration of income and wealth at the top, the hollowing out of the middle, and increasing poverty at the bottom. It would be one thing if the high incomes of those at the top were the result of greater contributions to society, but the great recession showed otherwise: even bankers who had led the global economy, as well as their own firms, to the brink of ruin, received outsize bonuses…. Defenders of America's inequality argue that the poor and those in the middle shouldn't complain. While they may be getting a smaller share of the pie than they did in the past, the pie is growing so much, thanks to the contributions of the rich and superrich, that the size of their slice is actually larger. The evidence, again, flatly contradicts this. Indeed, America grew far faster in the decades after the second world war, when it was growing together, than it has since 1980, when it began growing apart…. But growing inequality is not inevitable. There are market economies that are doing better, both in terms of both GDP growth and rising living standards for most citizens. Some are even reducing inequalities…. America can no longer regard itself as the land of opportunity that it once was. But it does not have to be this way: it is not too late for the American dream to be restored.”[[32]](#footnote-32)

Stiglitz attributes rising inequality to “rent-seeking” and other predatory practices of economic elite, as well as to a money-driven political system and eviscerated democracy, as well as to a woefully inadequate news media. Written in 2011 as the Arab Spring uprisings unfolded in the Middle East and the Occupy Wall Street Movement captured the imagination of many in the United States, *The Price of Inequality* in some ways reflects“we can fix this” optimism. But in a concluding section titled “Is There Hope” Stiglitz can soberly observe: “Time, however, may be running out. Four years ago there was a moment when most Americans had the audacity to hope. Trends more than a quarter century in the making might have been reversed. Instead, they have worsened. Today that hope is flickering.”[[33]](#footnote-33)

**Social democratic currents**

Among the leading social democratic commentators and analysts of the contemporary American political economy I would include economist and co-director of the Center for Economic and Policy Research Dean Baker, University of Texas economist James K. Galbraith, journalist and co-founder and co-editor of the *American Prospect* Robert Kuttner, editor of *Challenge: A Magazine of Economic Ideas* and frequent *New York Review of Books* contributor Jeff Madrick, and former Clinton administration Labor Secretary Robert Reich.[[34]](#footnote-34) I would also associate social democratic ideas with progressive organizations and think tanks such as the Campaign for America’s Future/Institute for America’s Future, led by Robert Borosage, and the labor supported Economic Policy Institute.

An explicit link to the New Deal is suggested by the more recently-formed Roosevelt Institute, which see itself as “crafting a New Deal for the 21st century.” According to the Roosevelt Institute’s mission statement: “Our goals are to promote economic growth now and in the future; push for more equitable distribution of wealth; and foster a political system that celebrates both the role of government and the role of citizens.”[[35]](#footnote-35) The work of these individuals and institutions may be seen as part of the liberal-labor coalition that contends for power in American politics with the corporate community over such issues as profits, wages, taxation, labor unions, and government regulation of business.[[36]](#footnote-36) The goals of the progressive, social democratic, liberal-labor coalition cohere with the concept of “high road capitalism” developed by Erik Olin and Wright and Joel Rogers. High-road firms generates a large number of high-skill, well-paying jobs, while low-road firms primarily generate low-skill, low wage jobs. Various sorts of policies are needed to close off the low road and pave the high road. They write, “We know such a high road is possible under capitalism, because other capitalist democracies are pursuing it.”[[37]](#footnote-37)

