Obsession Without End

The U.S. Government’s Mania Over National Security

Loring Wirbel
Citizens for Peace in Space
Colorado Springs, Colorado

James Cartwright, former commander of Strategic Command and Vice Chair of the Joint Chiefs of Staff, has found himself in the uncomfortable and surprising position of being linked with the likes of Edward Snowden and Julian Assange. In late June, word leaked that the Justice Department was investigating Cartwright for possibly leaking information on the U.S. Cyber Command’s “Olympic Games” mission to David Sanger of the New York Times. Sanger wrote in a recent book that Olympic Games was an over-arching offensive cyber-war architecture that included “Stuxnet”—the specific program that inserted rogue commands into the logic controllers of Iranian uranium enrichment centrifuges. The U.S. Government’s fixation on national security and secrecy has become so rabid, that not only is NSA private contractor Edward Snowden being hounded as a criminal for leaking information about the NSA’s clandestine activities, but so is former StratCom Commander and Vice Chair of the Joint Chiefs of Staff James Cartwright.

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Obsession Without End continued
and will be almost as big as NSA headquarters itself when completed (5.8 million square feet). Drawing the connection between the Maryland-based Cyber Command and Strategic Command even more tightly, Bamford said that when Alexander sends out computer-attack orders from the Cyber Command, the orders are carried out through StratCom’s “Joint Functional Component Command for Network Warfare.”

This information came to the surface in a summer made mad with Edward Snowden’s search for asylum, and by the furore caused by the numerous leaks Snowden gave on the operation of the NSA and related agencies. NSA and Cyber Command operate in a true hand-and-glove fashion. Snowden told one source, since NSA was designated the lead agency for the Stuxnet virus development. Meanwhile, members of Congress ranging from Rep. Peter King on the right to Sen. Dianne Feinstein on the left, ignored the substance of Snowden’s revelations and called for the prosecution of anyone audacious enough to reveal information about the national-security state.

What should Nebraskans take away from this confusing summer? Two important facts: Strategic Command is indeed at the center of all modern warfare—including the global surveillance blanket created by the NSA and related agencies, and the computer-warfare arms race waged under the auspices of Cyber Command. Omaha, along with Fort Meade, Maryland, and other sites, remains a critical ground zero for this network. Also, peace activists in Nebraska should recognize that the vast number of Republicans and Democrats in Congress (and the courts and White House) have no problem with the Frankenstein monster that has been created with this high technology. They just wish people would stop talking about it.

When the former Strategic Air Command had a sole mission of being in charge of the nation’s nuclear arsenal, political leaders would often tell nuclear protesters, “We are the only ones who understand strategic arms policy and Mutually Assured Destruction. You are meddling in matters beyond your comprehension. Let us take care of this.” Now, as warfare is defined by comprehensive global intelligence, drone warfare, and cyber warfare, the new political elite again says, “Stop talking about this technical information. You have no business knowing this. Trust us.” Once again, StratCom is in charge of these new tools of global war we are not supposed to discuss.

Long before the terrorist attacks of 9/11, the NSA was routinely conducting satellite surveillance on American citizens. And what’s more, it was public information.

Why What Snowden Told Us Wasn’t News
Virtually from the first stories Edward Snowden leaked to the UK Guardian and the Washington Post on June 9, skeptics were insisting that Snowden was not revealing anything we did not already know, even though the media rarely talked about the NSA. (Odd, then, that the Obama Administration wanted to prosecute him within a matter of days under the Espionage Act). In a sense, though, the scoopers were right. Snowden only provided solid documentation for things that intelligence experts always claimed were true about the NSA. But what was maddening in the skeptics’ jaded approach to Snowden is the way the entire Washington establishment has allowed the intelligence cabal, the drone cabal, the cyber cabal, to expand their missions and their snubbing of the law without any oversight from Congress or the courts.

It may be useful, then, to go through a brief history on how the intelligence community has changed over recent decades.
An aerial view of the National Security Agency and U.S. Cyber Command compound in Fort Meade, Maryland, outside of Washington, D.C. StratCom Component Commander General Keith Alexander is the director of both entities.

The NSA was established by executive order in 1952, with a mission to intercept the military and diplomatic communications of our adversaries (primarily the USSR and China), and attempt to break their codes. The agency’s main tools were ground-based antenna fields, along with special airplane and ship listening posts. Even as Strategic Air Command wandered the globe looking for nuclear weapons bases, the NSA came along behind the nuclear barons and signed secret treaties with nations for the location of listening posts. In most cases the parliaments or legislatures of these host nations were unaware of the treaties—these were classified, private treaties signed between the White House and a prime minister or president. Yet even in the 1950s, the NSA also was setting up listening posts in domestic locations like Skaggs Island, California; Two Rock Ranch, California; and Winter Harbor, Maine.

A second high-tech intelligence agency, the National Reconnaissance Office (NRO), was created in 1960 to manage the nation’s spy satellites. Within ten years, it was outspending the NSA, and is now the nation’s largest intelligence agency by budget (NRO is now around $16 billion; NSA, around $12 billion). During the turbulent 1960s and 1970s, NSA ground stations around the globe often were the target of guerrilla military groups, so the NSA sought the help of the NRO in sending its listening stations into space. By the mid-1980s, space was the pioneering environment for joint NSA/NRO missions.

The raft of congressional hearings in the late 1970s into the CIA’s covert operations and dirty tricks disclosed some NSA dirty laundry as well, including a program called “Shamrock” where companies like ITT and Western Union were pressured into supplying the NSA with copies of all international telegrams. As part of the process of reform, Congress set up a secret court to oversee the NSA, the “Foreign Intelligence Surveillance Act Court” or FISA Court. But as the New York Times revealed in a July 7, 2013 front-page story, the FISA Court has grown over the past 35 years to become a law unto itself, which has included usually rubber-stamping all NSA activity.

