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Nebraska Report

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Nebraskans for Peace

NFP is a statewide grassroots advocacy organization working nonviolently for peace with justice through community-building, education and political action.

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Peacemakers of the Year

Dan & Marge Schlitt

A. J. Muste once observed, “There is no way to peace; peace is the way.”

Marge and Dan Schlitt have blazed that path for many of us: the two of them, as lifelong followers of the Society of Friends or Quakers; as founding members of Lincoln’s “Nebraskans for Peace in Vietnam” in the mid-’60s; as founding members of Nebraskans for Peace in 1970; and as supporters of open government and environmentalism throughout their lives.

In their separate activist lives, Marge was an early lobbyist for the passage of the “Open Meetings Bill” with my wife Betty and with Senator Gary Anderson; she lobbied more than anyone else for making “Wilderness Park” near Lincoln the kind of park that it is; taught many, many young children of prudent environmental practices through her camping and youth activities; and taught prisoners and those outside the prison the disciplines of nonviolence through the program called “Alternatives to Violence” for 24 years. Finally, she has recently assisted Interchurch Ministries of Nebraska in seeking penal reform in the education and aftercare system. She also worked successfully with former State Senator DiAnna Schimek in securing the passage of the bill to restore all voting rights to prisoners two years after their release.

Dan, a physicist and computer scientist, created much of the communication and education system for the ’60s-’70s anti-Vietnam War organizations in Nebraska and served from 1988 to 2008 (40 years) on the central committee of the Friends Committee on National Legislation—in my view the most effective peace with justice advocacy group in Washington. In FCNL, he served on the influential policy and nominations committees. He also has spoken and written effectively locally and, through FCNL, in opposition to the nuclear arms race and the proliferation of nuclear power. He was one of the founders of “Health Central”—an innovative model for providing healthcare. He has been one of Nebraska’s best advocates against the blubbery military budget that keeps millions of Americans unemployed and poor through its distorting effects on our economy.

No peacemaking concern is alien to Marge’s and Dan’s interest. They are everywhere. I lived a few blocks from their place for years, and they got me going by always speaking bluntly, honestly and with peace-filled candor about what they were thinking and what I should do. Though they are not spring chickens, they still walk or bike most the time when traveling about Lincoln. They will leave the earth more peaceful and greener for their having been here. Because of the lives they have led, the words they have spoken, and the examples they have set, they are our 2012 Peacemakers of the Year.

— Paul Olson

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This Holiday Season, Give the Gift of PEACE.
The Fiscal Cliff

Disaster Capitalism at its Finest

by Hendrik Van den Berg
UNL Professor of Economics

The news media constantly warn us about the fiscal cliff that our economy is poised to drive over January 1. We are told that the sudden tax increases and sharp cuts in government expenditures scheduled to take effect after the first of the year will push the economy back into recession and raise unemployment back over ten percent. Something must be done!

On the other hand, we’ve just come off an election campaign during which we were continually told by politicians from both parties that unless we cut the government deficit, our children will be doomed. So which is it then? Must we raise taxes and cut expenditures to save our children’s future? Or, must we preserve government spending and defer raising taxes in order to keep from driving off a fiscal cliff New Year’s Day?

A bit of skepticism is in order here. What we are facing is yet another episode of misleading political posturing by the two corporate-controlled political parties that serve only to cover up the continued manipulation of the economic rules in favor of the already wealthy.

What Exactly Is This Fiscal Cliff?

On January 1, the 2010 temporary two-percentage point cut in payroll taxes will end. This means the average family will pay about $1,000 more in taxes in 2013. Also, the Bush tax cuts will end. Among other things, the 2001 reductions in marginal tax rates from 15%, 28%, 31%, 36%, and 39.5% down to 10%, 15%, 25%, 33%, and 35% will be reversed, the capital gains tax will go back to 20 percent from the current 15 percent, the child tax credit will go back down to $500 from $1,000, many dividends will again be taxed at the marginal income tax rate rather than the lower 15 percent rate, the estate tax will rise from 35 percent back to 55 percent and will again be applied to inheritances over $1 million rather than $5 million, and the inflation adjustment to the alternative minimum tax will end.

These substantial tax increases will be accompanied on January 1 by a reduction in how long unemployment benefits can be paid out, a $120 billion cut in government discretionary expenditures (including $55 billion in military expenditures), and a reduction in Medicare payments to physicians.

There is broad agreement that these tax hikes and expenditure cuts will drive the economy into recession. Even the deficit hawks, who claim that deficits cause all our economic problems, argue that such a sudden shift in taxes and expenditures is likely to be recessionary. But, there is little agreement on how to proceed.