Several recent examples of the progressive or social democratic approach to U.S. political economy may be referred to and briefly summarized. First, Jacob S. Hacker and Nate Loewentheil of Yale University wrote a 2012 paper on “Prosperity Economic: Building an Economy for All.” They contrast their approach with “austerity economics” and contend that “there is no inevitable trade-off between creating a strong, dynamic economy and fostering a society marked by greater health, broader security, increased equality of opportunity, and more broadly distributed growth… And when governments play an active role in education and scientific research, economies are more dynamic and innovative.”[[38]](#footnote-38) The steering committee of the prosperity economics plan is comprised of the AFL-CIO, Center for Community Change, Economic Policy Institute, the Leadership Conference, the National Council of La Raza, and the Service Employees International Union. Supporters of the plan include Campaign for America’s Future, ColorofChange, Common Good Center, Democracy for America, New Organizing Institute, Partnering for Community Transformation, Rebuild the Dream, Working America, and the Working Families Party.[[39]](#footnote-39) A second plan is “Investing in America’s Future: A Budget for Economic Recovery and Fiscal Responsibility,” published in 2010 by Our Fiscal Security, a collaborative effort of Demos, the Economic Policy Institute, and The Century Foundation. The report strongly opposes “the idea that America’s fiscal challenges should be solved by cutting longstanding social insurance programs that have brought security and prosperity to millions of Americans.” They prioritize the stimulation of jobs and economic growth, partly through a variety of public investments, and put forward progressive options to “confront the real drivers of the growth of national debt, namely the rapid rise in health care costs and the lack of adequate revenue.”[[40]](#footnote-40) Third, and somewhat further to the left, is “How to Liberate America from Wall Street Rule,” a July 2011 report from the New Economy Working Group that calls for “a community-based and democratically accountable system of money, banking, and finance that functions to create and allocate money as a well-regulated public utility.” I call this approach “further to the left” because it advocates the creation of new economic institutions, some of which would have a non-capitalist nature.[[41]](#footnote-41) Writing in the left monthly *In These Times* two editors of the new radical left journal Jacobin, Peter Frase and Bhaskar Sunkara, offer a “manifesto” for “how to build social democracy in the age of austerity” titled “The Welfare State of America.” Endorsed by scholar and activist Frances Fox Piven, the Frase-Sunkara plan calls for the federalization of spending on welfare and unemployment, pensions, healthcare, and education. A universal welfare state will institute a new set of economic and social rights to complement civil and political rights. “Even greater democratic horizons lie beyond that,” they conclude.[[42]](#footnote-42)

**Progressive Portents? The Election of 2012 and the Budget Battles**

President Barack Obama’s reelection in 2012 was far from certain, given the weak recovery from the Great Recession of 2008. Obama was aided by positive public opinion trends among voters in satisfaction with the direction of the country, levels of economic confidence, identification with the Democratic Party, and in the direction of his own job approval ratings since November 2011.[[43]](#footnote-43) With a popular vote advantage of about three million over Mitt Romney, Obama became the first Democrat since Franklin D. Roosevelt, and the only president since Ronald Reagan, to win two consecutive elections with more than 50 percent of the popular vote. Obama held all the states he won in 2008 except for Indiana and North Carolina, winning 332 electoral votes, 33 below with 2008 total. He was largely able to reassemble a coalition of young voters, minorities, women (especially unmarried women), the less affluent, and the highly-educated. The economy was the dominant issue of the election, and voters were evenly divided as to whether Obama or Romney would do a better job on this issue. However voters blamed George W. Bush more than Obama for current economic conditions, by a 53 percent to 38 percent margin, and 39 percent of exit poll respondents said the economy was getting better, compared to 30 percent who said it was getting worse.[[44]](#footnote-44)

Much post-election analysis focused on the changing demographics of the American electorate. 28 percent of voters were people of color, an increase of two percentage points from 2008. The Latino population made up a growing 10 percent of voters in 2012, and they favored Obama over Romney by 71 percent to 27 percent, a 44 percent Democratic advantage compared to a 36 percent Democratic advantage for Obama over John McCain in 2008. Latinos made up a growing share of voters in the key battleground states of Florida, Nevada in Colorado. In Florida even Cuban American voters favored Obama over Romney, by a narrow 49 percent to 47 percent split. Non-Cuban American Latino voters in Florida gave Obama 66 percent of their votes. By 2050 “minority” groups may become a majority of the population, with the projected Latino or Hispanic share of the population projected to be as high as 29 percent.[[45]](#footnote-45) Hispanics and African Americans, along with of young voters, the unmarried, and the highly-educated, appear to comprise a liberal constituency that some liberal activists call the “rising American electorate.” These constituencies favor investing in education and infrastructure over cutting taxes, government action to reduce the gap between rich and poor, raising taxes on the wealthy, and raising the minimum wage.[[46]](#footnote-46)