It is almost impossible though to overstate the critical role that space-based intelligence gathering played in the development and expansion of the modern national security state. Although seldom noted, space satellites do not easily turn off their antennas as an orbit passes over the U.S. Listening satellites, accordingly, work best when collecting all communications on the planet round the clock. During the ‘80s and ’90s, presidents from Reagan to Clinton asked the NSA to increase its targets to include commercial and civilian communications. Thus, when the FISA Court set rather loose limits on the NSA in the two decades following the court’s founding, it was not telling NSA what it could collect. The agency already was collecting all electronic communications on the planet. The FISA Court was telling the NSA what it could acknowledge collecting when it shared information with other agencies.

Long before the terrorist attacks of 9/11, the NSA was routinely conducting satellite surveillance on American citizens. And what’s more, it was public information. What Edward Snowden so dramatically leaked to the world this summer had been known for nearly 20 years—at least since the revelations about the NSA’s “Echelon” satellite surveillance during the Clinton Administration that had provoked international outrage.

What the events of September 11 did give rise to were passage of the U.S. Patriot Act; the transformation of StratCom to include cyber-war, global strike, and indirect oversight of NSA; and the creation of a dedicated Northern Command and Department of Homeland Security to make domestic surveillance appear more mundane. When the FISA Court showed a slight bit of reluctance in rubber-stamping new NSA plans in 2002, President Bush created something called “FISA Bypass” in which the agency could use special high-tech tools without seeking the approval of the court.

For example, the NSA recruited the nation’s leading telephone companies to install special equipment in their switching centers in order to deeply probe Internet packets running across their networks, and to copy the packets and send them across fiber optic cables to the NSA. During the insider-trading trial of former Qwest Communications CEO Joseph Nacchio in 2007, he claimed he was being set up by the NSA because Qwest was the only company that refused to play ball with the NSA. This sounds far-fetched until Snowden’s revelations in 2013 showed how much the NSA was willing to muscle private industry. Snowden revealed a newer program called “Prism,” where the NSA worked with the owners of large data centers such as Amazon, Facebook, Google and Microsoft to make sure all information in Internet data centers was shared with the agency. Some CEOs of these companies claim they never heard of Prism. But it is extremely likely that NSA worked only with lower-level information tech specialists in those companies, leaving the CEOs in the dark. It’s the way NSA typically does business.

In his Wired story revealing how much the NSA controls Cyber Command, James Bamford emphasized the number of huge private corporations building Cyber Centers near NSA headquarters—Boeing, Booz Allen Hamilton, General Dynamics and SAIC were among the many planning multi-billion-dollar centers for computer attack and defense. More unnerving, Bamford said, were little start-ups like “Endgame Systems.” Endgame’s plans for attacking other nation’s computers seemed illegal under either U.S. or international law. Bamford got an NSA insider to say the agencies all recognize how shadowy this kind of work is, which is why it is best to conduct it in the offices of private corporations.

This is the real story behind NSA, Cyber Command and StratCom. As intelligence author Glenn Greenwald says, it is the mundane acceptance of vast levels of criminal behavior which is more upsetting, rather than any particular monster antenna fielded by the NSA, or any computer virus created by Cyber Command. In both houses of Congress, those upset by NSA activities seem limited to two senators: Sens. Mark Udall and Ron Wyden. NSA cheerleaders include the likes of Sen. Al Franken, Sen. Dianne Feinstein and Rep. Nancy Pelosi—all of who say we must simply accept what secret agencies do. And the federal courts offer no last resort, terrified as they are of exercising any authority over the FISA Court, which has become a law unto itself.

Given the aggressive war...
by Tessa Foreman

The 103rd Legislature First Session has adjourned. The following is a summary of some of its accomplishments and failures regarding bills supported or opposed by the Lincoln Chapter of Nebraskans for Peace, and, with a few exceptions, by Nebraskans for Peace. (Note by Paul Olson: Most of the work of analyzing the bills and preparing the analyses for NFP emails was done by NFP member Tessa Foremen for which we give her much thanks. Some NFP spokespersons testified on important bills listed below, but we hope to expand this work considerably during the next session by giving training in approaching the legislature to willing volunteers.)

ACCOMPLISHMENTS

Human Trafficking

LB 255 was introduced to address the issue of human trafficking in Nebraska. The new law will increase penalties for those who solicit prostitutes who are minors. The new law also gives juvenile court jurisdiction over those under 18 who are apprehended for prostitution, which will emphasize rehabilitation rather than punishment. The bill was introduced by Senator Amanda McGill and was passed by the Legislature 47-0. The Lincoln Chapter of Nebraskans for Peace worked in support of this bill throughout the session.

Juvenile Justice Reform

A number of bills were introduced this session to address Nebraska’s broken juvenile justice system.

LB 44 was introduced by Senator Brad Ashford in response to the 2012 U.S. Supreme Court ruling of Miller v. Alabama, which prohibits the sentencing of juveniles to a mandatory sentence of life without the possibility of parole. This new law requires juveniles convicted of a class 1A felony in Nebraska to be sentenced to no more than life in prison and no less than 40 years. The new law also requires that sentencing decisions must take into consideration mitigating factors such as the offender’s age, maturity, family environment, intellectual capacity, and mental health and substance abuse disorders. The bill passed with a 38-1 vote.

LB 543 was a bill introduced by Senator Brad Ashford to make sweeping changes to the juvenile system. According to a report released in February by the Annie E. Casey Foundation, Nebraska currently has the third-highest rate of juvenile incarceration in the country. This new law makes many changes to address this high incarceration of juveniles by reducing detention and focusing on rehabilitation. Juveniles will no longer be detained at youth facilities unless such placement is deemed “a matter of immediate and urgent necessity for the protection” of the youth or others. The new law will focus on rehabilitation, access to mental health and substance abuse services, and individual and family counseling services. The new law will also require the Department of Health and Human Services to develop a model alternative response to reports of child abuse or neglect—a practice used in other states designed to keep more children from being taken from their homes. The bill passed on a 44-1 vote.

