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## THEY SAID IT

Since his party's November shellacking, President Obama has worked hard to show America that he is not anti-business, notably by picking General Electric CEO Jeff Immelt and Chicago banker Bill Daley for prominent posts in his administration. But their selection does not mean Obama is "pro-business," at least as the term is commonly understood. The president is no champion of open markets and free competition. His idea of being friendly to business means more government subsidies and corporate-government cooperation, both of which are mother's milk to Immelt and Daley.

Obama joined Immelt on Friday at a GE plant in Schenectady, N.Y., to announce his appointment as chairman of the President's Council on Jobs and Competitiveness. Like Obama's pick of Daley as White House chief of staff, the selection of Immelt sparked applause from the U.S. Chamber of Commerce and, in the eyes of the media, defused the Republican charge that Obama is anti-business.

But the anti-business charge against Obama was always off target. "Anti-free market" was — and is still — more accurate.

Immelt and Daley don't represent a new side of Barack Obama — they represent the unhealthy collusion of Big Business and Big Government that has always been the essence of Obamanomics.

"Immelt, Daley, and Obama's Antipathy to Free Markets," Timothy Carney *The Washington Examiner*, January 23, 2011

## THE OBAMA OLIGARCHY.

Each time the far left has governed this nation, from Wilson to Roosevelt, from Johnson to Carter to Obama, the results have been disastrous. The only semblance of success that the left can claim is the New Deal and even that assertion is dubious, given the reality of the economic distress that persisted throughout Roosevelt's presidency. Indeed, without the monetary boost provided by the flight of gold from Europe preceding World War II and then the war itself, even Roosevelt's "success" would likely be remembered today as a failure, much like Wilson's effort to "make the world safe for democracy," Johnson's "Great Society," Carter's malaise-ridden disaster, and the catastrophe-in-the-making that is the Obama presidency.

That the political application of theoretical leftist dogma would result in a mess is hardly surprising. The intellectual history of the left, from Rousseau to Marx to the present day, is a case study in confusion, infighting, and downright incoherence. Marx's ideas were so manifestly riddled with holes that every political leader who has attempted to put his "scientific" theories into practice has had to constantly revise, rethink, and patch them. And even then, they have proved to be nothing but a pathway to disaster.

### In this Issue

The Obama Oligarchy.

From Russia to China to Europe to Africa to the Middle East and even to America, hordes of simpletons have ignored all evidence that Marxism is drivel, both in theory and in practice. Indeed, for over 150 years, men and women from virtually all of the nations of the world have participated in the deaths of millions, the spilling of oceans of blood, and the waste of unfathomable resources in an attempt to fulfill Marx's fanciful, utopian promise. And, wonder of wonders, many are still trying, now some two decades after the spectacular and total collapse of the largest, most plausible, real-world experiment in the adaptation of Marx's ideas.

Perhaps someday, someone will write a book detailing this confusion, laying out the dozens of muddled and chaotic ideas that have somehow gained intellectual prominence on the left and describing their application to and the perversion of the functioning of government. Or better still, perhaps someone has already written most of that book and is still earnestly seeking a publisher for it. Who knows?

In any case, one needs only to look at the mess that is the Obama presidency to see the confusion that the intellectual leftist enterprise has wrought. Indeed, the incoherence that characterizes this presidency, with regard to goals, means, and rhetoric is shocking. Or at least it would be if it had not been made so predictable by the intellectual incoherence on which the entire political program was constructed and if it hadn't been precisely the same every previous time the Left has governed. In short, anyone who is surprised by the failure to date of the Obama presidency cannot have been paying attention. And anyone who thinks that this failure will not persist, should the man somehow manage to win re-election, is hopelessly delusional.

Yesterday morning, a handful of leftist fixtures, including representatives from organized labor, the environmental movement, academia (in the person of disenchanted black studies professor Cornel West) and consumer protection (or gadfly-dom, more accurately, in the person of Ralph Nader) declared that they would not rest unless and until Barack Obama is challenged from the left for the

Democratic presidential nomination. Their message is that they do not want Obama simply cruising to the nomination without having to prove (or re-prove) his leftist *bona fides*, at least in a manner that they can appreciate. They resent his courting of big money bankers and corporate interests. They are angered by his unwillingness to shut down the entire energy-production industry in the name of "saving" the planet. And they regret that he is, apparently, not sufficiently dedicated to the cause of the common man.

All of this, we note, comes in addition to recent criticism from elected members of the Democratic Party. Most notably, it comes only a day after the *Miami Herald* published highly critical comments about Obama's performance in the Oval Office by Emanuel Cleaver, the chairman of the Congressional Black Caucus and, as such, the titular head of Obama's most faithful constituency. In reporting on Cleaver's interview, *The Hill* newspaper said this yesterday:

"If [former President] Bill Clinton had been in the White House and had failed to address this problem, we probably would be marching on the White House," Cleaver told "The Miami Herald" in comments published Sunday . . .