After the election some conservative commentators at *Fox News* and elsewhere appeared to view these trends with dismay and even alarm. For Bill O’Reilly, “It’s a changing country. The demographics are changing; It’s not a traditional America anymore…. Whereby 20 years ago, President Obama would have been roundly defeated by an establishment candidate like Mitt Romney, the white establishment is now the minority.” For his part, Sean Hannity fumed to his listeners, “Americans, you get the government you deserve. And it pains me to say this, but America now deserves Barack Obama.”[[47]](#footnote-47) The morning after the election Rush Limbaugh told his listeners, “I went to bed last night thinking we’re outnumbered. I went to bed last night thinking all this discussion we’d had about this election being the election that will tell us whether or not we’ve lost the country. I went to bed last night thinking we’ve lost the country.  I don’t know how else you look at this.” Echoing Mitt Romney’s maladroit “47 percent” comments, Limbaugh stated, “In a country of children where the option is Santa Claus or work, what wins? And say what you want, but Romney did offer a vision of traditional America. In his way, he put forth a great vision of traditional America, and it was rejected. It was rejected in favor of a guy who thinks that those who are working aren’t doing enough to help those who aren’t. And that resonated.”[[48]](#footnote-48)

Several election analyses identify a real basis to the fears of conservatives in the form of increased support for a new progressive political agenda on the part of rising sections of the American electorate. A post-election Gallup poll found that Democrats and Democratic-leaning independents have a more positive view of the federal government, by a 20 percentage point margin, while Republicans and Republican-leaning independents are more positive about capitalism than the federal government, by a 45 percentage point margin. A somewhat puzzling finding is that 53 percent of Democrats have a positive image of “socialism” and 55 percent have a positive view of “capitalism” (the figures for Republicans are 23 percent and 72 percent respectively).[[49]](#footnote-49) An analysis of post-election surveys conducted by Democracy Corps (which is led by Democratic strategists James Carville and Stanley Greenberg), in partnership with Women’s Voices, Women Vote Action Fund, concluded that the “rising American electorate” played a definitive role in reelecting Barack Obama and electing Democrats down ballot. They argue that “this not a group looking for ‘austerity.’ Indeed their issues are explicitly progressive and investment-oriented.”[[50]](#footnote-50) In a companion analysis in association with the Campaign for America’s Future, Democracy Corps contended bluntly that Obama “succeeded because he waged class war and won…. The president won reelection by making the choice about the middle class and defining Romney as for the rich and out of touch.” The bottom line message is that “the voters gave a very clear mandate to the president: address the economy and growth, and protect middle class social insurance.”[[51]](#footnote-51)

In a post-election analysis for the Center for American Progress political analysts Ruy Teixeira and John Halpin argued that Obama’s victory may have created a durable “realignment” at the national level. They call the 2012 election “the culmination of a decades-long project to build an electorally viable and ideologically coherent progressive coalition in national politics.” They identify the content of the Obama coalition as “pragmatic progressivism” which is “grounded on the notion that both private enterprise and government are necessary for opportunity and growth; that our economy should work for everyone, not just the wealthy few; that economic and social inequalities should be reduced; and that America must work cooperatively with others to solve global problems.”[[52]](#footnote-52) In a similar analysis for the *New Republic* the veteran journalist John B. Judis argued that the 2012 election was evidence of an ongoing realignment towards the Democratic Party based both on shifts of voting blocs away from the GOP and the growth of existing voting blocs within the GOP. Judis contended that the common worldview or philosophy of the Democratic coalition “envisages the United States as part of a global marketplace. It seeks to provide Americans with the training to compete in that marketplace, as well as sufficient economic security to cope with the hardship that competition can bring. This vision entails funding education, scientific research, and technological innovation, but also strengthening and expanding the New Deal’s safety net.”[[53]](#footnote-53) Political analyst and former reporter Thomas B. Edsall argues that a coalescence of “issue clusters” on the left has produced a social justice coalition that largely overlaps with the Democratic Party. On his analysis, “Demographic groups that favor social justice dispute the even-handedness of the marketplace; they often view business and to provide for those struggling in a free market system. The demographic constituencies have grown in numbers, and today form a relatively robust coalition: the Democratic Party.” However he notes that both Democrats and Republicans have been unable to figure out a solution to the hallowing out of the job market. Despite Democratic gains in the culture wars, Edsall asks this question: “Does the new and enlarged Democratic coalition have the capacity to re-engineer capitalism to produce sustained economic growth while working toward social justice.”[[54]](#footnote-54)