More Foster Care Reform

LB 216 was introduced by Senator Amanda McGill to address the needs of youth who are aging out of the foster care system. When youth in foster care reach the age of 19, they are dropped from the system with no continuation of services. Many have no family support and may end up homeless, in jail, unable to find employment or continue their education. With LB 216, youth who volunteer and qualify to participate in this program can now receive support services until age 21. Services may include case management, housing, medical and educational or job training services. The bill passed with a vote of 44-2. The Lincoln Chapter of Nebraskans for Peace worked in support of this bill throughout the session.

BILLs NOT PASSed

LB 543 and LB 577

Two bills that did not make it through the Legislature this session on which we worked were LB 543, a bill to end the death penalty in Nebraska, and LB 577, a bill to expand Medicaid to working Nebraskans that will otherwise not be covered under the federal “Affordable Care Act” (‘Obamacare’). Both of these bills were advanced out of committee to the floor of the Legislature, but both faced filibusters that supporters were unable to overcome. The Lincoln Chapter of Nebraskans for Peace worked in support of these bills throughout the session, and will work on both of these bills throughout the interim and again in the 2014 Legislative session.

Our Actions

During the 2013 session, the Lincoln Chapter of Nebraskans for Peace took action on a number of bills that covered a range of social justice issues.

• We sent out 11 letters to committees in support or opposition to bills during the hearing stage, testified at 5 committee hearings and sent out about 12 action alerts. We also sponsored a presentation by Nebraska Appleseed on LB 577, and several members also participated in a rally at the Capitol steps in support of the bill.

• We sent letters to the Revenue Committee in opposition to LB 405 and 406, the governor’s income tax bills. Both bills were killed in committee.

• We sent a letter to the Health and Human Services Committee in opposition to LB 518, introduced by Senator Charlie Janssen, that would have pulled Medicaid funding for prenatal care for certain low-income women. That bill was also killed in committee.

• We also supported the following bills:
  - LB 330 (to increase eligibility for the Sustainable Nutrition Assistance Program)—carried over in committee
  - LB 485 (to end employment discrimination against LGBT persons) - carried over in committee
  - LB 384 (to adopt the Nebraska Exchange Transparency Act) - passed
  - LB 464 (to change jurisdiction over juvenile court indictments procedures) carried over on Select File

• We opposed the following bills:
  - LB 381 (to require voter ID) – carried over in committee
  - LB 564 (to adopt the Health Care Freedom of Conscience Act) – carried over in committee.
Good afternoon, Senators. My name is Clint Rowe. I’m a professor of meteorology and climatology at the University of Nebraska-Lincoln.

Humankind has been adding increasing amounts of carbon dioxide and other greenhouse gases primarily through the combustion of fossil fuels since the beginning of the Industrial Revolution. This has led to a sharp increase in the atmospheric concentration of these gases over the past 150 years. This is an established fact, based on records of fossil fuel use and direct observation of the atmospheric concentration of carbon dioxide. The direct consequence of this—in the absence of any other influences on the climate system—would be an increase in the average global temperature of the atmosphere. This is established, uncontroversial science that has been understood for well over a century. Our knowledge of other influences (such as albedo changes due to land use alterations, the effects of aerosols and cloud feedbacks), while less certain, is sufficiently robust that we know their net effect would not offset the direct warming due to increased greenhouse gases and could as likely lead to greater warming.

While the Earth’s temperature naturally varies over many time scales, the observed increase in global temperature since the late 19th century cannot be attributed to natural variability. The period of greatest warming coincides with the time during which humans have increased the concentration of greenhouse gases in the atmosphere. Moreover, the pattern of temperature changes in the atmosphere—warming of the lowest layer (the troposphere) and cooling in the layer above (the stratosphere)—can be explained by increased greenhouse gases but is not consistent with other postulated causes (for example, solar variations). Other widespread changes in the climate system—such as: decreases in snow cover, sea ice, glaciers and ice caps; milder and less frequent cold spells; warmer and more frequent hot days and nights; earlier greening and blooming of flowering plants; and rising sea level—are consistent with a warming world.

The high standards of science require that our findings be repeatable and verifiable by other scientists. Correct results are corroborated; incorrect results are discarded. Self-declared ‘experts’—who are not trained in climate science, who do not follow standard scientific methods of research and publication—are not producing scientifically valid results but are merely making unjustifiable claims.

The basic findings of human-induced climate change have been reviewed and confirmed by the leading professional scientific societies and national academies of science, both in the United States and around the world.

To paraphrase Richard Somerville, a distinguished emeritus professor of climate science at the Scripps Institution of Oceanography, who contrasted the response of climate change deniers to the usual response to medical advice,

If your doctor tells you that you need to lose weight and get more exercise, you don’t complain that doctors can’t prevent cancer. You know that medical science, while not perfect, can still provide good advice.

We can no longer afford to debate if human-induced changes to the climate system are occurring—they are. We need to start considering how to adapt to the impacts of the changes that are coming and work diligently to ensure that we do not make the problems even worse. LB 583, which expands the statutory charge of the ‘Climate Assessment and Response Committee’ is a first step toward including the consideration of climate change in our planning processes.
President Obama’s recent speech on global warming was a real gem, so full of his trademark hope and empathy, and so evocative of the need to preserve a habitable world for coming generations. Like most people, I genuinely love a dose of heart-throbbing hope. I was much happier in my years-long relationship with global warming when I had more of it. I loved the way that Obama outflanked the Party of ‘NO!’—most of whom have never met a greenhouse gas they didn’t like. Bear in mind that if we followed many (not all!) Republicans’ advice, we would have no Social Security or Medicare. Never mind policy on climate change.

