

The Truth About America

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Abstract

The United States is proclaimed by many to be a democracy; a place where the government is affected by the influence of individual citizens letting their will be known to their representatives. Yet this – traditional democratic theory – is only one of four theories of how the United States of America is run. Pluralism, hyperpluralism and elite class theory are three other theories that many political science scholars believe are a superior empirically in describing how the American government actually functions. By contemplating Wikileaks and freedom of the press, tax policy in America and American austerity this paper will attempt to determine which of the four theories is correct in describing the contemporary political situation in the United States.

The Truth About America

*Not like the brazen giant of Greek fame,
 With conquering limbs astride from land to land;
 Here at our sea-washed, sunset gates shall stand
 A mighty woman with a torch, whose flame
 Is the imprisoned lightning, and her name
 Mother of Exiles. From her beacon-hand
 Glows world-wide welcome; her mild eyes command
 The air-bridged harbor that twin cities frame.
 "Keep ancient lands, your storied pomp!" cries she
 With silent lips. "Give me your tired, your poor,
 Your huddled masses yearning to breathe free,
 The wretched refuse of your teeming shore.
 Send these, the homeless, tempest-tost to me,
 I lift my lamp beside the golden door!"*

*Emma Lazarus,
 The New Colossus, 1883*

Lazarus' poem has rested inside the Statue of Liberty since 1903 and embodies the spirit of the immigrants' dream to live a better, more prosperous life in America. It was believed that the streets of America were paved with gold and becoming rich was as easy as walking down the street. To those who had been oppressed in their native lands, the rumors of the country's wealth and opportunities were a beacon of hope. Here in the land of the free and the brave, the government listened to its people and if you were a citizen you were the people it listened to. Becoming an American was the dream and voting to these naturalized citizens was an event. They proudly cast their ballots, believing they had an effect on the way their new country worked. Yet during the late 1800s and early 1900s, corporations began to exert control over congress and parties became ever more important. Farmers banded together to protect their interests and the progressive movement began charging full steam ahead. The truth of the America the immigrants dreamed of was that groups had more control than any one person and they needed many voices, mostly with money or some other form of leverage if they wanted to be heard.

This theory of how government works is known as pluralism, the idea that many centers of influence vie for power and control over public policy with things getting done using the important tools of compromise and bargaining. Far from what the American dream of traditional democratic theory states, it says power lies with those who have realized that with numbers comes strength rather than the traditional idea that the country is governed by the influence of individual citizens on policy makers. Elite class theory could also apply to this situation; the corporations and those that ran them – especially the rich, wealthy men such as John Rockefeller and Andrew Carnegie – had the ability to buy off congress as they wanted, giving them vast power over the laws and hindering true democracy from existing. The fourth theory of American government, hyperpluralism, failed to apply at that time as there were not too many groups competing to the point they broke the system.

In the second decade of the twenty-first century it is a different story. Traditional democratic theory, although still widely taught and widely thought as being correct by the majority of the American public, has flown the coop completely. Individuals are paid attention to in few cases: when they are mass murderers or terrorists or when they have a sob story that fits with the agenda already on the table. Pluralism has transformed into hyperpluralism as hundreds of groups, most of which directly oppose others, have sprung into being and the two largest groups, the Democratic and Republican parties, fail to work together on a daily basis. Elite class theory holds true to many who feel the wealthiest Americans hold the government in the palm of their hand.

When looking at three contemporary issues that hit hard at the core of today's America- Wikileaks and the meaning of freedom of the press, tax policy and who does and should pay what, and fiscal austerity- ascertaining which of the four theories holds true can be difficult.

Rarely is one theory entirely correct. A system may have pieces of two different theories, for better or for worse and at the moment, America has taken up the worst two systems it possibly could; hyperpluralism and elite class theory.

Wikileaks and Freedom of the Press

The year was 1789 and a group of men, not elected but with the best interests of their country at heart, sat down to compose a document that would provide a structure for their country, rectifying the mistakes they had made with the Articles of Confederation. After the long hot summer, they came out with the Constitution of the United States of America.

This document is the basis for American Government and has been for two-hundred and twenty-four years. It is a 'living document' meant to change with the times and in the process of being accepted, the states and the people demanded that their rights were secured under its banner. Due to this, it has twenty-seven amendments, the first ten of which are known as the Bill of Rights, having been ratified by the states in 1791 to appease the Anti-federalists. At the top of the list, the First Amendment is probably the most integral to the American way of life:

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.

A healthy, thriving democracy is dependent on both freedom of speech and freedom of the press. The latter is responsible for disseminating the truth to the people and is a check not on one but on all three branches of government. The media is charged with providing the truth so that the opinions of the people can be formed and debates conducted with facts in the hands of

both sides. Without the press to inform, the populace can be subjugated or made accomplices to activities done in their name they do not support.

When the Constitution was written, the world was about as different from today as today is from the Star Trek Universe (Apple's attempts to give humanity their devices excepted). The Founding Fathers had no idea that in less than two and a half hundred years we would broadcast using radio waves, have devices with humanity's 'Book of Knowledge' accessible because of some things called 'WIFI' and 'the internet', and be able to send people to the 'heavenly spheres'. Technology has drastically changed how people communicate, making it easier than ever for anyone and everyone to have a say. This change in technology has also changed the media. The last day in August, 1920 saw the birth of news radio (Abell, 2010). In the eighty-three years since, the press has evolved to broadcast its information through television and now, in the twenty-first century, through the internet as well.

The internet is a vast and complex place in which people can share their thoughts freely and in which journalists can report via blog rather than having to work for a newspaper or print organization. In a time when anyone can gather facts from other sources and post an article or opinion, the definition of what it means to be the press is drastically changing.

In 2010 an organization called Wikileaks posted a video on the internet called "Collateral Murder", a mini documentary based on footage leaked from inside the U.S. military. Before and since, they have also posted other documents deemed sensitive by the United States government. There are many who affirm the founder, Julian Assange, had no right to post such information on the World Wide Web while others claim he had every right to do so. The debate around Wikileaks and its founder brings up a question that has dogged the United States for many years: to what extent does the First Amendment cover the release of classified information? The answer

boils down to what can be considered press and the media in today's high-tech society. When confronted with the question of whether anyone, under any circumstance has the right to release classified information, such as the Afghan War Diary or the Pentagon Papers of the 1970s, the answer must be that if they are the media, if they are considered a publisher, than yes, provided it fits within the rules that the media already adheres to.