As he entered his second term of office, progressives found a number of things to like in Obama’s second inaugural address (Seneca Falls, Selma, Stonewall) and in his 2013 State of the Union address in which the president stated that “we can’t just cut our way to prosperity” and “deficit reduction alone is not an economic plan.”[[55]](#footnote-55) In March Obama reportedly told House Republican leaders, “Our biggest problems in the next 10 years are not deficits,” which is certainly the view of progressives and social democrats.[[56]](#footnote-56) On the other hand progressives had misgivings about the way Obama played his cards at the end of 2012 to avoid the so-called fiscal cliff. None other than Grover Norquist told Robert Kuttner that “when House Republican negotiators were told that Obama would settle for as little as reverting to the pre-Bush tax rates only on the top one percent, they were astonished at their good fortune. Obama’s cave-in was almost too good to be true.”[[57]](#footnote-57) Progressives worried that Obama might agree to cuts in Social Security and Medicare as part of the negotiations over sequestration. Despite Obama’s occasional warning against deficit reduction mania, the sequestration debate showed the extent to which austerity and deficit reduction had captured the U. S. political establishment. As Jeff Madrick put it, “Indeed, the real danger of the sequester lies in the misguided deficit-cutting mania that created it in the first place. Put in place by Congress with the president’s approval and encouragement in 2011, the idea of automatic sequestration came out of the same obsession with austerity measures that has put much of Europe into recession and prevented the US economic recovery from fulfilling its potential.”[[58]](#footnote-58) Behind the deficit hawk campaign are material interests. The Fix the Debt campaign led by former Commerce Secretary and billionaire Pete Peterson and others is organized among dozens of CEOs of America’s largest corporations.[[59]](#footnote-59)

At the level of national government policy-makers, it seems to me that a social democratic approach to economic and budgetary policies is best represented by the proposals of the Congressional Progressive Caucus. In February of 2013 the Caucus produced a plan to avoid the sequestration cuts called the Balancing Act of 2013. Caucus co-chairs Keith Ellison and Raúl M. Grijalva identify their approach as follows: “The Balancing Act eliminates the haphazard cuts in the sequester and ensures that we reduce our long-term deficit in a balanced way. The bill equalizes budget cuts and revenue by closing loopholes for America’s wealthiest individuals and corporations. It also creates over 1 million jobs by investing in infrastructure, teachers, and putting money in consumers’ pockets, paid for by cutting wasteful Pentagon spending to achieve balance with non-defense cuts.” They claim that the Balancing Act “rectifies the inequitable approach to deficit reduction taken so far. By replacing the sequester with $960 billion in revenue, the Act achieves a 1:1 ratio of cuts to revenue. The Balancing Act would close tax loopholes that encourage companies to ship jobs overseas, that pay billions of dollars annually to the highly profitable fossil fuel industry, and that allow tax breaks for yachts and corporate jets. It would also limit deductions from the wealthiest tax payers, close loopholes for hedge fund managers, and close estate tax loopholes.”[[60]](#footnote-60) *Business Insider* polled registered voters and asked for their preferences between the House Republican plan, the Senate Democratic plan, the Progressive Caucus plan. Instead of asking those surveyed the titles of the plan, the poll removed the partisan labels and explained each plan. The poll found that in addition to beating the House Republican plan and the Senate Democrat’s plan overall, “more than half of respondents supported [the Balancing Act] compared to sequestration and [only] a fifth of respondents were opposed.” Moreover and “shockingly,” a full 47 percent of Republicans preferred the House Progressive plan to the across the board cuts pushed by their party leaders in Washington. According to the *Business* Insider, “This means that Republicans supported the House Progressive plan just as much as they supported their own party’s plan.”[[61]](#footnote-61)