President Obama says he will not accept any deal to address the crisis without a rise in taxes on the rich (people with more than $250,000 annual income), while the Republican leadership has ruled out any increases in taxes. However, both parties seem willing to cancel the programmed cut in military expenditures. In general, the potential courses of action seem to come down to whether one sees unemployment as the greatest problem (in which case an extension of tax cuts and expenditure levels would be preferable), or whether one fears government budget deficits (in which case doing nothing and letting the economy go into a new recession seems preferable). There are better solutions available, however.

A Better Solution

Not all taxes and government expenditures have the same effect on the economy and the government budget. Some taxes would increase unemployment very little, and some expenditures would lead to more new jobs than others. Hence, by merely shifting taxes and expenditures it becomes possible to both reduce future deficits while also avoiding a new recession. These specific decisions run smack up against ideological objections and special interest agendas, however.

For example, the calls by many Republicans and Democrats to avoid cutting the military budget makes absolutely no economic sense. The economic multiplier effect for defense spending is very low—only about a third of the multiplier effects of unemployment insurance, food stamp payments or hiring teachers, according to the Economic Policy Institute...

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The principal actors in the drama: President Obama and House Speaker John Boehner.

continued on page 4
MOVING TOWARD ECONOMIC JUSTICE

The following guest editorial by NFP State Board member Jay Schmidt appeared in the November 2, 2012 edition of the Lincoln Journal Star.

If you have been feeling an economic pinch lately it isn’t just your imagination. A Pew Center study found “the upper-income tier now take in a much larger share of the American aggregate household income than they did four decades ago, while those in the middle tier take in a much lower share.” In fact, the middle class lost a 17 percent share of the total income between 1970 and 2010. The lower-income households lost 1 percent. If you look at net assets, it’s even worse. The middle class took a 28 percent loss in assets from 2001 to 2010. Much of this was because of losses in home equity.

How did we get into this economic mess? It was no accident. There were deliberate planned actions. Those in the Pew study blamed Congress, banks and financial institutions and large corporations. They are surely on target. Many well-paying manufacturing jobs went overseas because of cheaper labor, such as the Vise-Grip plant in DeWitt. Many of these plants were profitable here, but the owners were seeking even more profits.

Teacher positions and other government jobs have been cut back. Minimum wage has fallen far behind cost-of-living increases and with it lots of lower-paying jobs. Beginning in the 1980s, the government loosened banking regulations culminating in 1999 with the end of the “Glass-Steagall Act.” This helped financial institutions to become richer, and they in turn enriched their executives. In 1978, the average CEO’s compensation was 26 times the average worker’s salary, but by 2010 it was 205 times the average worker’s wage. The home mortgage mess partially caused by looser regulations dropped home prices, thus hurting many middle- and lower-income families.

Some of the responsibility also goes to changes in our federal tax code. The richest Americans have had the greatest drop in their tax bills. They have many defenders in national and state governments claiming they are the ‘job creators’ and therefore more money in their hands is a good thing. Of course if this were true we should have full employment by now. However, it is consumers with spendable money who create demand for products and services, and that translates into jobs. The tax rate on the top 0.1 percent has gone from more than 70 percent in 1970 to 35 percent in 2004. This is often lower because of the capital gains tax advantage. Our lawmakers have given continuous cuts to these top earners. When Congress has made cuts in programs to pay for a small part of these tax cuts, of course the programs cut have been those helping middle- and lower-income families.

When people lose jobs and do find work, it is usually at a lesser wage. Some people in the middle whose wages have fallen have been dropped down from the middle to lower-income bracket. When these lower incomes remain flat, we see it in some Nebraska statistics. Because we have low unemployment—about 4 percent—one would expect that the poverty rate would be minimal. But in 2010 we still had a state poverty rate of 11.8 percent and a Lancaster County rate of 13.8 percent, indicating that many of those jobs don’t pay enough for a decent standard of living.

We can do something about this assault on the middle and lower classes. We can debunk the myths that we are fed. We can be informed, active citizens. We can work for quality education that meets the needs of today’s jobs. We can be active members of organizations that work for justice. This may mean working for laws that will encourage companies to bring jobs and profits back to the United States. It may mean pushing for higher wages or a more graduated income tax that plugs loopholes so that Warren Buffett’s secretary no longer pays a higher percentage of her income in taxes than he does.

Jay Schmidt is a retired clergy member who keeps engaged in ministry through justice and peace concerns.

The Fiscal Cliff, continued

to the Economic Policy Institute. That is, merely taking money out of the Pentagon and spending it elsewhere provides a net boost to the economy without adding to the deficit. Or, if the deficit is such a concern, then cutting defense in half could be perfectly rational, but if economic recovery can be maintained, it will actually become easier to reduce debt in the future.