CBC members have expressed concern in recent months as the unemployment rate has continued to rise amongst African-Americans, pushing for Obama to do more to address the needs of vulnerable communities.

"We're supportive of the president, but we getting tired, y'all," Rep. Maxine Waters (D-Calif.) said in August. "We want to give [Obama] every opportunity, but our people are hurting. The unemployment is unconscionable. We don't know what the strategy is."

Needless to say, Obama is not without his defenders, the most prominent of which is the infamous leftist strategist Bob Shrum. According to Shrum, lefties like Cleaver and the CBC, who expect Obama actually to take care of the tired, the poor, and the jobless, are nothing but “crybabies.” As Shrum put it, it’s time for them “to leave the critic’s row and get in the game.”

And while Shrum is without doubt the most prolific loser in the history of presidential politics, he may have a point here. After all, in less than three years in office, Obama has brought the financial industry under the control of the federal government. He has also federalized health care policy, something that all leftists before him have tried, but none have accomplished. He has essentially nationalized two-thirds of the auto industry. He has spent somewhere in the neighborhood of \$5 trillion and passed serial Keynesian “stimulus” bills. And he tried desperately to legislate control over the expulsion of carbon dioxide, the byproduct of human respiration, an effort which died not at his hands, but at those of the Congress, which was, at the time, controlled by other, less “dedicated” Democrats. All things considered, Obama has governed precisely as one would expect the former furthest left member of the Senate to govern. What more could the political left want, exactly?

Well . . . results, maybe, results for the working class, or the “working poor,” or “proletariat” or whatever the politically correct term is today for those in the lowest income brackets, the group which, incidentally, has grown the most precipitously during the Obama presidency. Unfortunately, for those who demand such results, this opposite outcome demonstrates and exposes the contradiction that lies at the heart of the leftist experiment.

In their rant against Obama yesterday, Nader, West, and the rest of the hard lefties who want to find a challenger for the President whined that their guy has abandoned them and wandered too far from his ideological roots. Or, as *The Washington Times* reported: “The group said the goal is to offer up a handful of candidates from various fields and areas where the president either has failed to stake out a

‘progressive’ position or where he has ‘drifted toward the corporatist right.’”

The problem with this is that the notion that corporatism is a creature of the Right or that progressivism is somehow easily and completely distinguished from corporatism is historical and ideological nonsense. The fact of the matter is that corporatism is but one of the literally dozens – if not hundreds – of “improved” versions of Marxism created to account for and overcome the shortcomings of the original theory. Corporatism is the formal alignment of government and corporate interests, as well as labor interests and other guilds of society, to manage said society for the benefit of “the people” as a whole rather than for the benefit of the small class of bourgeois aristocracy. It is an adaptation designed to overcome the fear of industrialists regarding proletarian violence, the stubborn unwillingness of the proletariat to engage in said violence, and the inability to maintain the means of production in the wake of such violence were it ever to occur, all of which were among the manifold failings of Marx’s fantasies.

One of the first large-scale political adaptations of corporatism was American progressivism. Influenced by the likes of sociologist Emile Durkheim and political theorist John Stuart Mill, the Progressives took the corporatist notions of the “societal organic” and the overarching predominance of economic and professional “associations” and applied them to their understanding of how an orderly, fair, enlightened, reformist, and well managed society should operate. What they developed and fostered, among other things, was the professional bureaucracy, designed to preclude the influence of political machinations and to intervene on behalf of society as a whole. This corporate notion in combination with a reliance on bureaucracy, in turn, nurtured what we know today as interest-group-liberalism, which was designed to provide each “association” a voice to speak to the ruling class on behalf of its members and thereby to articulate the needs of the class as a whole.

And from there, we know well the direction that history took; the same direction as the rest of the Marxist experiment only at a different speed and with different stops along the way.

In a 1996 book entitled *The Irony of Reform: Roots of American Political Disenchantment*, G. Calvin Mackenzie, the Goldfarb Family Distinguished Professor of Government at Colby College, discussed the post World War II liberal/progressive consensus in this country and the effect that it had had on the political culture.