The Congressional Progressive Caucus followed up in March with a Back to Work Budget Plan for Fiscal Year 2014 that argued that the jobs crisis and not a deficit crisis was the chief problem facing the country. Importantly the plan included an important role for public investment, rather than spending cuts, as the key to job creation. The Caucus contends, “The Back to Work Budget invests in America’s future because the best way to reduce our long-term deficit is to put America back to work.  In the first year alone, we create nearly 7 million American jobs and increase GDP by 5.7%.  We reduce unemployment to near 5% in three years with a jobs plan that includes repairing our nation’s roads and bridges, and putting the teachers, cops and firefighters who have borne the brunt of our economic downturn back to work.  We reduce the deficit by $4.4 trillion by closing tax loopholes and asking the wealthy to pay a fair share.  We repeal the arbitrary sequester and the Budget Control Act that are damaging the economy, and strengthen Medicare and Medicaid, which provide high quality, low-cost medical coverage to millions of Americans when they need it most.  This is what the country voted for in November.  It’s time we side with America’s middle class and invest in their future.”[[62]](#footnote-62) In contrast to the House Republican plan of Paul Ryan, which he derided, and the Senate Democratic plan, which he found “extremely cautious,” Paul Krugman found the Back to Work plan to be “refreshing” and based on “solid macroeconomic analysis.” “No doubt the caucus plan is too audacious to have any chance of becoming law,” Krugman wrote, but he thought that “progressives seem, at long last, to be finding their voice.”[[63]](#footnote-63) Time will tell whether a social democratically-inflected progressive perspective can bolster its position in American political debate.