To begin, WikiLeaks (or Wikileaks) is a site designed to both receive and transmit sensitive information with the intent of protecting those who wish to be a whistle-blower but need an intermediary and to allow citizens and journalists access to the information posted (Boswell, 2013). The controversial site, initially based in Sweden and launched in 2007 with 1.2 million leaked documents, has become infamous in the six subsequent years for publishing the largest leaks in U.S. Military history, Sarah Palin's private emails, and secrets of Scientology. By disclosing the Afghan War Diaries, the Iraqi War Logs, the Abu Ghraib "torture manual", and "Collateral Murder", WikiLeaks has put itself on the black-list of the U.S. Government, which has responded negatively to all releases of information. Many criticize WikiLeaks for endangering the lives of both civilian sources and U.S. agents, however these accusations have never been proven and indeed the Pentagon has stated these claims have no evidence to back them up (Warman, 2010).

Wikileaks is by the loosest definition, the press. It receives information from sources and publishes it. In the 1970s, the Pentagon Papers, which were leaked to the New York Times by Daniel Ellsberg, were published by the Times and the Washington Post. The papers, although they did not publish the entirety of the report, published significant portions without editing and they also, more recently, published the diplomatic cables first distributed by Wikileaks.

Wikileaks publishes almost all of the information, but how is that truly different? Yes, they publish more, but the Times or the Post could as well.

The site was founded as a collective; however, there is one key publication that indicates a changing trend in their methodology: “Collateral Murder.” This video is not an unedited clip posted as it was received on the internet. A collaboration of Wikileaks volunteers spent months together in Iceland with Assange putting together this video, making it more an instrument of propaganda than an unbiased, unedited leak (Khatchadourian, 2010). While the clips used may have been leaked they were definitely used in a manner fitting to the press. Press in America is rarely completely unbiased and presents propaganda even today. Fox News routinely utilizes propaganda techniques such as rewriting history, panic mongering and scapegoating, yet some consider them to be news (Boaz, 2011).

What perhaps makes Wikileaks different from regular, traditional news organizations is that it works with the traditional organizations to put out the information. Wikileaks has been blamed for dumping a quarter of a million State Department cables on the internet. The truth is a bit more complicated than that. At first it was releasing the cables piecemeal in tandem with outlets such as *The Guardian* only after redacting the most sensitive information. When the passcode and database these cables were being drawn from became known across the web, it dumped the files uncensored onto the internet (Blackridge and Keaten, 2010).

Whether it is collaborating or creating, Wikileaks operates as a site dedicated to investigative journalism: it constantly “expose[s] the secret, corrupt actions of those in power” (Greenwald, 2011). Although it has no national identity, Wikileaks works to give the peoples of the world information about and from their governments, as is their [the people’s] right and to promote justice (Wikileaks goal, 2011). Wikileaks and the press share a common goal –

informing the people- if not a common methodology. So if we accept that Wikileaks is press, then we ask: do they, or any media, have the right to publish classified information?

According to the textbook, *American Government*, American views on free speech and free press are based on the views of 18th century English Jurist W. Blackstone (Dilulio & Wilson, 2006). In the *Commentaries on the Laws of England*, Blackstone wrote "The liberty of the press is indeed essential to the nature of a free state: but this consists in laying no previous restraints upon publications, and not in freedom from censure for criminal matter when published" (Powe, Jr., 1991). When the government tried to suppress the publication of the Pentagon Papers by the New York Times and other media outlets, the Supreme Court confirmed the press cannot be prohibited from publishing material unless the material is banned by Congressional legislation. Once published, the media can be sued if the material is libelous or obscene or if it entices someone to commit an illegal act: however, convictions are difficult as all three have narrow definitions (Freedom, n.d.). Looking at Wikileaks, it is clear the material is not obscene. Although Assange did say "In some instances this had had a rightfully destabilizing effect... but this is a byproduct of our larger aim... if the truth we reveal mobilizes people to react against illegitimate government then this is their choice... how the people chose to react to what they discover about their governments is up to them," this cannot be considered falling under the third reason; it is not necessarily enticing illegal acts but could entice perfectly legal ones, such as peaceful protests or simply switching one's vote (Wikileaks goal, 2011). Their material, the leaks, are obviously not libel as they are true- there would not be national security implications if all the information published was false.

The United States government is attempting to bring a case against Wikileaks, although their ability to do so is hindered by their ability to find a law with which they can prosecute

(Kirkwan, 2010). The Justice Department is looking at prosecution under the 1917 Espionage Act, but there is doubt that he has violated that Act. Of course, there is also the fact that no First Amendment-protected reporter or outlet has ever faced prosecution under the Act and while Wikileaks may have violated it, so have other, “Old Media” establishments (Dedman, 2013). There is a high burden of proof on any prosecutor who attempts to have Assange or any member of Wikileaks see jail time because while Wikileaks has knowingly distributed classified information, the First Amendment may require more. The Espionage Act prohibits the transmission of:

any document, writing, code book, signal book, sketch, photograph, photographic negative, blueprint, plan, map, model, instrument, appliance, or note relating to the national defense, or information relating to the national defense which information the possessor has reason to believe could be used to the injury of the United States or to the advantage of any foreign nation (Dedman, 2013).

Based on precedent there is a requirement that the defendant acted in “bad faith” and intended to harm the United States (Dedman, 2013). Based on the prior comments by Assange, this requirement is not met; while he may want to stir up public opinion he is doing so in the interests of the public. Assange also tries to prevent the information from being too harmful and has reached out to the Pentagon and White House for help with censoring the documents, yet both refused him (and his organization) while offering suggestions to *The New York Times* when they asked for the same assistance (Kirwan, 2010). There is an obvious wish to prevent too much harm that is being hindered by those accusing them. There are accusations that the release of the State Department Cables severely harmed U.S. relations with other countries, such as Ecuador, however, most of the releases have resulted more in embarrassment than actual harm. Seeing as

even the Pentagon has been forced to admit the lack of proof that the releases have resulted in deaths of American or Middle Eastern operatives, there is little definite evidence that harm has been done to the United States or its allies.

Democracy is dependent on informed citizens and for citizens to be informed, they need to have access to information regarding what their country is doing. The media is charged by society with the task of providing this knowledge to the people. For them to do their jobs, they need to be free from prior restraint, something the country has decided through court decisions in favor of the press.

As the world continues to plod through the 21st century and its accompanying digital transformations, how people access data and acquire news is going to continue changing. Already, social networking sites, online newspapers and magazines, and blogs are transforming how news is distributed. Wikileaks seems to be a new step in the media revolution and a large one, but they are press in this new world order with the protection of the First Amendment. It does mean they are subject to the moral regulations and other laws that journalists and publishers are subject to, however, it does not mean they should have stricter ones simply because they are different.