In sum, we can reduce the projected long-run budget deficits by both taxing higher-income groups more and stimulating employment by spending more on payments and programs that benefit the lower-income groups. This would also make the budget both more egalitarian and more likely to keep the economy expanding. Who could object to that?

The Hidden Agenda

The real agenda behind the fear-mongering over the fiscal cliff is to get Americans to accept cuts to the social safety net. Note how discussions on the fiscal cliff...
The Invisible Hand
Is Still a Bad Metaphor

by Hendrik Van den Berg, Professor of Economics, University of Nebraska

Capitalism is often touted as being superior to all other economic systems because it’s comprised of competitive markets that inherently lead self-interested individuals and profit-driven firms to maximize national well-being. The markets translating these individual economic decisions into socially optimal outcomes are often described as by the metaphor of the “invisible hand”—famously introduced by Adam Smith (1976 [1776], p. 477, Book I) in his Wealth of Nations:

As every individual... endeavors as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it...by directing that industry in such a manner as its produce may be of greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which is no part of his intention.

The idea that a market system automatically generates good outcomes is so widely accepted that few people nowadays even question the logic of the invisible hand.

Actually, economists have worked out precisely what type of markets an economy would have to consist of in order for the actions of rational self-interested individuals and firms to translate into socially optimal outcomes. As it turns out, it is not so easy for markets to generate prices that accurately reflect the true costs and social values of goods and services. For starters, the invisible hand needs markets that are competitive (no monopoly power), complete (no external benefits and costs to others outside the market) and efficient (all relevant information is incorporated in market prices). Also, for the invisible hand to guide selfish individuals to behave in the public interest, markets must make accurate decisions even when they face uncertainty—the state in which information on all possible market outcomes does not exist. In cases of uncertainty, economic transactions among people will inevitably prove to have been undertaken at the ‘wrong’ prices, and there will be unexpected gains or losses. There may even be defaults and bankruptcies.

In sum, it takes quite a set of assumptions to create an environment in which the invisible hand can carry out its magical transformation of individual self-centered behavior into an optimal social outcome. Not all economic activity passes through fully competitive, complete and efficient markets, nor do humans live in a certain, predictable world. Can the metaphor of the invisible hand really be used to describe a real economy?

One way economics keeps the metaphor of the invisible hand alive is by assuming an economy consists entirely of markets and all human economic interactions are exchanges in which something is traded for something else. There is, however, ample evidence showing that in carrying out life-sustaining and life-enhancing economic activities, humans interact with each other in many ways that do not involve market exchanges…

Not All Human Economic Interactions Involve Markets

One way that economics keeps the metaphor of the invisible hand alive is by assuming an economy consists entirely of markets and all human economic interactions are exchanges in which something is traded for something else. There is, however, ample evidence showing that in carrying out life-sustaining and life-enhancing economic activities, humans interact with each other in many ways that do not involve exchanges in markets. In fact, the word economics is derived from the ancient Greek words meaning “management of the household,” which suggests that the study of economics was not intended to be limited to market exchanges.

In his 2011 book, Debt: The First 5,000 Years, the social anthropologist David Graeber classifies economic human interactions into three broad categories—only the first of which includes exchanges based on reciprocity that could be described as market transactions. Graeber notes that a great many human interactions reflect the Marxist principle of “from each according to their ability, to each according to their need.” That is, humans ‘act like communists a good deal of the time’ by doing what they know how to do, while also accepting assistance from others when they need it without any calculated sense of reciprocity. Communistic interactions follow norms, traditions and other cultural institutions that reflect social and economic hierarchies. Such hierarchical interactions are common in business, the military, most social organizations and

continued on page 9
A walk around New York City’s Battery Park area, at the southern tip of Manhattan Island, got me seriously into global warming during October of 1999.

I had been invited to the National Museum of the American Indian in the Old Customs House to give a presentation on racism and press coverage of ‘Kennewick Man.’ The evening before my talk, I read an article in the New York Times speculating on the consequences that would follow melting of the West Antarctic Ice Sheet, including a rise in sea levels worldwide of 16 to 18 feet. The next day, I visited my editors at Greenwood Press (then in Westport, Connecticut) and pitched an encyclopedia that began with ‘Global Warming Desks Reference (2001).

The Storm Surge at Mom’s Back Door

Thirteen years later, nearly to the day, I spent much of October 2012 in the Norfolk, Virginia area at my mother’s bedside, following her operation for a brain hematoma complicated by cardiac arrest on the operating table. At the time, Hurricane Sandy was raking the Atlantic on its way to inundating New York City and the Jersey Shore with its highest storm surge on record.