I also thank Obama for taking on the Keystone XL pipeline on climatic grounds. The problem with Keystone comes down to more than its location in our backyard, even though possible contamination of an important aquifer is very serious. Water is more precious than oil, even if it doesn’t have as much lobbying muscle behind it.

A Game with No Time-Outs

Ten minutes after I enthused over Obama’s wonderful speech, however, the geophysical facts hit me in the gut. June 25, the day Obama gave his speech, Fairbanks, Alaska hit 92 degrees. A few days later, Phoenix hit 119 and Las Vegas 117. Death Valley (it has that name for a reason) grazed 130, four degrees shy of the world record.

In the midst of all this, the carbon-dioxide level reached 400 parts per million. Anyone who has been following what goes on in this space for more than two minutes already knows the implications of a 400-p.p.m. carbon-dioxide level that will be painfully obvious in a scant few decades. You know that the full effects of that level will hit—via ‘thermal inertia’—in about 50 years. Today’s heat and storms are what we get from the fossil fuels that were burned back when John F. Kennedy was president, gasoline was 25 cents a gallon, and most Chinese owned one light bulb, if that. Today, the amount of carbon we are burning worldwide is much higher, and that will shape the heat and storms our grandchildren grow old with.

Every day that we diddle, every day that greenhouse gases tick upward, the odds lengthen against survival of a sustainable way of life without major suffering by our children and grandchildren.

This is a legacy issue. This game, like basketball, is being played on a clock—the geophysical clock—and we get no time-outs. What is more, we are deep into the fourth quarter and many points behind the plodding but relentless offense of greenhouse gases.

While Obama’s plan may be a start, it’s not nearly enough.

**While Obama’s plan may be a start, it’s not nearly enough. There will be no battle against greenhouse gases without a ‘war on coal.’**

Even the president of the United States can do only so much. The fact that he evaded Congress is a sad confirmation of the fact that a substantial portion of our population still has its heads in the 19th century. Congress fiddles while the Earth burns.

As the New York Times put it June 25:

“With no chance of Congressional support, President Obama is taking part of his legacy on a big risk: that he can substantially reduce greenhouse gas emissions by stretching the intent of a law decades old and not written with climate change in mind. His plan, unveiled Tuesday at Georgetown University in Washington, will set off legal and political battles that will last years. But experts say that if all goes well for the president, the plan could potentially meet his stated goal of an overall emissions reduction of 17 percent by 2020, compared with the level in 2005.”

I love debate, but we do not have years to diddle around. And the best case here would get a belly-laugh from carbon dioxide if it had a sense of humor.

And, said the Times account: “The fossil-fuel industry and its allies in Congress are certain to argue that the president’s plan will be ruinously expensive and require the shutdown of numerous coal-burning power plants. Republican leaders immediately condemned the plan as a job-killer and framed it as an attack on coal.”

**Iowa’s Wind a National Beacon?**

So that’s the score for Hope? A spark comes from that bastion of the future, Iowa, where I read that 25 percent of generated power now comes from wind. That’s up from 7 percent five years ago—a paradigm shift taking shape. In Iowa, even Republicans like wind power. Governor Terry Branstad, who people I know and love used to call “Braindead,” talked back to Mitt Romney when he joked that you couldn’t run a car with a wind turbine on top. My political shock of the year was reading in The Progressive (July issue) that even Rep. Steve King supports wind power.

In Nebraska, well, we’re struggling to get wind power past 1 percent. We share the same wind with Iowa. Sometimes it gets to us before they use it. So why is wind power in Nebraska at a pitiful 1 percent? We’re all public power and its rules mandate the use of the least expensive source (in accounting terms that ignore cost to the environment). That’s usually coal. There will be no battle against greenhouse gases without a ‘war on coal.’

Now that Obama has sounded a call to engage this vital issue, he (and the rest of us) need to follow up. The geophysical clock is ticking.

REFERENCE


Bruce E. Johansen is Jacob J. Isaacs Professor at the UNO and author of The Encyclopedia of Global Warming Science and Technology (2009).
Retired National Weather Service meteorologist John Pollack was the featured speaker at a July 2 news conference outside the Berkshire Hathaway corporate office on the already visible impact of climate change. Pollack, who has been studying climate change science for over 30 years, outlined how the upsurge of wildfires in the western U.S. are directly connected to the human-induced global warming caused by the burning of fossil fuels—particularly coal. Reprinted below is the statement released to the media.

Western wildfires have been in the news recently for good reason. A fast-moving blaze near Colorado Springs was the most destructive in Colorado’s history, killing two people and incinerating around 500 homes. The more recent West Fork, Colorado, fire has already scorched over 134 square miles and may burn all summer. Tragically, an Arizona fire has killed 19 highly skilled firefighters.

Nebraskans for Peace stands with President Obama in calling for an energy policy that leaves our descendants with a livable Earth. We appeal to Warren Buffett to take a more active role in restructuring the energy industry to avert a climate meltdown. We ask politicians and industry leaders to consider the climate effects of fossil fuel burning, and not just near-term costs. With Warren Buffett’s huge investments in insurance, my comments on the impact climate change has on wildfires is of immediate interest to him.

What has not been in the news is the connection between coal burning and the burning forests in the Western U.S. Coal burning, mostly to generate electricity, is a big contributor to climate change by raising carbon dioxide levels. So are gasoline, natural gas and oil, the other main fossil fuels. Climate change is drying out the West by steering moisture-bearing storm systems farther north. It also expands a drought-inducing heat dome that normally forms in the late spring over the Desert Southwest. Drier winters have also encouraged an expanding infestation of bark beetles, creating more dead trees.

Unlike last year’s expansive heat dome, this year’s heat dome over North America has been squeezed up through the Rockies all the way to Alaska by low-pressure regions over the eastern Pacific, and also eastern North America. This squeezed heat dome will result in more temperature records and intense fires in the West.

Global warming makes it much more likely that the overall pattern of more intense heat domes and low pressure will happen, leading to more weather extremes. This includes more and larger droughts, which cause massive and deadly wildfires in the Western United States.