In protecting the interest of people across the globe Wikileaks -and any other organization like them- has the right to publish classified information without prior restraint. If what they publish is illegal under a law or leads to the harm of others then like any other organization, they should be subject to whatever punishment a jury deems appropriate. They cannot be stopped from publishing any more than *The New York Times* could and it is in the interest of the public at large that they are not.

Tax Policy in America

To say that people do not like paying taxes is like saying President Bush liked to emphasize his 'Texan' background: both are understatement of the highest order. Americans despise paying taxes and have since before the Revolutionary War when colonists took action against British taxes on tea, paper, sugar and other everyday items imported from England. A rebellion against taxes formed the United States and caused another small rebellion in 1791 over an excise tax on whiskey. Had the Sixteenth Amendment, which gave Congress the ability to levy an income tax, gone to a common vote by the people it is doubtful it ever would have been passed: that would require the populace be willing to give up a portion of their income every year and it is fully clear in today's society that every penny is taken from unwilling hands.

In politics, taxes are a dirty word; almost as bad as 'communism,' 'socialism' or 'compromise'. Campaigning on a platform of raising taxes can cost you an election unless you campaign that you are raising taxes on 'them' not 'you'. However most candidates do not even take that much of a risk and instead of saying "if we raise taxes on everyone then we could give every person in the country health care and you would be covered no matter what happens to you or your children" they say "elect me! I'll cut your taxes and your social programs!" Congress is often deadlocked over budget proposals when faced with the decision of either raising taxes or cutting spending. Even the very politicians making the laws do not wish to pay their own taxes; Mitt Romney, the Republican candidate for President in the last election cycle, paid 14 percent in taxes in 2011 despite the fact that he is one of the wealthiest men in America. Considering he is, after all, a businessman, it probably shouldn't be surprising he has a low effective tax rate and bank accounts outside of the U.S.: every year corporations pay little to no taxes- even getting

money back from the government by ‘paying’ a negative effective federal tax rate and keeping much of their earnings overseas.

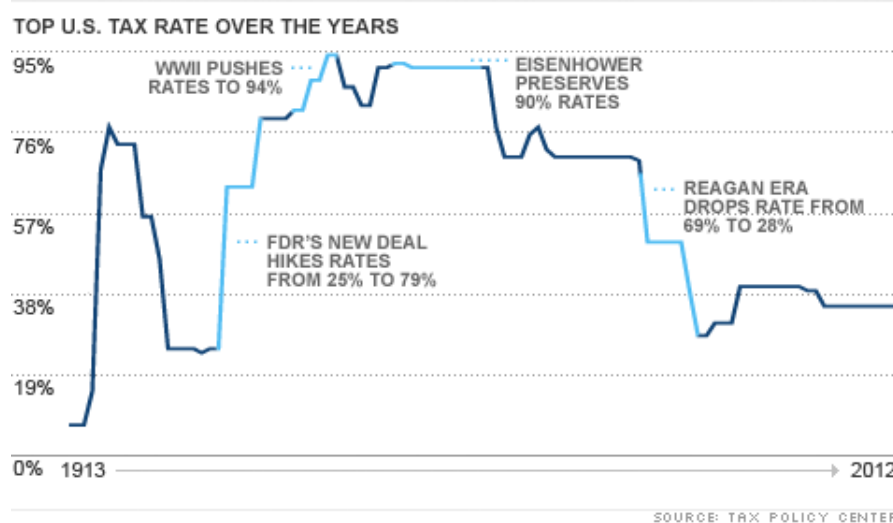
This year, two thousand and thirteen, is the one hundredth anniversary of the Sixteenth Amendment. In these hundred years, the tax rate has fluctuated wildly, from a top tax rate 7% on those making over \$500,000 (\$11 million in today’s dollars) to a top tax rate of 94% on those making over \$200,000 (\$2.5 million in today’s dollars) during World War Two (History of..., 2013). Today the top tax rate is set at 39.6% yet the richest 400 individual taxpayers, who have an average income of \$200,000,000, pay less than 20% of their income (Stiglitz, 2013). The middle class- those already suffering from the downturn of 2008, high college costs, rising gas prices, rising food prices, and continuing high unemployment- are the ones shouldering the tax burden.

The tax structure in the United States is broken. Too many skip out on paying their fair share while those who can least afford the higher tax burden must pay while programs they depend on disappear or have reduced funding because there is not enough money. It is clear that a reconstruction of the tax structure is necessary because Americans, particularly wealthy Americans, are far from overtaxed and implementing a new progressive tax structure in which there are fewer loopholes is vital for the continuation of a prosperous America.

Historically Americans have had higher tax rates and prospered under them. One would assume that during the Great Depression, we would have had extraordinarily low tax rates. Yet we actually increased the top tax rate during that period from 25 to 79 percent. The rate jumped even higher during World War Two, up to 94% and stayed in the nineties during the 1950s. The 1950s are an idealized time in American history. The heyday of the middle class was marked by troops returning in flocks from Europe and the Pacific at the end of World War Two and,

supported by the GI bill, going off to college. These college educated veterans bought houses with government aid and started families they could support with good paying jobs as clerks and managers. Life in 1950's was characterized by cookie cutter homes built up around the larger cities, their driveways filled with two cars and their houses filled with two point five children. Every summer was marked by a vacation and all the children graduated high school. Molded from their world is the perfect suburban life ideologues today point to as the paradigm of America. This is an America that was built with high tax rates. Yet although everyone points to the decade as the best of times, most seem to forget these times had the higher tax rates they are constantly fighting against.

Taxes went into freefall under President Reagan when it dropped from 70% to 28% in 8 years. Although they climbed under President George H.W. Bush to 31% and under President Clinton to 39.6%, President George W. Bush slashed rates back down to 35% in 2003 (Tax



Policy Center, 2012).

Only recently has the top tax rate risen back to 39.6%, a relatively low rate when compared with much of the last hundred years. If for a moment we

look at the inequality present in the United States, the wealth gap between the middle class and the uber-rich, from the beginning of the increase in 1979, we see that the increase in inequality is mirrored by the dropping of the tax rate of the top tax bracket and an increase in income from capital gains, which has a lower effective tax rate. In fact, between 1996 and 2006, the share of

total after tax income that came from capital gains and dividends grew by 40%, the majority of which was earned by the well-to-do (Editorial Board, 2012). This trend seems to fly directly in the face of the assertions proponents of lower taxes have been saying for years; that not only will employment increase with lower taxes but people will have more money to spend, bolstering the economy. America's best years in fact were ones with high taxes, such as the gains to the economy under President Clinton and President Eisenhower. While the 90% rates may not be good for the economy, a return to higher tax rates for top earners and the elimination of the Bush tax cuts on capital gains and dividends could help increase government revenue to pay for the programs that help the middle class and reduce the wealth gap.