1. In contrast John Nichols sees socialism as a long, vibrant, legitimate American tradition. John Nichols, *The “S” Word: A Short History of an American Tradition … Socialism*, London and New York: Verso, 2011. [↑](#footnote-ref-1)
2. 2008 Palin quote from Hendrik Hertzberg, “Like, Socialism,” *New Yorker*, 3 November 2008: <http://www.newyorker.com/talk/comment/2008/11/03/081103taco_talk_hertzberg>; Krauthammer quoted in Jacob Weisberg, “Why Obama Won’t Bring European Social Democracy to America,” *Slate.com*, 7 March 2009: <http://www.slate.com/articles/news_and_politics/the_big_idea/2009/03/it_cant_happen_here.html> ; Romney quoted in David Crary, “Obama a Socialist? Many Scoff, But Claim Persists,” *Associated Press*, 4 June 2012: <http://news.yahoo.com/obama-socialist-many-scoff-claim-persists-174845832.html>; 2012 Palin quote from Nick Wing, “Sarah Palin: ‘Barack Obama is a Socialist, Communism Could be Coming,” *Huffington Post*, 4 December 2012: <http://www.huffingtonpost.com/2012/12/04/sarah-palin-obama-socialist_n_2237163.html>; Obama quoted in Donovan Slack, “Obama: I’m Not a Socialist,” *Politico.com*, 14 December 2012: <http://www.politico.com/politico44/2012/12/obama-im-not-a-socialist-151997.html> [↑](#footnote-ref-2)
3. Stiglitz won the prize in 2001 and Krugman in 2008. [↑](#footnote-ref-3)
4. Robert Kuttner, “The Unheeded,” *American Prospect*, July 2012, page 77. Kuttner notes: “Taken together, Stiglitz and Krugman occupy something like the indispensible role that John Maynard Keynes played in the period between 1919 and his death in 1946.” [↑](#footnote-ref-4)
5. On the history and politics of European social democracy, see Sheri Berman, *The Primacy of Politics: Social Democracy and the Making of Europe’s Twentieth Century* (Cambridge and New York: Cambridge University Press, 2006), and the discussion of this book by Dylan Riley in “Bernstein’s Heirs,” *New Left Review* 76, July-August 2012, pages 136-150. Tony Judt, with Timothy Snyder, *Thinking the Twentieth Century* (New York: Penguin Books, 2012), pages 331-388. [↑](#footnote-ref-5)
6. Sheri Berman, “Unheralded Battle: Capitalism, the Left, Social Democracy, and Democratic Socialism, *Dissent*, Winter 2009, page 69; Fred Block, “Reinventing Social Democracy for the 21st Century,” *Journal of Australian Political Economy*, Number 67, June 2011, page 6. [↑](#footnote-ref-6)
7. Jürgen Habermas, *The Crisis of the European Union: A Response* (Cambridge, UK: Polity Press) 2012, page 106. [↑](#footnote-ref-7)
8. Joseph Stiglitz, “The Insider: What I Learned at the World Economic Crisis,” *New Republic*, 17 April 2000, page 56. Stiglitz expanded his criticism of rigid forms of neoliberal globalization in *Globalization and Its Discontents* (New York: Norton, 2003). His positive agenda is developed in *Making Globalization Work* (New York: Norton, 2006). [↑](#footnote-ref-8)
9. Joseph Stiglitz, “Of the 1%, by the 1%, for the 1%,” *Vanity Fair*, May 2011: <http://www.vanityfair.com/society/features/2011/05/top-one-percent-201105>; Joseph Stiglitz, “The Global 99 Percent,” *Slate.com*, 4 November 2011: <http://www.slate.com/articles/business/project_syndicate/2011/11/occupy_wall_street_and_the_global_trend_against_inequality_.html> [↑](#footnote-ref-9)
10. Jeffry A. Friedan, *Global Capitalism: Its Fall and Rise in the Twentieth Century* (New York: W.W. Norton, 2003), pages 229-250. [↑](#footnote-ref-10)
11. The text of Roosevelt’s address may be found at: <http://www.fdrlibrary.marist.edu/archives/address_text.html> [↑](#footnote-ref-11)
12. Paul Krugman, *The Great Unraveling: Losing Our Way in the New Century* (New York: W.W. Norton, 2003), page xxvi. [↑](#footnote-ref-12)
13. Paul Krugman, *The Conscience of a Liberal* (New York: Norton, 2007, updated in 2009); idem, *End This Depression Now!* (New York: Norton, 2012). [↑](#footnote-ref-13)
14. *The Conscience of a Liberal*, page 267. [↑](#footnote-ref-14)
15. *The Conscience of a Liberal*, pages 5-6. [↑](#footnote-ref-15)
16. *The Conscience of a Liberal*, pages 266-267. [↑](#footnote-ref-16)
17. *The Conscience of a Liberal*, pages 7, 149. [↑](#footnote-ref-17)
18. *The Conscience of a Liberal*, pages 269-270. [↑](#footnote-ref-18)
19. *The Conscience of a Liberal*, page 211. [↑](#footnote-ref-19)
20. *The Conscience of a Liberal*, pages 272, 237-242. [↑](#footnote-ref-20)
21. Paul Krugman, “Responding to Recession,” *New York Times*, 14 January 2008. [↑](#footnote-ref-21)
22. Paul Krugman, “Clinton, Obama, Insurance,” *New York Times*, 4 February 2008; *idem*, “Loans and Leadership,” *New York Times*, 28 March 2008. [↑](#footnote-ref-22)