New York City’s storm surge was 14 feet; Norfolk’s was half that, bringing the brackish water of an estuary off the Elizabeth River where my mother has lived for 35 years to about three feet (vertically) below her back porch. At 14 feet, New York City’s surge, the cockroaches would have been having swim meets in her living room.

I sent a letter to the editor of the Virginian Pilot. He, or she, threw it away. I don’t think my letter was rejected because I can’t write. Perhaps a line about the Tidewater area going underwater might have raised the ire of real estate agents who sell waterfront property in the area. Some things can be just too true.

Face it. My timing sucked. Three days after I emailed my letter, Hurricane Sandy rolled up the coast. Water views are very nice, except when the largest low-pressure system in recorded history moves in next door.

I had written: ‘For the first time in 20 years, climate change was not mentioned in this year’s presidential debates. At the same time, NASA satellites have detected a widening rift in the Antarctica’s Pine Island glacier. This glacier acts as a plug, like a cork in a bottle, between the ocean and the West Antarctic Ice Sheet. Should this ice sheet melt into the sea, the world ocean would rise 16 to 18 feet. This ‘cork’ is now breaking up. Given the recent trend in temperatures (and the fact that thermal inertia due to increasing use of fossil fuels makes future increases all but certain), a major sea-level rise could put large portions of Tidewater under water within two centuries. The real sea-level rise could be sooner, and faster, given the likelihood that other ice (such as mountain glaciers and Greenland’s ice sheet) also will melt at the same time.’

Such a prospect should at least be worth a mention in our political campaign. Hurricane Sandy is only a wake-up call.

Mayor Bloomberg’s Endorsement

Two days after Hurricane Sandy’s storm surge struck, New York City Mayor Michael Bloomberg, a registered Republican-turned-Independent, endorsed Obama for reelection. Bloomberg stated that he made the endorsement in the hope that the White House would do something about global warming, because of its role in a growing roster of natural disasters like the “superstorm” that had just assailed New York. And to punctuate the point, the cover of the November 1 edition of Bloomberg Businessweek (owned by the Mayor) blared in black and red: “It’s Global Warming, Stupid!” Two weeks later, another severe storm tracked along the same path, intensifying the devastation along the coast.

How many disasters will be required to get the subject on our political radar? Will a newly re-elected President Obama do what’s right for the Earth?

Bruce E. Johansen is Jacob J. Isaacson Professor at the UNO and author of The Encyclopedia of Global Warming Science and Technology (2009).
A Clean Energy Roadmap for Nebraska

by Duane Hovorka
Executive Director
Nebraska Wildlife Federation

At the Nebraskans for Peace Annual Peace Conference in Grand Island in October, speaker after speaker talked about climate change and the need to move Nebraska (and our world) away from fossil fuels like coal and toward clean energy solutions like solar, wind and energy efficiency.

Getting to a clean energy future won’t be easy, and it won’t be automatic. It will take a careful strategy and a commitment to change. It will require the strength of more efficient technologies, our customer-owned public power districts could cap the growth in energy use without sacrificing productivity or comfort.

That would allow our utilities to avoid building and running expensive new power plants, saving Nebraska customer-owners billions of dollars on our electric bills over the coming years. This is not happening now—at least on the scale needed to flatten the growth in demand. But it could if we asked for it, and the benefits for our state would be tremendous.

Nebraska currently has more power plant capacity in place than it actually needs to meet current demands. If we can flatten the growth in our demand to zero, then we could actually retire at least one of the old coal-fired power plants that are nearing the end of their useful life—right now.

The potential is actually there to go well beyond just flattening our growth in electricity demand. With energy efficiency investments at a power plant scale and carefully designed strategies, our publicly owned and operated power districts could actually help customers reduce Nebraska’s overall use of electricity—keeping hundreds of millions of dollars in our local economies while reducing the pollution in our air and water.

2. Renewables Are Ready

While Nebraska has no coal and very little oil or natural gas, it has abundant supplies of wind and solar energy. Our state ranks 3rd or 4th in the nation in wind energy potential, and 13th in the nation in solar energy potential. Yet Nebraska is not even in the top 20 of states in installed wind power, and wind and solar together provide less than 2 percent of Nebraska’s electricity.

In contrast, Iowa got 19 percent of its electricity from wind in 2011, and South Dakota generated more than 20 percent of its electricity with wind. In fact, every state surrounding Nebraska gets far more of its electricity from wind than Nebraska does.

The cost of wind energy has dropped significantly, and proposals for new wind farms are quoting costs of less than 3 cents per kilowatt hour—substantially less than the cost of a new coal-fired or nuclear power plant.