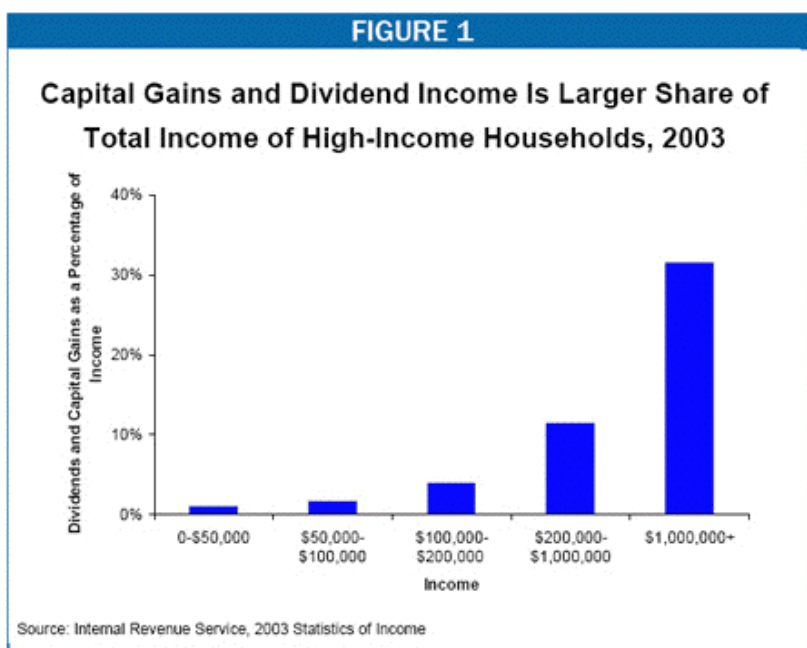
Even the capital gains rate is lower than many other countries; in the United States, the capital gains rate is 19.1% however in Norway it is 28% and in Australia it is 22.5% (Edwards, 2012). These two countries are ranked 1 and 2 respectively on the Human Development Index, above the United States, which is ranked number 3, but only when the number is not adjusted for inequality (United Nations Development Programme, 2013). So if both of these countries have higher index numbers, which means when education, health and living standards are looked at they have higher numbers than the United States, might it not indicate they are doing something right by paying higher taxes? Yes, the capital gains rate in the United States is higher than the 0% paid in countries such as Switzerland, but it isn't anywhere near the oppressive levels most people consider it to be (Edwards, 2012).

The top tax rate in the United States is also significantly lower than other first world countries, most of whom also have significantly better social services. Our top tax rate was just raised to 39.6% on singles making \$400,000 and couples making \$450,000 for 2013, and people screamed that this was too much of a tax and we could never be competitive with such high tax

rates (Perez, 2013). They said the same when California raised its rates, to make its wealthiest pay a combined state and federal rate (if they were paying the full rate) of 47.6%. The rest of the first world might love to pay those rates. Of the 34 countries in the Organization for Economic Cooperation and Development, Denmark had the highest top personal income tax rate at 60.2% and unlike in the United States, that 60.2% kicked in at an income of approximately \$55,000. The United Kingdom and Austria both impose a top combined rate of 50%, although they have higher thresholds, \$221,424 in the U.K. and \$96,374 in Austria (Sahadi, 2013). In Norway, they have a top tax rate similar to the United States, at 40% yet they have a threshold of only \$88,600 while in Australia they have a rate of 48% set at a threshold of \$115,600 (Yellin, 2013). All of these countries are highly developed and they all pay higher taxes at lower thresholds. In Denmark their middle class pays a higher rate than our wealthiest taxpayers. This is a clear indication that we are not overtaxed.

If we make the assertion that the United States tax code needs to be changed to be simpler and more effective, then the question of how to form that system arises. There are three very different kinds of taxes; progressive, flat and regressive. According to Slemond (2002), in a progressive tax structure tax liability as a fraction of income rises with income. This is the system that is used in the United States and much of the world; those with less money pay less of their income while those with more money pay a higher percentage. A regressive tax, however, takes a larger percentage from those with a lower income than those with a higher income (Regressive Tax, 2013). Sales taxes can be seen as regressive taxes because they hit those who do not have as high an income harder; the tax makes the purchase more of their total income than the same purchase would cost someone who made more money. Although the actual cost is the same it is comparatively more expensive for the person with less overall money to make the

good. Flat taxes apply the same tax rate to everyone, regardless of income, and are argued by some to be more “fair” than the typical progressive taxes of Western society.



A regressive tax would not work for the federal income tax system. If we look at the question of who should pay what, the answer should definitely not be the lowest earners paying the most, despite the fact that our current ‘progressive’ tax system has this be the case in effect if

not in theory. It makes no sense to give the heavy burden of financing a nation to people who are already struggling just to support themselves and their families in the current economic climate. Our current tax system, despite the fact that it is set up to be progressive, works far more like a regressive tax system due to the wealthy deriving most of their income from capital gains and dividends. This is due to the fact that those making over a million dollars have over thirty percent of their income as capital gains, which are taxed at 19% rather than at 39.6% and until recently were only taxed at 15% (Harrison,2011). In perspective, at an income level of \$35,000, there is a tax rate of 25% and people making that much in a year have a very low fraction of their income coming from capital gains or dividends. As such, most of the tax burden falls on those making below \$200,000 a year and paying between 25% and 33% (Perez, 2013). These factors make the present system more regressive than progressive and as it already does not work, provides the case that we should not have a regressive system. All a regressive system does is reduce demand

and heighten income inequality, the latter of which correlates with high infant mortality, lower life span and lower happiness (Welsh, 2010). The United States has the highest first-day infant mortality rate in the industrialized world, as well as the highest teen pregnancy rate (Culp-Ressler, 2013). The tax system for the United States therefore, must help reverse the current trend of rising income inequality in order to decrease these figures. Perhaps doing so will also allow the government to fund programs that combat the other factors that cause these things, such as the lack of ability of poor women to access and learn about proper birth control methods and to receive proper pre-natal care.