A Market-Based Carbon Tax That Even Conservatives Could Like

The following statement, “Take a market-based approach on climate change,” was prepared by the Citizens Climate Lobby, whose executive director, Mark Reynolds, delivered the keynote address at the 2012 Annual Peace Conference in Grand Island. For the past three years, Citizens Climate Lobby has been advocating a market-based tax on carbon called ‘fee and dividend’ that would incorporate the health, economic and environmental costs of burning fossil fuels. Nebraskans for Peace has formally endorsed the ‘fee-and-dividend’ proposal as our best political hope to start reining in greenhouse gas emissions. A revenue-neutral, market-based tax that is completely refunded to the public could actually attract bipartisan support.

President Obama has said he would prefer that Congress enact a market-based solution to the problem of climate change, but that hasn’t happened.

With time running out on our window of opportunity to contain global warming to manageable levels, the President has turned to the only option at his disposal—government regulation to curtail greenhouse gas emissions from new and existing power plants.

These regulations would be developed and implemented by the Environmental Protection Agency, which has done a stellar job of preserving the purity of America’s air and water. New rules will no doubt help to bring down emissions, but conservatives see this approach as an expansion of government bureaucracy, which they oppose.

These new regulations will also increase the cost of energy, placing an economic burden on American consumers.

So, what is the alternative? How can we reduce emissions without inflicting pain on households?

The answer is a steadily rising tax on carbon-based fuels that returns revenue to the public. This market-based solution is favored by a number a number of conservatives:

- Art Laffer, Reagan’s economic advisor
- Greg Mankiw, advisor to George W. Bush and Mitt Romney
- George Shultz, Secretary of State under Reagan

These conservatives embrace a revenue-neutral carbon tax because it makes fossil fuels pay for their true costs to society. It corrects the distortion in the free market that gives dirty energy an edge over clean technology. Once this distortion is corrected, the market will move away from fossil fuels and towards clean energy, reducing greenhouse gas emissions. Returning carbon tax revenue to households will enable Americans to make this transition without economic pain.

Conservatives in Congress looking for an alternative to more EPA regulations should consider the market-based approach of a revenue-neutral carbon tax.
Tax Reform & Tax Fairness in Nebraska

by Don Tilley

“Can we have tax reform and tax fairness in Nebraska?”

Renee Fry, the founding Executive Director of the “OpenSky Policy Institute,” posed this question to a crowd of 40 people representing a diverse assortment of groups and interests at a June 24 public program in Lincoln.

The OpenSky Policy Institute (OPI) was established in 2011 to improve opportunities for every Nebraskan by providing impartial and precise research, analysis, education and leadership. Fry’s presentation closely followed the Institute’s 2013 manual, “Looking for Clarity: An Overview of Nebraska Budget and Tax Policy,” which she wrote with staff members Dylan Grundman and Mary Jane Egr Edson. She explained the state budget process with the aid of numerous charts, all the while keying on four evaluation criteria: 1) Is there enough money? 2) Is the budget fair? 3) Is the budget able to adjust to an up-and-down economy? 4) Is the public able to understand it?

Before considering each of these four criteria in turn, it would be wise to acknowledge the elephant in the room responsible for this sudden surge of interest in tax policy: Governor Dave Heinemann’s desire to abolish the state income tax—a proposal supported by the large, powerful money interests in Omaha.

Though Renee Fry did not explicitly reference Kansas’s situation, their experience in reforming the state tax system may offer some valuable insight for those of us in Nebraska.

Last month, the Republican-controlled Kansas Legislature approved a permanent sales tax hike as part of a plan to replace the state’s income taxes with revenue from increases in other tax rates. Both the state sales tax and state sales tax on food—which is the highest in the nation—will be set at 6.15 percent (9.8 percent in some municipalities). Kansas Governor Sam Brownback hopes to eventually eliminate the state’s income taxes altogether. Dramatic cuts to the state’s corporate tax rate were made last year. A bipartisan pair of economists called Kansas's tax policies the worst in the nation because most tax revenue is derived from regressive property and sales taxes, and the state may not be able to sustain government obligations. Many have accused the Legislature’s action of disproportionately hurting the poor and middle class while boosting the rich.

With that real-life example unfolding just south of us, let’s examine the four criteria OPI applies to evaluating Nebraska’s budget:

1. Does it collect enough revenue to pay for the public’s priorities?

No. In the last 14 of 16 years, the state legislature has ended its session projecting revenues that fall short of needs. This has resulted in reductions in state spending for schools, health care, and other vital services.

Who are the major spenders? K-12 education: 30 percent; Higher education: 18 percent; Health and Human Services: 19 percent; Medicaid and Children’s Health: 17 percent—for a total of 84 percent of the total General Funds Budget of $3.5 billion in Fiscal Year 2011-2012. However, the State General Fund spending in Nebraska has fallen over the past decade as a share of the state economy. The spending is $602 million smaller than it was in FY 1998-1999.

2. Is the tax system fair when it comes to who pays and how much?

As in most states, lower- and middle-income families pay a greater share of their income in state and local taxes than others. Those making $11,500 in income pay $1,210 in taxes (10.9 percent). Those making $1.1 million in income pay $63,962 in taxes (5.8 percent). This difference in proportion is due to the fact both sales and property taxes are regressive taxes. State income tax is progressive.

Nebraska does have a policy known as ‘combined reporting’ which keeps large, multi-state corporations from shifting profits made in Nebraska to subsidiaries located in other states where taxes might be lower or non-existent.

Businesses not in the targeted industries for subsidies often pay a higher tax than the subsidized businesses. The “Pew Center on the States” recommends that Nebraska evaluate its subsidies during policy and budget deliberations to ensure lawmakers consider the results.

3. Does the tax system provide a steady revenue stream as the economy rises and falls?

Nebraska’s tax system levies a broad number of taxes which minimizes severe revenue fluctuations.