23. Paul Krugman, “The Obama Agenda,” *New York Times*, 30 June 2008. [↑](#footnote-ref-23)
24. Keynes is quoted in *End This Depression Now!* page xi. [↑](#footnote-ref-24)
25. *End This Depression Now!* page 20. [↑](#footnote-ref-25)
26. *End This Depression Now!* pages 227, 228. See the interview with Krugman by Alberto Mucci, “Paul Krugman: Anti-Austerity Crusader,” *In These Times*, July 2012, pages 26-27. [↑](#footnote-ref-26)
27. John Roemer, “An Anti-Hayekian Manifesto,” *New Left Review* I/221, May-June 1995, pages 128-129.. [↑](#footnote-ref-27)
28. Joseph Stiglitz, *Freefall: America, Free Markets, and the Sinking of the World Economy* (New York: Norton, 2010), pages xii, xxi. [↑](#footnote-ref-28)
29. *Freefall*, page 46. [↑](#footnote-ref-29)
30. *Freefall*, page 295. [↑](#footnote-ref-30)
31. Joseph Stiglitz, *The Price of Inequality* (New York: Norton, 2012). [↑](#footnote-ref-31)
32. Joseph Stiglitz, “The Price of Inequality,” Guardian (U.K.), 5 June 2012: <http://www.guardian.co.uk/business/2012/jun/05/price-of-inequality-united-states> [↑](#footnote-ref-32)
33. *The Price of Inequality*, page 290. Both Stiglitz and Krugman deplore growing inequality, but they differ on whether or not economic inequality is holding back economic recovery. See John B. Judis, “Paul Krugman vs. Joseph Stiglitz: How Income Inequality Could Be Slowing Our Recovery from the Great Recession, *New Republic* (online), 30 January 2013: <http://www.newrepublic.com/article/112278/paul-krugman-vs-joseph-stiglitz-inequality-slowing-recovery> For an appreciative account of both economists, see Jacob S. Hacker and Paul Pierson, “What Krugman and Stiglitz Can Tell Us,” *New York Review of Books*, 27 September 2012, pages 55-58. Hacker and Pierson develop several criticisms of Krugman’s and Stiglitz’s analysis of the U.S. political system. [↑](#footnote-ref-33)
34. Columns by these writers are often posted at the progressive website CommonDreams.org [↑](#footnote-ref-34)
35. <http://rooseveltinstitute.org/about> Joseph Stiglitz is a Senior Fellow and Chief Economist of the Roosevelt Institute. He is on the Advisory Board of the Center for Economic and Policy Research. Kuttner and Reich are members of the Board of Directors of the Economic Policy Institute. [↑](#footnote-ref-35)
36. G. William Domhoff, *Who Rules America? Challenges to Corporate and Class Dominance* (New York: McGraw Hill, 2010, pages xv-xvii. [↑](#footnote-ref-36)
37. Erik Olin Wright and Joel Rogers, *American Society: How It Really Works* (New York: Norton, 2011), page 2011. On page 164 it is stated that “Joel Rogers has called these alternatives the high road and the low road.” Erik Olin Wright explores non-capitalist alternatives in *Envisioning Real Utopias* (London and New York: Verso, 2010). [↑](#footnote-ref-37)
38. The paper may be found at: <http://www.prosperityforamerica.org/read-the-report/> [↑](#footnote-ref-38)
39. For information, see: <http://www.prosperityforamerica.org/supporters-of-the-plan/> [↑](#footnote-ref-39)
40. The report may be found at: <http://www.epi.org/publication/investing_in_americas_economy/> [↑](#footnote-ref-40)
41. The report may be found on the website of the Institute for Policy Studies: <http://www.ips-dc.org/reports/how_to_liberate_america_from_wall_street_rule>; One of the contributors to the report is Gar Alperovitz, author of *America Beyond Capitalism: Reclaiming Our Wealth, Our Liberty, and Our Democracy* (Takoma Park and Boston: Democracy Collaborative Press and Dollars & Sense, 2011). [↑](#footnote-ref-41)
42. Peter Frase andBhaskar Sunkara, “The Welfare State of America,” *In These Times*, November 2012, pages 20-25; Frances Fox Piven, “For the Welfare of All” – editorial in the same issue of In These Times, page 5. In an interview *Jacobin* editor Sunkara says, “We don’t want a world where [Christopher] Hayes and Katrina vanden Heuvel are the de facto left in this country. That’s not saying anything against them; they are principled social democrats.” Sunkara is referring to the MSNBC host and to the Editor and Publisher of *The Nation*. He continues, “We say directly that we’re a socialist publication armed with a Marxist critique, seeking radical political goals.” Jake Blumgart, “The Next Left: An Interview with Bhaskar Sunkara,” *Boston Review* (web only), 18 December 2012: <http://www.bostonreview.net/BR37.6/jake_blumgart_bhaskar_sunkara_jacobin_magazine_marxism.php> [↑](#footnote-ref-42)
43. Jeffrey M. Jones, “Improving National Outlook Key to Obama Victory in 2012,” *Gallup.com*, 8 November 2012: <http://www.gallup.com/poll/158567/improving-national-outlook-key-obama-victory-2012.aspx> [↑](#footnote-ref-43)