Flat taxes are another method, and one that has been implemented in several countries around the world. However, several of these countries in recent years have abandoned (the Czech Republic and Slovakia) or are considering abandoning (Bulgaria) their flat tax systems in favor of progressive tax systems (Barro, 2013). Flat tax systems may seem fair by taxing all earners at the same amount, but many have exemptions to reduce the rate down to, effectively, zero, and in reality make up a larger part of the income of a lower earning person than a higher earning one. Say Theta makes \$200,000 in a year and Sigma makes \$20,000 and they both live in a society where there is a flat tax of 10% without any exemptions or deductions, as a flat tax is intended to be. Theta pays \$20,000 and Sigma pays \$2,000, leaving Theta with \$180,000 to live on and Sigma \$18,000. Sigma is living below the poverty threshold in a rundown apartment, while Theta can afford nice vacations and pays for a nice suburban home. Both paid their taxes, in fact Theta paid Sigma's entire yearly wages in taxes. Yet is that really a fair system? \$2,000 means more to someone struggling to get by than \$20,000 does to someone well off and to say otherwise is ridiculous. Taking \$20,000 from Theta might mean that they cannot afford to buy a new car this year, but taking \$2,000 from Sigma might mean they cannot afford to buy clothes, or

food, or pay rent. Flat taxes stop governments from redistributing income, which means income inequality cannot be combated, and also stops them from effectively fighting recessions, like the one that occurred in 2008 and is still occurring in much of Europe (Barro, 2013). As mentioned earlier, income inequality leads to social effects that no country actually wants.

And so we are left with the progressive tax system. Yet the income tax system that we need is not the income tax system that we have today. The current system is riddled with deductions, exemptions and loopholes that can only be found by a lawyer or accountant who is paid to comb the thousands of pages and millions of words that make up the U.S. tax code. In 1913, the entire tax form and directions fit on 4 pages, while today taxpayers must navigate 181 pages (History of..., 2013). Is it any wonder the average person has to turn to a tax professional or consulting service to get their taxes done? No, the system we need to institute has to be simple enough that it can be easily understood, with a minimum amount of deductions (for children, mortgage interest, college tuition, taxes withheld, medical expenses and charitable deductions up to a million dollars) and no loopholes to be exploited by corporations. The top tax rate should be 75% on those making \$1,000,001 and more. The lowest rate should be 0% on those making less than \$22,000 (the poverty line) with a rate of 15% on those making between \$22,001 and \$36,000. For those making between \$36,001 and \$55,000 the rate should be 20% and increase to 30% for those making between \$55,001 and \$100,000. Then for \$100,001 to \$300,000 it should be 33%, 36% for those making \$300,001 to \$500,000, and 40% for between \$500,001 and \$1,000,000. This way those who can afford to pay the most do, while those who cannot are not burdened with paying more than they already do when sales tax and other taxes are taken into account. The capital gains rate should also change; it should be raised to 25% to increase the revenue from those who make the most.

Taxes are complicated, extraordinarily so, and understanding the different structures and rates is no small task, nor is designing a tax system for a country as large and diverse as the United States. The American people have high hopes and expectations for the country as a whole and a love of freedom and liberty. They do not like taxes, many see them as unfair and going against the spirit which founded the nation. Yet perhaps taxes are necessary to reach those expectations. Once a progressive tax system that works like a progressive tax system is put into place the government will have a stream of revenue that it can fuel into America. Taxes are how the government funds infrastructure projects and projects that send us into space. Without taxes we never would have gone to the moon and today, a lack of government revenue has cut NASA to the bone. We need to fund NASA, we need to fund Social Security, we need to fund Medicare, we need to fund all the programs that were designed to help the American people, both rich and poor, in good times and in bad. Taxes may never be seen as the public's friend by those who have to pay them, but they should not be seen as the bane of everyone's existence. They should be seen as what they are - necessary for the good of the country, the good of the people. A fair progressive tax system needs to be established in the United States so the country can prosper. If America is as a great country as many claim, we should endeavor to be so, and a fair tax system is one place to start.

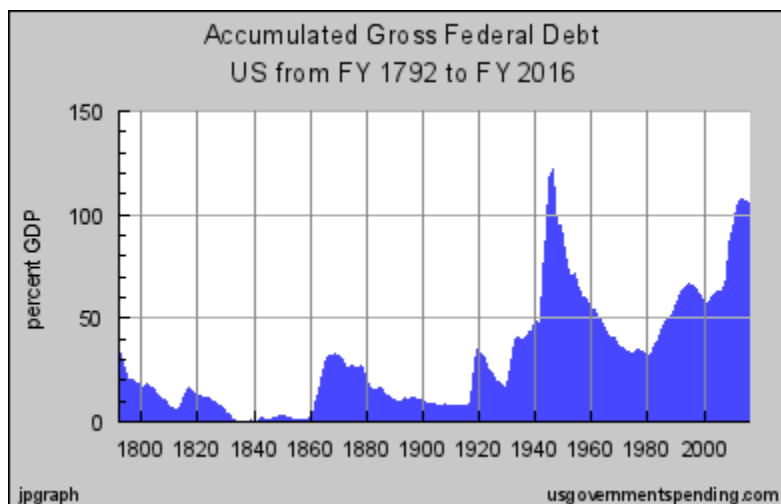
American Austerity

If you have seen any newspaper or watched any news program over the last few years there is a good chance you have heard that the world economy is in shambles. Since the beginning of the Great Recession, which began in December, 2008, the news has been filled with stories about governments trying to fix their economies, dismal reports of high unemployment and the snail's pace at which the economy is inching upward. The Eurozone suffers as Greece,

Italy, Spain and Portugal drag it down with debt problems while Germany pushes austerity on its fellow European Union members. In the United States, there has been one crisis after another with the debt ceiling, the ‘fiscal cliff’ and now it seems that the debt ceiling is returning again.

These problems continue to reoccur and the economy continues to wobble because policymakers do not agree on policy or what is most important. They argue constantly over whether we should choose austerity or spending, or whether we should choose to focus on jobs and growing the economy instead. The way out of recession is a long and difficult path and the road is complicated. In the United States we have to look at the rest of the world and see what has gone right and what is going terribly wrong. We need to take a good look at our history and see what we did right and what we did wrong. Then need to take a real look at how the recession started and we need to solve the problems that caused it. Only then will we manage to solve our problems and get out of the recession.

Ending the recession will require many things. We will have to do what worked in the past to bring us out of the greatest recession we have ever known, spend money, and lots of it, but we also will have to spend it here, not on foreign aid and not on wars half way around the world. We need to raise taxes on those who can afford it while keeping them low on those who cannot to raise revenue. The short term requires focusing on jobs and the economy to return to pre-2007 levels while putting a long-term focus on policies that will reduce our deficit.