Nebraska taxes less than half of the 168 services taxed in at least one state. Taxing more services would allow the tax system to keep up with our changing economy.

Changing state law could help Nebraska tax some of the estimated $98 million the state loses every year to untaxed online and catalog sales.

4. Can taxpayers easily obtain and understand information about the taxes they pay?

OpenSky states that information should be readily available about when residents pay taxes, to whom, how they are spent and how the state’s tax and budget decisions are made. However, the recommendations of OpenSky for such an achievement seem unwieldy and unworkable for the average taxpayer.

There is incomplete reporting. For example, the impact of the changes made by the Legislature to entice and retain businesses has not been tracked and reported. Pew writes that the state should improve how it measures the economic impact of subsidies.

Despite tax policy’s reputation for being ‘dry,’ the audience was engaged and many voiced their concerns.

John Hansen, President of Nebraska Farmers Union, thought that the Omaha Chamber of Commerce exerts undue influence in the Statehouse, likes to maintain the status quo (except for reducing the state income tax), and would defeat any major attempt to reform taxes unless there was a groundswell for change.

Toward the end of the two-hour presentation, former Lincoln City Council member Curt Donaldson suggested focusing on three items to improve the budget process: 1) the state sales tax base is currently too narrow and should be expanded; 2) we need to realize that eliminating the state income tax does not enable a state to grab high-paying jobs; and 3) since taxes are tied to personal income, spending and taxation are not out of control.

It was a very stimulating presentation, but I thought there needed to be a fifth criterion: Nebraska is short-sighted in not preparing for the future. If we knew our nation was in danger, we could come up with ten percent of our state budget for war. Why not set aside ten percent of our state budget—in partnership with private industry—to quickly take commercial advantage of the hundreds of scientific breakthroughs (many are already on the drawing board) that will be occurring during the next few decades and establish these as business enterprises in Nebraska.

And speaking of war, I was amazed that no one once mentioned the military budget. Nebraska state income tax collection is based on our federal tax returns. Upwards to half of our Federal Income Tax goes to support the military and, therefore, is not available for the many necessities in Nebraska. As the national economy remains anemic and government budgets become ever tighter, it would be fiscally prudent to keep that in mind.
by Hank Van den Berg
UNL Professor of Economics

As part of the ongoing economic tilt towards the wealthy, over the past four decades, the financial industry of the United States has steadily increased its earnings as a proportion of total U.S. income. In the 1950s and 1960s, when the U.S. economy grew at the fastest rates ever recorded, the financial sector accounted for about 2 percent of total wages, earnings and profits. Today, the sum of wages, earnings and profits accruing to the financial industry is somewhere around 7 or 8 percent of the total measured value of U.S. output and income.

Many commentators suggest that this increasing share of U.S. income must have been earned. But, if we assume that the financial sector’s job is to allocate savings to the most productive investments and innovative industries, there is little to back up this claim. Worldwide economic growth was fastest during the decades of the 1950s and 1960s, when in fact the privatization of finance had been severely reduced through regulation. In the U.S. in particular, the various financial reforms enacted in the 1930s greatly reduced the complexity of private financial exchanges during the two post-World War II decades, yet economic growth and the general rise in living standards were unprecedented. One rebellious financial economist, Thomas Philippon, recently examined a variety of data on this surge in the financial industry’s earnings and concludes that “finance was smaller in 1980 than in 1925.”

Given the outstanding real growth in the economy that appeared over this half-century period, it’s obvious, Philippon states, that the “size” of the financial industry “is not simply driven by economic development.” Interestingly, he also found that the only thing that had increased after 1980 was the volume of trading on financial markets; however, this growing trade has not improved the performance of financial markets.

Of course, we should not forget that even a prominent financial insider like Paul Volcker, the former chair of the Federal Reserve, recently quipped that “the only thing new provided by the financial sector over the past 30 years is the ATM.”

A Conference on Financialization
In early July, I attended a conference on the timely topic of financialization at the International Institute for Social Sciences at Erasmus University in The Hague, Netherlands. Financialization is a term that was devised to describe this rising percentage of earnings accruing to the workers and owners of the financial industry.

We must be careful to differentiate financialization from finance in general. The term finance is used to describe economic exchanges that create some types of debt and credit, as when someone lends money to or ‘finances’ someone else. (These lending transactions between something today—when you take out a loan—and something in the future—when you pay it back—are called ‘inter-temporal exchanges’ in economics.) Finance itself is a necessary component of human economic activity—at least as long as we are in any print, but there was often a fairly clear understanding of everyone’s obligations and privileges across generations, sexes and individuals. There was no Social Security system, but early human societies most certainly had implicit, but well-understood, ‘pay-as-you-go’ systems in which able-bodied working-age members of society provided various types of care for younger and older generations. Parents raised children and, if necessary, supported their older parents; children grew up to raise their own children, while in turn also assisting their older parents. Depending on the culture, often many members of a community participated in the education of children.

What these examples make clear is that finance is not a modern phenomenon that was created only in the past few centuries, as stories about the development of modern banking and financial instruments would have us believe. What is new, however, is the shift of inter-temporal obligations and redemption mechanisms from broad social arrangements or collective governance arrangements to more precisely defined financial instruments, individually entered into, exchanged on financial markets, and supported by newly created legal and political institutions. Also new is the growth of such privatized and individualized inter-temporal and inter-generational exchanges and arrangements relative to overall economic activity.

Financialization as the Privatization and Individualization of Finance
At the conference, it was generally agreed that the term financialization refers to the ‘unnecessary portion of finance,’ such as gambling in the stock market, seeking to make money exchanging foreign currencies at someone else’s losses, or charging excessive fees for simple financial services such as exorbitant ‘payday loan’ interest rates or excessive fees for simple banking services. In a nutshell, financialization is the creation of new financial instruments and gimmicks to increase profits. And it’s a ‘con’ because the financial industry is intentionally creating situations in which to take advantage of people who don’t understand what’s being done to them.