Solar energy costs are dropping even more rapidly. Just a few years ago, solar photovoltaic cost about 20 cents per kilowatt hour. Today, the cost of solar panels has fallen so fast that new solar photovoltaic can provide electricity at less than 8 cents per kilowatt hour.

The wind industry and Nebraska utilities could easily add 300 MW of wind and solar capacity per year over the next eight years. By 2020, just about one-quarter of Nebraska’s electricity could be coming from wind, solar and other renewable energy.

While the wind doesn’t blow all the time and the sun only shines during the day, other technologies are available that can fill the gaps. Pumped hydro facilities have been used for decades to store energy, and compressed air storage is another option. Newer technologies like utility-scale batteries and using surplus energy to...
A Clean Energy Roadmap for Nebraska, conclusion

produce hydrogen for fuel cells is being developed, and until then natural gas can provide affordable backup to wind and solar.

3. Gas Is a Natural

Natural gas, like coal, is a fossil fuel. Like coal and oil, burning natural gas puts carbon into the air. However because natural gas is a cleaner fuel, burning it does not put as much sulfur dioxide, particulates or other pollutants into the air. According to the Environmental Protection Agency, producing electricity from natural gas contributes substantially less in greenhouse gases, and far less in pollutants that cause cancer and other illnesses than producing electricity from coal.

Natural gas power plants are also designed to ramp up and down more easily—unlike nuclear and coal-fired power plants, which run best at one speed, cranking out a set amount of electricity hour after hour.

The ability to more easily adjust output to changes in the demand for electricity makes natural gas a better fit for renewable energy like solar and wind that rise and fall. On days when the wind is not blowing as hard, and during the night when the sun is down, natural gas can provide the electricity needed to keep the lights on.

Of the 8,066 MW of power plants in place for Nebraska utilities, about one fourth of that capacity is from plants that burn natural gas. However, those units are rarely used, and typically produce about 1 percent of Nebraska’s electricity, running only on hot summer days when the demand for electricity is highest.

Using Nebraska’s gas-fired power plants as backup to new wind and solar energy would make better use of these important assets. As we bring on much more renewable energy, retrofitting one or more of Nebraska’s older coal-fired power plants to burn natural gas would reduce air pollution while providing more flexibility to add wind and solar energy.

4. Double Duty

Large industrial facilities like ethanol plants and food processors use enormous amounts of energy, and often produce large amounts of heat. With careful design, the waste heat from these facilities can be used to generate electricity, making double use of the same energy.

While Nebraska has good potential for these ‘combined heat and power’ facilities, our state ranks near the bottom of the 50 states in how many of these facilities are actually in place. Nebraska’s historically cheap power costs and public power structure have made it difficult for private companies to justify the investment needed.

As the cost of electricity increases and the benefits of making more efficient use of energy climb, Nebraska utilities should be able to take advantage of opportunities to put in place hundreds of MW of new combined heat and power facilities to make double use of the energy their customers are already using.

5. Reinvigorate Public Power

One impetus for the creation of public power in Nebraska was to deliver services to sparsely populated rural areas of the state—services that were seen as unprofitable by large private power companies. It wasn’t kilowatts that rural residents wanted; it was the clean light that it provided that could replace old oil lanterns, and eventually the labor-saving devices that electricity could power.

Today, people want a house that is warm in the winter and cool in the summer, hot water, lights at night, food that can be kept cold or made hot and gadgets that will run when you flip the switch. As our information technology improves by leaps and bounds, appliances are made more efficient, and energy choices become more complex, there is a clear need for entities willing to provide those energy services in cost-effective ways to consumers.

When it comes to generating power, however, we in Nebraska are still adhering to a business model from the 1950s: simply producing kilowatt hours at the lowest cost. But as we now know, there are critical health, environmental, economic development and financial risk factors that also require close consideration.

As the growth in electric demand has slowed (and, hopefully soon, will peak and start to decline), it is imperative we adopt a new business model for power generation that reflects the needs of today.

It makes far more sense, for example, to invest in insulation, weatherizing homes, and energy efficient appliances that will save energy at a penny a kilowatt hour than to continue to generate power that costs two or three times that much. And it’s far more prudent to keep our utility dollars at home—investing in our local communities, creating jobs and wealth for our citizens, and protecting our health as we reduce greenhouse gas emissions—than to be sending our money out of state to Wyoming to buy coal.

Ultimately, the people of Nebraska are the ‘owners’—not just the ‘customers’—of our state’s unique 100-percent publicly owned power system. We are the ‘public’ in public power. Through our locally elected utility boards, we can expand the scope of our public power districts to make them energy service providers and economic development engines, thereby guaranteeing that they will retain an important place at the center of our communities for decades to come.