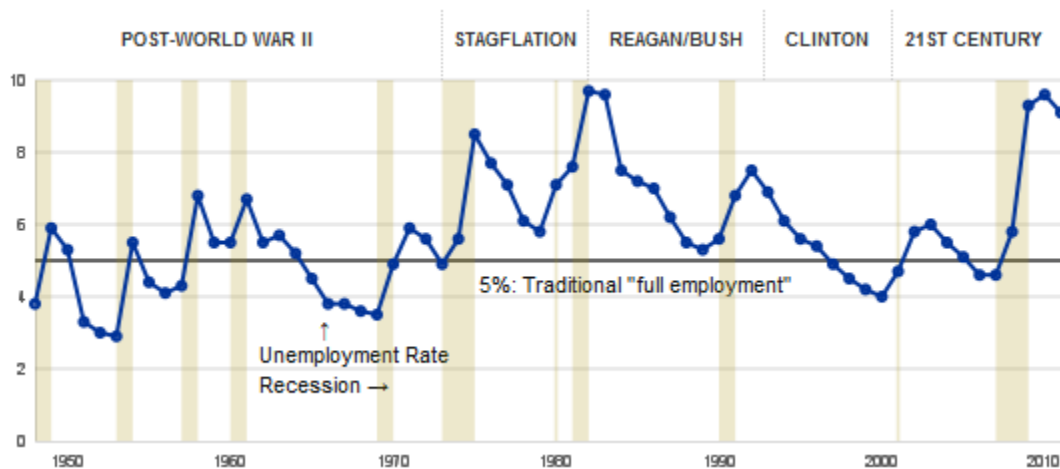


Just as people do, governments acquire debt if they spend more than they take in. The United States began as a nation heavily in debt; a

consequence of the Revolutionary War. We paid that debt off by the eighteen thirties. It climbed back up to 33% of our GDP because of the Civil War, and then fell only to swell and fall because of World War One. An even higher peak was caused by World War Two, when it was 122% in 1946. Almost as steeply as it had peaked, it fell again, continuing to fall until the 1980s.

President Reagan increased the federal debt to over 50% to win the Cold War and, except for a dip from 1997 to 2001, under the Clinton Administration, has increased ever since (Politifact, 2010). (usgovernmentspending, 2013)

Most information and analysis of the debt, the deficit and unemployment is focused on the Great Depression and the period after World War Two. Delving further into this time lets us look at the eleven separate recessions that have occurred and the recoveries that have followed. From 1946 to 1973, the economy grew, stimulated by consumer spending, low energy prices, and heavy military and social spending. During recessions, the Presidents stimulated the economy and the unemployment rate was brought down. In 1957, for example, this was done by spending money on the Interstate Highway System (Silicia, 2013).



The post war period was dominated by Keynesian economics but the nineteen seventies caused Keynesians to rethink their theories, due to a period known as ‘Stagflation,’ a period with

high unemployment *and* high inflation. Initial theories said such a thing could not occur because inflation and high unemployment occurred at opposite points in the cycle. The seventies proved this wrong and many lost faith in Keynesian theories, paving the way for a shift in the eighties under President Reagan to supply-side economics (Wikipedia, 2013).

When Reagan took office, there was a recession, caused by the attempts of the Federal Reserve to suppress inflation. These policies drove unemployment to a high of 9.7 percent, higher even than the 9.6 percent seen in 2009. Reagan's policies drove unemployment back down to 5.3 percent however, to look back at the debt graph, during the Reagan administration debt shot back up. For 35 years after the end of the Second World War, the accumulated gross Federal Debt had been decreasing. Then President Reagan amped up spending to win the Cold War, increasing the debt and setting a new trend. His spending stimulated the economy and decreased unemployment (usgovernmentspending, 2013). The very man who Republicans pay homage to today as the best example for how any modern Republican should be did something they would probably be against today. He spent money and racked up the debt. Now, admittedly, his was defense spending, not spending on something that would still be useful in twenty-five years, but it had a much needed effect on the economy. Of course, another reason the debt increased so much under President Reagan was his tax policy: under him tax rates for the top tax bracket dropped from sixty-nine percent to twenty-eight percent (Tax Policy Center, 2012). This cut revenue for the country at a time it was spending more than ever. While this might have, in some fashion, helped the economy in the short run, it has caused grief in the long run (Silicia, 2013).

A recession in nineteen ninety and a resulting increase in unemployment led to the election of President William Clinton. During President Clinton's first term in office, debt

increased but so did unemployment. Borrowing was high and he increased the tax rate on the top earners from 31 percent to 39.6 percent. And despite this, we saw the lowest unemployment rate – 4 percent since 1969 – by the 2000. A four percent unemployment rate, and the last four years of President Clinton’s term he paid down the Federal Debt [Jacobson, 2010]. Of course, the information industry boomed, creating many new jobs, which helped lower unemployment. During the Clinton era we also signed the NAFTA trade agreement, increasing our exports but also increasing imports (O’Sullivan and Sheffrin, 2007; Silicia, 2013).

Then we entered the 2000s. A miniscule recession occurred after the 9/11 attacks and the .com bubble burst but the unemployment rate never passed 6 percent. President George W. Bush and Congress passed tax cuts on all income brackets in 2003 while simultaneously starting a very expensive war. The housing market boomed, until 2008 when the bubble burst and Lehman Brothers fell. This triggered our present recession. Unemployment jumped from 4.6 in 2006 to 9.6 in 2010. President Obama’s \$800 billion stimulus plan made the attempt to reduce unemployment and fix the economy but as we see today, it has been unsuccessful. (Silicia, 2013)

Today unemployment hovers at 7.8 percent, the national debt is over \$16,000,000,000,000 and the projected deficit for 2013 is \$901,000,000,000, 5.5 percent of GDP (White House, 2013). The good news is that unemployment has gone down since 2009. The bad news is that it is still as high as it was in 1984 when they were pulling out of the 1981 recession (Silicia, 2013). The debt level has smacked back into the debt ceiling (it must be getting so tired of constantly hitting its head) and as policy makers have two months to deal with it, we will likely see a battle in Congress to rival the first debt ceiling face-off. If we do, it could cause repercussions in the stock market and our credit rating may even be lowered again. As for the

deficit, it was higher at the beginning of recovery than any other postwar recovery and the measure in usage to deal with it is austerity.

Austerity is a large term being thrown around, mostly in Europe, in response to the Eurozone crisis, although its practice has infiltrated the United States. Austerity is a state of reduced spending, in this case reduced government spending. (Investopedia, 2012) In Europe, it is the main strategy currently implemented to reduce debt, with the goal of reviving the economy.