In a nutshell, financialization is the creation of new financial instruments and gimmicks to increase profits.
Financialization, conclusion

But some of the papers presented at The Hague conference suggest that financialization presents an even greater menace. Specifically, the shift from social arrangements and government programs such as Social Security and unemployment insurance to private pension plans and private savings to cushion unfortunate events such as unemployment is the growing share of national income that accrues to the rentier class. (Also an economics term, a ‘rentier’ is someone who lives off the interest of their accumulated assets—i.e., income, in other words, that is ‘unearned.’) For example, the flip side of borrowing and paying interest is, of course, lending for profit. Whereas the government’s Social Security program does not earn a profit, and all income is designed to be paid out over time, privatized finance means that profits in the economy are increasingly derived from financial activities as opposed to productive activities.

An even bigger problem with the privatization and individualization of finance is that individual people and firms are becoming increasingly vulnerable, to the point where they change their behavior from long-term perspective to the short-term financial requirements. The concentration of profits in the financial sector, for instance, undermines the management control of corporations engaged in productive activities. Governments as well are increasingly required to meet the demands of the rentiers and the managers of the privatized financial industry.

Also important is the growing fragility of finance in general, which has led over the past three decades to increasing numbers of financial crises and economic slowdowns. The replacement of social arrangements for inter-generational and inter-temporal exchanges by the development of money, debt, and modern financial instruments often makes complex inter-temporal financial arrangements more difficult, because privatization has ‘un-socialised’ and ‘individualized’ inter-temporal and inter-generational exchanges. The use of money and markets in place of social institutions and government programs covered by general taxation and administered according to broad social and political requirements has made formal debt less adjustable to changing circumstances—not more flexible as proponents of privatization suggest. Quantification of individual obligations and demands for settlement often causes debt to become exploitative, either by intent in the case of ‘loan sharking’ and ‘pay-day loans’ or more generally when economic circumstances change unexpectedly but payments are firmly specified in detailed small print. A bond-financed private firm then ends up directing more of the economy’s income to relatively wealthy rentiers and the financial industry that organizes the financing and the financial markets where the financial assets are traded.

The financial industry already largely controls our political system. We see this in the form of continued immunity for the clearly damaging activities of the financial industry, the lack of prosecution of those who carried out the fraudulent activities, and the continuation of ‘business as usual’ despite the greatest economic collapse since the Great Depression. The “Dodd-Frank Bill” which was supposed to have changed to rules to prevent further financialization and fraud was a farce that fell far short of what was needed (and has since been even further watered down from its original proposal).

Also indicative of the political power of the financial industry is the fact that the Democratic Obama Administration has placed only cronies of the financial industry ever greater influence over economic policy and economic outcomes. Obscene profits give the industry the means to acquire even more political power, which it uses to bend the rules of the game even further towards privatization, financialization, deregulation, etc. The privatization of Social Security, the elimination of unemployment insurance, or the sale of a government-operated water company to a bond-financed private firm then ends up directing more of the economy’s income to relatively wealthy rentiers and the financial industry that organizes the financing and the financial markets where the financial assets are traded.

The American public though seems oblivious to financialization. The ‘Occupy Movement’ targeted financialization head on, but it received little popular support. More fundamentally, why won’t Americans take their money out of Wells Fargo or Citibank when there are less costly credit unions and cooperative banks available to provide all our banking needs? Calls for moving accounts have fallen on deaf ears. Somehow Americans have no objections to the financial corporations that are taking an ever-greater share of other people earnings.

But economists are also to blame. They have been entirely complicit in the financialization con by perpetuating the mythical models that suggest the ‘competitive’ financial industry serves the public and facilitates investment and economic growth. From 100-level college economics courses through graduate seminars in the leading economics departments (including the University of Nebraska), the financial sector is idealized as the sector that keeps the economy operating efficiently. “Conventional economic theory has played an important role in promoting financialization,” the well-known heterodox economist Thomas Palley stated in 2007. By presenting the neoliberal paradigm of privatization, free trade, international financial liberalization, reduced taxes on business and capital, reduced government safety nets, deregulation of labor markets, and central bank independence as the only alternative, mainstream economists really make it difficult for young students and conscientious policymakers to deal effectively with financialization.

Let’s face it, the continued push towards financialization—the privatization and individualization of all inter-temporal and inter-generational exchanges, despite the clear superiority of many social and public financial arrangements—is yet another more clear bit of evidence that the system is rigged. But with the 7 or 8 percent of GDP that financialization now funnels to the financial industry, the industry and its clients are perfectly capable of holding on to their dominance of the government institutions that largely shape and determine our economic outcomes.

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As a result, private financial markets often fail to complete many potentially useful financial transactions, thus leaving many people less well off than they would be under more complete social inter-temporal or inter-generational arrangements.

The Growing Power of Finance

The private financial industry expands its activities purely to increase profits, and it will continue to do so unless it is explicitly stopped. But it is unlikely that it will be stopped any time soon. The general consensus at the conference was that it will continue because the profitability of financialization has given the financial industry ever greater influence over economic policy and economic outcomes. Obscene profits give the industry the means to acquire even more political power, which it uses to bend the rules of the game even further towards privatization, financialization, deregulation, etc. The privatization of Social Security, the elimination of unemployment insurance, or the sale of a government-operated water company to a bond-financed private firm then ends up directing more of the economy’s income to relatively wealthy rentiers and the financial industry that organizes the financing and the financial markets where the financial assets are traded.

Why Don’t We Care about Financialization?
Paul Olson, conclusion

which ten years ago ranked fifth in the world and now ranks 24th, behind places like Barbados, Malaysia and Oman;

- Create a health care system that eliminates unnecessary labs and procedures, reduces efforts to prolong life where treatment is known to be futile, and rewards the search for wellness;

- Alter our energy system so that we rely more on home-grown renewable sources like wind and solar and energy efficiency measures to encourage conservation.