44. “Changing Face of America Helps Assure Obama Victory,” *Pew Research Center*, 7 November 2012: <http://www.people-press.org/2012/11/07/changing-face-of-america-helps-assure-obama-victory/>; Ruy Teixeira and John Halpin, “The Return of the Obama Coalition.” *Center for American Progress*, 8 November 2012: <http://www.americanprogress.org/issues/progressive-movement/news/2012/11/08/44348/the-return-of-the-obama-coalition/>; Emily Schultheis, “Exit Polls 2012: How President Obama Won.” *Politico*, 7 November 2012: <http://www.politico.com/news/stories/1112/83461.html> [↑](#footnote-ref-44)
45. See Jim Lobe, “It Was the Demographics, Stupid.” *Inter Press Service*, 9 November 2012: <http://www.ipsnews.net/2012/11/it-was-the-demography-stupid/>; Mark Hugo Lopez and Paul Taylor, “Latino Voters in the 2012 Election,” *Pew Research Center*, 7 November 2012: <http://www.pewhispanic.org/2012/11/07/latino-voters-in-the-2012-election/>; Paul Taylor and D’Vera Cohn, “A Milestone En Route to a Majority Minority Nation,” *Pew Research Center*, 7 November 2012: <http://www.pewsocialtrends.org/2012/11/07/a-milestone-en-route-to-a-majority-minority-nation/> [↑](#footnote-ref-45)
46. Thomas B Edsall, “Is Rush Limbaugh’s Country Gone?” *New York Times* (online), 18 November 2012: <http://campaignstops.blogs.nytimes.com/2012/11/18/is-rush-limbaughs-country-gone/?ref=thomasbedsall>; “The 2012 Post-Election American Values Survey,” *Public Religion Research Institute*, 16 November 2012: <http://publicreligion.org/research/2012/11/american-values-post-election-survey-2012/> [↑](#footnote-ref-46)
47. O’Reilly quoted in Lobe, “It Was the Demographics, Stupid.” Hannity quoted in Eric Boehlert, “Defeated Once Again, Right-Wing Media Wage War…On Voters,” *Media Matters for America* (blog), 9 November 2012: <http://mediamatters.org/blog/2012/11/09/defeated-once-again-right-wing-media-wage-waron/191297> [↑](#footnote-ref-47)
48. Quoted in Edsall, “Is Rush Limbaugh’s Country Gone?” [↑](#footnote-ref-48)
49. Frank Newport, “Democrats, Republicans Diverge on Capitalism, Federal Gov’t,” *Gallup.com*, 29 November 2012: <http://www.gallup.com/poll/158978/democrats-republicans-diverge-capitalism-federal-gov.aspx> ; A December 2011 Pew Research Center poll found that pluralities of young people, liberal Democrats, and African Americans held a positive view of socialism. Hispanics were opposed to socialism by 49 percent to 44 percent, but held negative views of capitalism by 55 percent to 32 percent. “Little Change in Public’s Response to ‘Capitalism,’ ‘Socialism’.” *Pew Research Center*, 28 December 2011: <http://www.people-press.org/2011/12/28/little-change-in-publics-response-to-capitalism-socialism/> [↑](#footnote-ref-49)
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52. Ruy Teixeira and John Halpin, “The Return of the Obama Coalition,” *Center for American Progress*, 8 November 2012: <http://www.americanprogress.org/issues/progressive-movement/news/2012/11/08/44348/the-return-of-the-obama-coalition/> idem, “The Obama Coalition in the 2012 Election and Beyond,” *Center for American Progress*, December 2012: <http://www.americanprogress.org/issues/progressive-movement/report/2012/12/04/46664/the-obama-coalition-in-the-2012-election-and-beyond/> [↑](#footnote-ref-52)
53. John B. Judis, “Is This It? The Ecstasy and Agonies of a Permanent Majority,” *New Republic*, 6 December 2012, page 13. Judis is the co-author with Ruy Teixeira of *The Emerging Democratic Majority* (New York: Scribner, 2002). Judis notes that Republicans and business groups continue to dominate the pressure system of interests and lobbying that influences both elections and governing. [↑](#footnote-ref-53)
54. Thomas B Edsall, “The Culture War and the Jobs Crisis,” *New York Times* (online), 11 November 2012: <http://campaignstops.blogs.nytimes.com/2012/11/11/edsall-the-culture-war-and-the-jobs-crisis/> [↑](#footnote-ref-54)
55. The 2013 State of the Union address may be found at: <http://www.whitehouse.gov/photos-and-video/video/2013/02/12/2013-state-union-address-0#transcript> [↑](#footnote-ref-55)
56. Quoted in Jeremy W. Peters and Ashley Parker, “U.S. Budget Deal in Doubt; Obama’s Trip to Hill Reveals Split,” *New York Times*, 14 March 2013. [↑](#footnote-ref-56)
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63. Paul Krugman, “After the Flimflam,” *New York Times*, 15 March 2013. The Congressional Progressive Caucus plan was voted down in the House on March 20 by 84-327. [↑](#footnote-ref-63)