Now, for yourself, getting rid of debt and not spending outside of your means is a terrific strategy. However, governments are not people and the debt they incur is not the same as personal debt. Governments have a great effect on the market, much greater than an individual's effects. If they are spending – investing in the private sector, improving infrastructure, creating more government jobs – then there is more money in the economy and it expands. With austerity, the opposite occurs, the government spends less and less money is fueled into the economy. Austerity is a contractionary fiscal policy; for getting a country out of recession that is the opposite of how you want to go. Politicians in Europe said that there was a crisis of confidence stemming from Europe's debt and deficit problem and as such, austerity would demonstrate to capitalists that governments were serious about debt reduction (Bloget, 2012). Hopefully, this would cause them to begin spending, resurrecting the economy.

Now, perhaps if it had been governments who had caused the crisis in the first place (and truly, while they are guilty of regulatory failure, they did not cause the crash) austerity would fix the problems. However, government debt did not lead to the crisis. Look at Europe, which has been pushing austerity measures the United States is finally following. When the euro was being set up, the countries all agreed to limit total borrowing to 3% of their economies output each

year. However, countries did not comply with these limits and broke them, Germany being the first. Yet Germany is seen as the strongest of the markets in the Eurozone. Spain, which complied with the 3% limit until the 2008 crisis, is in a horrible situation, despite the fact it has the smallest debts relative to the size of its economy. So obviously, their government borrowing is not what caused the distress. Instead, the debt that has built up was not government debt it was private sector debt, caused by low interest rates that drove companies and mortgage borrowers to take out loans. In 2000, Germany's total government debt as a percentage of GDP was 61%. Its private sector debt however was an astonishing 165%. And that was 2000. In 2010, government debt was 77% of GDP while private debt had decreased to 164%. In Spain, however, the year 2000 saw government debt at 71% and private debt at 187%. In 2010, government debt had risen to 72% while private debt skyrocketed to 283%. During the decade, all that debt fueled imports to Spain and its compatriots in debt, Italy and even France. Meanwhile, Germany became an exporter, creating a positive trade deficit, earning surplus cash it then lent to southern Europe. Germany also kept wages steady, while in Italy and Spain, wages increased. This has caused Germany to have a competitive advantage over other Eurozone members, and leaves Italy and Spain unable to keep up. (BBC News, 2012)

Yet, government debt is not the Eurozone's problem, with the exception of Greece, which lied to get into the Eurozone and now is reaping it's just rewards for that. For Italy and Spain, however, and other countries facing difficult times it was private sector debt that caused the problem, just as it was in the United States. Austerity is likely to deepen the recession in Europe because no one will be hiring and if you cut government spending, you likely will cut jobs. Fewer jobs allow wages to go down as the market becomes more competitive, but it means that more money out of a paycheck goes toward debt repayment, not into the economy. Consumer

spending makes up seventy percent of GDP (Kelton, 2012). If you reduce wages, then that seventy percent shrinks because people can no longer spend. Even if lowering wages makes workers more competitive, it may not help the export situation when the European Union members that you trade with are also in a recession and looking to do the same thing. This strategy fails spectacularly when everyone is selling and no one is buying. (BBC News, 2012)

Now, part of Europe's problem and their failed recovery comes not from their policy but from their inability to manipulate their own currency. Currency users, those that have to 'get' currency but cannot change how much is in the pool, are rendered insolvent if they are unable to acquire money. Normally, a government is a currency creator and can create an infinite amount of IOUs to add money into the system. However, in the Eurozone, governments are not currency creators, they are users. Like their people, they need to get money or they cannot repay their debts. When there is a downturn, people cut back as the economy shrinks. A smaller economy means less revenue which automatically leads to some austerity, cutting spending and removing net financial assets from the private sector, reducing demand and making it difficult to get more credit. When private sector debt levels are high, as they are across the Eurozone, and banking systems are leveraged, this credit reduction leads to financial distress, bankruptcies, bank failures and systematic failure. Austerity further promotes this 'death spiral' and leaves no way out.

(Harrison, 2011)

Looking at Europe and how austerity seems to have failed them, there is a good case to be made that austerity in the United States is destined to fail as well. However, the facts will soon be in on this, as the United States has already entered 2013 with more austerity cuts in the scheduled for next year than Britain in 2011 or 2012, Spain in 2011 and France in 2012 (Plumer, 2013). This comes from the 'fiscal cliff', the name adopted by the media for the automatic cuts

to government spending and the expiration of the Bush Tax Cuts that would have occurred had Congress not reached a deal. The Bush Tax Cuts for individual making less than \$400,000 and for couples making less than \$450,000 were made permanent, a move that will help prevent the country from slipping back into recession. Taxes on the wealthiest Americans, however, jumped from 35 percent to 39.6 percent, returning it to the level of the Clinton administration. Over ten years, this move is estimated to increase revenue by \$600 billion. Sequestration –across the board cuts in federal spending- was delayed and unemployment insurance extended another two months. Despite these gains for the people, payroll taxes are going to return to 6.2 percent, leaving a person making \$30,000 a year dealing with \$50 less each month. This is going to leave less money in the hands of the average consumer, which may yet pull us back down. Perhaps things would be acceptable if politicians had solved anything when they made this deal however they simply pushed things off for another two months, when they will also be discussing the debt ceiling. Considering it was the last debt ceiling agreement that caused this fiscal cliff, America should prepare for austerity whether it would be good for the country or not. (Smith, 2013)

So if austerity will not work to remove us from the mess, what about its opposite? Spending is actually the answer of how to grow the economy, because spending is how we calculate GDP, the way we measure our economy. It is composed of Consumption Spending, Investment Spending, Government Spending and Net Exports and to grow the economy, we need to increase one or some combination of these four factors. (Kelton, 2012)

One problem in America today, and the reason we still are having problems, is a lack of demand. If we could increase demand, supply would need to increase, leading to new jobs as businesses need more workers. If we hire more workers, our unemployment rate will decrease. How is demand increased? Spending. Ergo, if we increase spending we should see a resulting

decrease in unemployment. Who can spend more money than anyone else? The government. We know this; by March of 2011, infrastructure investment saved or created 1.5 million jobs, mostly in the private sector. (Boushey, 2011)

How much spending and where is another question. While defense spending is what helped end the Great Depression, we already spend money on defense that probably isn't needed (Blodget, 2012). Where we really need to put the money is in infrastructure. Independent analysts have found that the country needs as much \$2,000,000,000,000 just to modernize infrastructure that desperately needs it. Spending some of that money on highway improvements would then boost state economies by two to one as it would first increase aggregate demand when the hired workers spent the money they made then the improved roads would further increase productive capacity. Water and Energy infrastructure also need to be addressed and a smart grid funded. We know infrastructure spending can help an economy- the money from the 2009 American Recovery and Reinvestment Act had a heavy impact, more than infrastructure stimulus normally would. (Walton, 2012)