The Results

With a carefully designed action strategy, cost-effective investments in energy efficiency, wind, solar, combined heat and power, and the conversion of at least one large coal-fired power plant to natural gas, Nebraskans could transform our state’s electric industry. By the end of the decade, we could:

• have 25 percent of our electricity coming from wind and solar energy;
• eliminate the need to build two large new coal or gas-fired power plants in Nebraska;
• reduce the share of our electricity coming from coal to about 20 percent—from over 63 percent in 2010;
• generate billions of dollars of investment in rural Nebraska;
• keep hundreds of millions of dollars in our state; and
• put Nebraska on the road towards a sustainable, home-grown clean energy future.

Nebraskans have a clear choice. Our future won’t look like our past, and it shouldn’t. All Nebraskans have a stake in our energy future, and Nebraskans who care about peace, justice and our environment need to be a clear voice for clean energy in those discussions.
The Invisible Hand, continued

government. Human interaction with nature is also hierarchical; humans simply take what their economic power and technology let them take without any obligation to give something in return.

A Simple Exercise to Prove the Non-Existence of the Invisible Hand

The discussion on the conditions necessary for an economy to function in line with the metaphor of the invisible hand suggests that the viability of the invisible hand depends on how many economic interactions among human beings actually pass through Adam Smith’s description of highly competitive, well-informed markets in which prices and quantities adjust promptly in response to shifts in demand and supply. How often do humans occupied in providing for their economic needs interact with others in such markets?

In general, human interactions with economic aims and consequences occur outside markets. For example, humans often engage in household production, preparing meals, taking care of children, entertaining guests, etc. It is, of course, impossible to arrive at a precise estimate of productive non-market activity because people tend to keep few records of such activity. Almost 50 years ago, Betty Friedan pointed out in the Feminine Mystique that the value of these activities by women can be quite high. Valerie Ramey and Neville Francis, for instance, estimate that in the United States home production hours are about equal to total market employment hours.

People also engage in many valuable voluntary forms of productive activity. Household production, volunteer work and other forms of unpaid production are prominent in all societies. Their combined value almost certainly exceeds the total reported value of GDP (Gross Domestic Product).

Ecological economist Herman Daly argues that “the macroeconomy is not the relevant whole, but is itself a subsystem, a part of the ecosystem, the larger economy of nature.” Therefore, human interactions with nature constitute important economic activities. Human interactions with nature, especially in the case of nature’s renewable services, are almost never conducted on the basis of reciprocity. Humans tend to simply take what they can from nature.

Given that world GDP in 1994 was about $18 trillion, nature’s production may be roughly twice as much as measured world GDP.

Few contingencies are dealt with in markets. Home and car insurance are exceptions. Most contingencies are dealt with through the family and within the household. An unemployed family member relies on others within the family for support; grandparents often provide child care when parents need help; and the village often steps in help with emergencies. In modern societies, government is responsible for a substantial portion of the social safety net. Even Mitt Romney had to admit FEMA was necessary after Superstorm Sandy hit the east coast.

In modern economies, most production occurs within large business organizations. U.S. Census Bureau (2007) data shows that in the U.S. economy firms with more than 500 employees account for nearly two-thirds of total sales income. Fewer than 2,000 firms with more than 5,000 employees account for 40 percent of total sales. The concentration of economic activity in large business organization means that a large proportion of human economic interactions that produce and distribute the products measured in GDP are ‘non-market interactions’ within firms—within which interactions among managers, workers and other staff are most often carried out according to set procedures, explicit commands and well-defined chains of command. The fact management often emphasizes ‘teamwork’ in order to motivate employees constitutes an implicit recognition that much of the daily interaction among workers is, in Graeber’s terms, communistic. Workers do what they know how to do, they assist others when they can, and they ask for help...
from fellow workers when they need it. As feminist economist Julie Nelson has put it, “Business firms are locations of economic production, and they are also locations in which many people form friendships, gain a sense of identity, strive for social status or political power, or do all of the above… Businesses are, in short, social organizations, with all the opportunities and problems that implies.” Thus, even large commercial firms are incapable of promptly adjusting to shifts in market conditions as required by the invisible hand.

**Some Summary Numbers**

Economic activity collectively carried out, controlled or funded by our government accounts for a large share of production counted in the gross domestic product. Data from the World Bank’s Development Indicators (2010) show that local, regional and national government spending is involved in approximately 30-35 percent of world GDP. That leaves, at most, about two-thirds (67 percent) of the production measured by world GDP that could potentially be produced and exchanged in competitive markets.