Haass’ remarks on many things seem wrong to me, especially on Medicare, Medicaid and immigration. He does not deal with the weakness that hunger and poverty create in this richest of lands. He does not address the degree to which military overextension has followed corporate imperialism into places where wars of choice rather than necessity seem rational and thus create our gratuitous militarism. He does not deal with the failure of our religious and media institutions to create a critique of our social system that leads to significant debate. Indeed, I found something that I did not like on almost every page. But the thrust of his argument is sound.

Haass knows that strength does not come from guns or nukes or drones. He knows that we must recreate a sense of the common weal in our civil society. He knows that what we can do overseas depends on what we do at home for and with our people.

There lies wisdom.

Obsession Without End, conclusion

fighting plans created by other StratCom component commands like “Global Strike,” why in the world would anyone expect benign behavior from Cyber Command or the technical intelligence agencies? The agencies benefit from a deliberate deafness practiced by everyone in Washington that allegedly has oversight authority. This includes the White House, where Obama has been a key instigator of taking away the passport of Edward Snowden and demanding his prosecution. Obama also fully supports the efforts by Attorney General Eric Holder to charge eight journalists under the Espionage Act.

The probe into retired General James Cartwright indicates the national security state has begun to eat its own children. In early July, Fox News and McClatchy News reported that Cartwright may have been targeted because federal employees are being ordered to spy on each other in the “Insider Threat” program. It could be funny were it not so pathetic.

But we dare not assume that this means the state is near collapse. Only the constant protests in support of Bradley Manning during his trial at NSA headquarters, and the protests conducted in many American cities July 4 against the NSA, can help rip off the benign masks of these very dangerous agencies. Peace activists can expect to have very few allies in this fight. Opposition to the new national-security state is universal across social media. But in official Washington, all significant players in the two major parties have announced they are willing to imprison thousands to stop a nation of leakers. The vast majority of those within the political bureaucracy do not dare to oversee NSA, Cyber Command or StratCom with transparency. What they see might be too ugly.
In 1729, Jonathan Swift proposed that the English butcher and eat yearling Irish babies, thus making productive use of the Irish children who, after weaning, would starve to death from England’s economic policies. For his satiric pains, Swift had to remain anonymous, hunted by the occupying English authorities.

Yet, even Swift, an English clergyman located in Ireland and sympathetic to the Irish, did not propose that the English eat their own babies. It has remained for a segment of the ruling elite of this state and nation to advocate policies implicitly gobbling up our own kids. Nebraska now has about 100,000 ‘nutritionally insecure’ children—loaded with starches and without fruits, vegetables, meat and essential vitamins, minerals and proteins. Well over 40 percent of Nebraska’s 450,000 children are on free- and reduced-lunch support programs. Though the elites that dominate state and national policy apparently feel indifference or contempt for these children, out of delicacy of expression they have not proposed eating them. Rather, in their policy, our children, surrounded by food deserts, will be consigned to an adulthood of brain torpor, physical obesity and disease. We do not have enough money for SNAP or WIC, but we do need an impractical F-35 program costing $1.5 trillion. In contrast, SNAP (the Supplemental Nutrition Assistance Program—formerly, the ‘Food Stamps’ program), feeding millions of American children, cost $81 billion in 2012. It though has no apparent future, Congress having nixed its parent Farm Bill.

A study by Paul Piff of the University of California—Berkeley, published by the National Academy of Science, may explain why a portion of our 1 percent finds it useful to ‘starve’ our children. According to it, “upper-class individuals” driving the priciest cars “were four times as likely as drivers of the least expensive cars to cut others off…[t]he discrepancy was even greater when it came to a pedestrian trying to exercise a right of way…those of higher socioeconomic status were also more likely to pocket extra change handed to them by mistake, cheat to win a prize and, yes, even take candy from a child.” Those willing to take candy from a child may find it easy to place that child’s parents in a position where they cannot feed it. The film, *A Place at the Table*, demonstrates this without sugar coating.

At stake is how we build strength. Presently we bet on our military. The record of military security empires is not good. Alexander’s empire collapsed when he died. Genghis Khan’s did also. Winston Churchill’s projected finest-hour “thousand-year empire” imploded after World War II, when the peoples of the empire revolted against British exploitation and British workers elected the Labour Party to dismantle imperialism. Even in the British Isles, all of Ireland is now free or largely locally governed. The ancient English hegemony over Wales and Scotland weakens as those countries seek devolution. In the U.S., though, we continue to pursue empire abroad and internally “eat our own farrow”—in Irish novelist James Joyce’s phrase—thus dissipating the faith in government once inspired by the Populist/Progressive Movements, the New Deal and Civil Rights reforms. We are armed to the teeth, rich beyond the dreams of avarice in our upper reaches and inwardly hollow.

Richard N. Haass recently wrote a book entitled to *Foreign Policy Begins At Home* that all of us should read. Haass is a conservative, Brent Scowcroft’s and Colin Powell’s advisor, and a consultant to George H. W. Bush. In it, he argues that to have strength abroad, we have to:

- Stay out of wars that are ‘wars of choice’—unnecessary wars such as Vietnam, Iraq, nearly all of our Middle Eastern wars save Kuwait. Indeed, Haass classifies as ‘wars of choice’ most of the U.S. wars of the last 60 years;
- Cut our military spending—$25-50 billion a year—and make tax intakes roughly match government outlays;
- Improve our educational system, now 13th in the world in Reading, 18th in Science and 28th in Math, by recruiting and keeping good teachers in the schools—an argument that I made in the 1960s when I headed a federal commission on education. (Teacher quality has largely been ignored by a federal government that would solve all educational problems through endless testing, mandated under “No Child Left Behind” and costing $150 billion per year);
- Improve our national infrastructure,