There are other things on which we should concentrate spending as well. NASA for example, which suffers from a projected budget of \$17.7 billion for 2013 and may still be shrunk after February (Brown, 2012). NASA has a history of technological development that benefits all of humankind from UV blocking sunglasses, to eye-tracking devices for LASIK surgery to carbon monoxide detectors to flexible circuits. They created the Hubble Space telescope and the Mars rovers. What NASA does generally is aimed at fundamentally changing our view of the universe, from giving us our first picture of Earth from outer space or establishing for a fact there is or was water (and therefore possibly life) on other planets. They need funding if they are to plan manned trips to asteroids or Mars, or even rover missions to the moons of Saturn and

Jupiter. NASA also discovered ozone layer problems and studies the Sun to prevent satellite network knockdowns. Not only will increasing NASA's funding work towards expanding our understanding of the universe and create technological breakthroughs, it will put scientists, engineers, electronic technicians, clerks and others to work. (Diaz, 2012)

It will be years before the economy returns to a state anything near its 2005 or 2006 levels. This recession shook not only the country, but the world and it will take time to recover. Spending is one way we can speed up the recovery and if we choose wisely where to spend, we will reap long term benefits from it. However, we also need to plan. At the moment, high spending and low taxes on the middle and lower classes are the way to go. Interest rates for the United States are extremely low- almost nothing in fact. Right now, we can borrow extensively without high interest payments, and we should take advantage of the fact. For now, creating jobs and growing our economy is more important than slashing and hacking at the debt.

In the long run, the opposite is true. Tax rates cannot stay as low as they are forever and the tax rate on the top two percent of earners- as long as they persist in taking the majority of the nation's wealth- should be raised to at least sixty percent. Tax rates on the middle and lower classes should be watched carefully and adjusted when they will cause the least damage. Increased revenue will help decrease the deficit but we also need spending cuts. Consolidation of government agencies could cut costs by reducing overlap and increasing efficiency. Subsidies to industries that are booming should be eliminated as they are no longer needed, especially when many date back to the Dust Bowl.

Instituting socialized medicine could also save the United States money in the long term, considering that countries such as Germany and the United Kingdom pay less per person while having health care on par or surpassing that of the United States. The German model especially

may appeal to Americans who cry that we need competition. In Germany, insurance companies compete for patients who can choose their own doctors and at any time can change to another of the 100 nonprofit providers. They are mandated to have health insurance but can choose to get private coverage if they can afford it. Insurance companies are able to negotiate prices with doctors and drug companies, reducing costs. Germany pays \$3500 compared to the United States' \$7000 per patient and they live two years longer on average. (Peter, 2012)

There is one more thing that we need to do to safeguard ourselves; regulation. Deregulation of the banks got us into the Great Recession and we need new regulations to prevent the banks from doing the same, reckless money moves they did to get us into the recession. This will require funding to go into the agencies that are in charge of watching them in order to ensure they do not relapse but it will be money well spent protecting ourselves.

There is a long road ahead for America and it might not be an easy one. It will have to start out by focusing on jobs and the economy, making sure we are on stable ground before we tackle our long-term problems. Then we need to concentrate on bringing down our deficit while still making life better for the American people and preventing such a debt crisis from reoccurring. We are in a difficult situation but not one we cannot get out of and emerge from stronger than ever before.

Conclusion

America today is much different from the America any immigrants coming to this country a hundred years ago could have ever expected. Rather than being a purely democratic home of opportunity, the country has transformed into a place where groups battle for legislation in their favor, often to the detriment of greater society. The gears of government grind to a halt as

decisions cannot be made because no one will compromise and all the while the elites continue to make money.

The government is against Wikileaks, an organization pushing the boundaries of media in the digital age, yet the media is one of the central tenets on which a thriving democracy is built. Without a media independent from the government and able to print what it likes without prior restraint, what democracy is left might vanish into thin air. If we were even to think of returning to pluralism or traditional democratic theory we need to make absolutely certain the media stays independent and able to inform the citizens of this nation about the activities of their government. The media is perhaps one of the greatest fighters against the elite class; while the corporations might control large portions of what is seen every day, there are independent organizations, such as Wikileaks, which spread the truth without needing to play to what the head honcho wants. The media lets the public know about campaign contributions (i.e. who is paying off whom) and tries to report on the dodging of taxes by the corporate elite who have decided to do anything and everything possible to avoid paying what they should.

The tax system only perpetuates elite class theory by allowing those who make the most money to keep it rather than paying their fair share in taxes. They use the broken system that only degenerates more every year as lobbyists paid for by corporations talk members of congress into making laws that allow them to slip around and hide money or pay less than they are supposed to. They have those that are intended to defend the interests of the American people under their golden thumbs and it is only making this country worse. The people suffer while politicians duke it out only to fall under the whims of corporate money.

Austerity is simply another trick being used by the groups and corporations to destroy America and its democratic dreams. The money that would be cut comes not from subsidies or

defense contracts that create more wealth for the wealthy, but from programs that help the poor and working class. Without many of these programs, families already in trouble would be even worse off, and as new restrictions manage to find their way into the paths of those who wish to vote, the basis for democracy is cut off from the people. Those in poor neighborhoods already are less likely to vote because they have to work and because they cannot stand in line for the hours it takes to vote when their district only has one or two polling places. That is if they do not have voter ID laws in place in their area, as many inner-city voters do not have a driver's license or other form of valid id and they lack the time to get one. Austerity would also crumble the economy even more, but that only really effects those who actually need to work for a living, the ones who get cut first when the companies decide they need a better profit margin and less workers is how they are going to afford their extra vacation this year. Yet the groups fighting to be in charge do not fight their battles for the poor who would be hurt most by austerity, rather using it as a bargaining chip for their own political gains.

These three topics – freedom of the press, tax policy and austerity – make it clear that today's America is one in the thralls of hyperpluralism and elite class theory, suffering from a lack of warriors to fight for the 99%. Any significant change in circumstances would have to come from a realization on the part of the people that the way things are is not working and that we need to deviate from the current method of voting for those who build campaign strategies upon the promise that they will not compromise. Compromise is what we need in this country if we want to return to a government that works. Perhaps groups are always going to have more strength than individuals in forcing the government to change its policies, but if we are to have groups than at least let them work for the people rather than for corporate sponsors only interested in their bottom line. Let us have campaign finance reform and more transparency in

the process. Let the media know that we will let them publish without prior restraint because they are necessary and let our reformed congress pass new tax laws to create a system where the government gets the money it needs to help everyone. Let spending not overdo it, but be put to work building a better, stronger America; an America that any immigrant would dream of coming to, even if the streets were not lined with gold.

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