Then we must recognize that the markets through which the remainder of the production counted in GDP passes are not competitive markets. Research I conducted with Matthew Van den Berg (2012) suggests that the proportion of human interactions in the private market sector of the economy that occur in truly competitive markets is most certainly less—most likely much less—than 50 percent. This leaves 33 percent (50% x 67% = 33%) or less of total output in GDP responsive to the market forces that drive the invisible hand.

In summary, the discussion above suggests that total human economic interactions in markets counted in GDP—producing household and voluntary output (about equal to GDP), using nature’s products and services (twice GDP), and interacting within large business firms—involves output valued at over four times measured GDP. Second, 33 percent or less of production measured by GDP passes through markets that can even remotely be considered competitive or well-informed. Therefore, it is clear that less than one-twelfth of all economic production is related to the markets that could support the metaphor of the invisible hand.

**Some Modest Conclusions**

The revelation that the invisible hand is a myth can be used to push for substantial changes in orthodox economic policy. There will be resistance, of course. Some special interests have worked very hard to sustain the myth. But if more economists recognize that the invisible hand cannot be taken seriously as an economic metaphor, there will be less support for laissez-faire policies such as deregulation, privatization, austerity and the dismantling of the social safety net. And once we stop pretending that doing nothing is an optimal (or even viable) approach for dealing with the serious economic issues before us, perhaps we will finally stop maligning government and, instead, use it to revive both our ailing economy and our democracy.

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Paul Olson, conclusion

disparate peoples and cultures—as has the growth of humanitarian literature such as is to be found in Dickens, Harriet Beecher Stowe, Kwame Ibus, Yoshie Hotta and their successors.

Pinker argues that a rational realization that what we—individually or collectively—do to others eventually affects us seems at last to be growing among the world community. Even the nation state that searches for a nationwide rule of law comes in for some credit from Pinker, as do the institutions of international law and peacemaking like the United Nations and other multinational organizations set up to prevent violence.

Pinker may not be entirely right. I disagree with many of his conclusions. But even if he’s a little right, we ought to rejoice that the last hundred years—which produced nuclear weapons, the Holocaust, global warming, the Cold War with its hot-side wars, and a U.S. national budget that spends nearly 60 percent of its discretionary funds on the military—could still produce some hope. We are somehow part of it. The last election may have invited us to some people at the expense of others. Only the financial industry will come out ahead from privatizing Social Security. But, of course, that is precisely why they lobby for privatization.

We also see the Pentagon lobby pushing hard against the scheduled cuts in military expenditures. They seem to be reviving the Cold War in order to get their way. No doubt, Congress and White House will oblige, although neither the budget deficit nor the economy in any way justify maintaining the current obscene level of defense expenditures.

And, of course, the resistance to tax increases on the wealthy is pure special interest politics. There is no economic justification to not tax inheritances, our increasingly concentrated wealth, and high incomes. There is no ‘trickle-down effect’ from lowering taxes on the wealthy, especially inheritance taxes. Remember, our economy generated much higher growth rates and many more jobs when marginal tax rates were double or more what they are now.

Nobel Prize-winning economist Paul Krugman has suggested that President Obama should drive full speed ahead towards fiscal cliff. Without such audacity, we will almost certainly lose our social safety net. Indeed, if we cannot deal with the fiscal cliff by reshaping tax and expenditure policies (while simultaneously preserving our successful Social Security and Medicare programs), then another recession may be the less destructive policy.

The Deficit Is Not an Urgent Problem

Fact: The government deficit is not equal to 100 percent of GDP. A substantial portion of federal government debt is owed to other government agencies, such as the Federal Reserve. The debt towards the general public is about 70 percent of GDP—still much less than the debt at the end of World War II, and comparable to many other high-income countries.

Secondly, this government debt is not a net burden on our children. Remember, for every debtor there is a creditor. Except for that portion of the government debt that is owed to foreigners, the debt repaid by our children is also received by our children. Of course, it is also true that, in the future, those who receive debt repayments are more likely to be wealthy, and those taxpayers who have to pay the taxes with which the government covers future debt payments may be middle- and lower-class individuals. But that fact merely provides another reason for taxing the rich more in the future. Future debt obligations are not a reason for cutting government debt today—particularly when for the majority of America’s citizens the ‘Great Recession’ has never ended.

Fiscal Cliff, conclusion

seldom go in the direction of the solutions just described, but they very quickly end up talking about the need to ‘reform’ entitlements, privatize Social Security and Medicare, cut Medicaid, reduce student aid, etc.

Apparently, there are strong forces at work to privatize anything and everything that is still being done by government. The financial industry has its sights set on Social Security. This very efficient system of guaranteeing that people do not fall into poverty at old age of course competes with private financial groups who would like to run a for-profit retirement system. Of course, a private system will face exactly the same demographic trends that Social Security faces—namely that there will be fewer workers per retiree. A fully private system can thus only provide better returns to some people at the expense of others. Only the financial industry will come out ahead from privatizing Social Security. But, of course, that is precisely why they lobby for privatization.

The alternative arc—given our technology—is too grizzly to contemplate.
by Loyal Park, Nebraska Peace Foundation President

Congress is at odds about how to fix the financial crisis that looms ahead. While the great majority of Americans feel the rich should pay more taxes since they benefit more from our government, there is still a faction that absolutely refuses to consider any type of tax increase, especially on the higher-income groups. We hear a lot that the way to increase tax revenue without raising taxes is to eliminate many of the income tax deductions. One of those is the deduction for interest on your mortgage, another is the charitable deduction.

It is hard to predict how this will all work out, but if charitable deductions are reduced or eliminated altogether, this could severely limit the fundraising capabilities of foundations like Nebraska Peace Foundation. Our representatives in Congress need to hear our ideas on solving the fiscal cliff without touching presently tax-exempt charitable deductions.

Speaking Our Peace

Well, the election is done. I can turn off my TV. No more polls, pundits or political pandering slapping me in the face for awhile. Just before election day, though, I read an entry on the NFP Facebook page: “Too bad we have to choose between two war candidates.” True. President Obama does not sufficiently rely on the tools of nonviolence and international law—even though he holds the Nobel Peace Prize and has just visited another Nobel laureate and prophet of nonviolence, Aung San Suu Kyi. At least Obama did not promise Mr. Romney’s endless expansion of the military budget or military adventures against Iran (or anyone else that looked cross-eyed at us).

Here in Nebraska, sadly, we lost Sen. Kerrey, who argued against an Iranian war and more militarization (most battle-tried soldiers argue against such hawkishness). We saw our hawkish congressional delegation returned. Indeed, at the level of national representation, Nebraska is a discouraging case. NFP clearly has work to do: changing the climate of opinion here so that groups that play electoral politics can offer you better candidates.

Peace candidates. However the defeat of Paul Ryan and Mitt Romney and the election of some House members supported by Peace Action (Ann McLane Kuster in New Hampshire, John Tierney in Massachusetts and Mark Takano in California) suggests that the arc of history may be moving toward a more peaceful state. Even here in woeful Nebraska, we can take some encouragement with the election of four new members of the Unicameral (Kate Bolz, Rick Kolowski, Sue Crawford and Sara Howard), as well as the return of senators like Kathy Campbell, Tanya Cook, Ernie Chambers and Ken Haar.

Now though the entire nation’s attention turns to the ‘Fiscal Cliff.’ Though I personally would suffer, it might be useful for us to tumble over that cliff. The sequester would require a 19 percent cut in the military budget next year and another $55 billion in cuts to domestic programs (including a 2 percent cut to Medicare providers). That is a less hawkish solution to our budget woes than our bipartisan negotiators are likely to come up with in the next few weeks. Most of the money for anti-poverty programs is protected in the sequester, save for the cut of $26 million for the long-term unemployed.

We just went through a watershed election in which the voices of the young, African-Americans, Latinos, women and union members prevailed. NFP has long fought for their place at the table, and, now that they have it, they will dominate the American political scene for years to come. While it is true that this coalition may not always favor equitable or pacific policies here and abroad, the coalition members are unlikely to have the full fanatical faith in violence that their predecessors had. An era has passed, and with it the arc of history enters a new ambit.

We in the peace movement have worked so hard, and often we come to feel that we have so little to show for it—a few words in an obituary, ashes to scatter on our graves. But a notion in a recent book by Harvard psychology professor Steven Pinker, The Better Angels of Our Nature, may offer some respite from our despair. It is Pinker’s tantalizing premise that, as human beings, we are becoming less violent. And he cites as evidence:

• Whereas 15 percent of prehistoric human beings died in wars, presently about 3 percent do.
• The murder rate worldwide is 1/10 to 1/50 of that 500 years ago (allowing for variances among nations, the prevalence of honor killings and sanctions against slavery, torture and arbitrary capital punishment).
• While 55 million died people died in World War II, the Mongols of the 13th century killed 40 million from a world population 1/7 that size.
• Civil rights revolutions have recently given people of all colors, women and children, gays and lesbians a chance to breathe in many places.
• Nonviolence as a movement (inspired by Gandhi and Martin Luther King, Jr.) has effectively countered colonialism and economic enslavement without massive bloodshed.
• The spread of international commerce has progressively undermined xenophobic feelings and connected