He noted that the transformation of the nation and its politics in the half-century-long post war period “fit none of the historical patterns” of previous “reform” and completely and irrevocably altered the way in which government functions. He then ran off a list of bullet points illustrating and documenting the changes to American politics during this time. And while the numbers in these bullets are a bit dated, being 15 years old now, the basic point they make is nonetheless still valid and effective:

- The creation of more than fifteen thousand special interest groups with Washington lobbyists and more than four thousand political action committees (PACs) spending almost \$400 million on national elections.
- A presidential selection process that virtually excludes from influence the country’s most experienced and knowledgeable political figures; that is never ending and tedium inducing; that is managed by hired professional technocrats with little commitment to any issue or group of voters; that replaces reasoned debate with fifteen second sound bites; that gives more weight to the vote in New Hampshire than in California.
- An increasingly bureaucratic and impotent presidency that concentrates as much energy on news management and public relations as on policy and legislation.
- Legislative and executive branches often controlled by different political parties and constantly engaged in efforts to checkmate each other.

- A Congress in which party leaders often cannot lead, incumbents are nearly always reelected, staff members exercise enormous discretion, and budgets are debated four times each year by four different sets of committees in each house.

- A policy process in which judges, who are unelected and hold lifetime tenure, often make the most important decisions on critical substantive issues.

Obviously, given that Obama himself is expected to raise nearly \$1 billion dollars for his re-election campaign, most of it from special interest groups, we know that the only thing that has changed since the publication of Mackenzie’s book is the dollar amounts involved, which is to say that the stakes for the players are even higher now than they were fifteen years ago.

And fifteen years ago, they were higher than they were 30 years prior. And thirty years prior . . . well, you get the picture. The other thing that we know is that this has been an absolute, unmitigated disaster for most Americans. But not for all Americans. Some Americans have profited handsomely, those whom we might called the fortunate ones, or perhaps, the fortunately connected ones.

As longtime readers know, we have been writing about this particular issue in its various forms for years. In fact, twenty years ago, in an article entitled “An Upbeat Look at Some Ugly Trends,” we cited a similar list of deprivations committed against the American body politic. Among other thing, we highlighted some examples included in the leftist/“communitarian” theorist Amitai Etzioni’s 1988 book *The Moral Dimension, Toward a New Economics*, which still make interesting reading even today. Here’s one:

Etzioni cites the subsidy program for dairy farmers. In FY 1982, he says, these subsidies amounted to roughly \$2 billion. A 1981 proposal to reduce those benefits by \$600 million over four years was defeated. Those who voted against

the benefit reduction bill in the House received eight times more contributions from the principal dairy PACs than those who favored it. Total dairy-PAC contributions to those who voted against the bill were \$385,260. A \$600 million return on a \$385,260 investment is somewhat more than the industry would have received on a similar expenditure for R&D, Etzioni points out.

Roughly sixteen years ago, we noted that the *professional* financial guru whom the Clinton administration had brought in to handle its financial issues, former Goldman Sachs co-chairman-turned-Treasury Secretary Robert Rubin, engineered a bailout of the Mexican Peso that was designed primarily to prioritize the claims of and therefore to “rescue” not the little people, not the Mexican poor who might suffer deeply from the collapse of their currency, but the bondholders of Mexican currency, most prominently . . . Goldman Sachs.

Just over fourteen and thirteen years ago, respectively, in a series of articles we noted the corruption and absolute stupidity involved in the American financial industry’s exposure to the “crony-capitalist” economies in Asia and Russia. At the height of what was then known as the “Asian Contagion,” we wrote a piece called “Some Thoughts on Capitalism as the Asian Meltdown Proceeds” in which we warned of the deep corruption that was endemic in Russia at the time and the perils that U.S. firms faced if they ventured into this swamp unaware.

Unfortunately, among those American firms that failed to heed our warnings and lost a bundle of money was our now-defunct employer, Prudential Securities, which trimmed our bonuses that year, along with everyone else’s in the research department, in part because of its Russian losses. Another notable company that seemed to feel right at home in the deeply corrupt environment of Yeltsin’s Russia and the crony-capitalist paper-tigers of Asia was the hedge fund Long-Term Capital Management, which did a great deal of business with many of the big shots on Wall Street, whose principal creditors included

Goldman Sachs (the former firm of then-sitting Treasury Secretary Robert Rubin), which was the beneficiary of an unprecedented bailout arrangement organized by the Federal Reserve of New York when its losses grew too big too fast, and which earned its bailout partners a small profit.

It is also worth noting that although the LTCM fiasco turned out reasonably well for Goldman (under the government-directed circumstances) then-CEO of the firm, Jon Corzine was pushed out of management, in large part because of LTCM, and replaced by Hank Paulson. Corzine, of course, went on to become the Democratic Senator from and then Governor of New Jersey, while Paulson went on to become the next Treasury Secretary from Goldman, the one who oversaw the bailouts of Bear Stearns and AIG and the simultaneous collapse of Lehman Brothers, which differed from the other two principally in that it was, as an investment bank, a competitor to Goldman Sachs.

Perhaps our most relevant and recurring thoughts on the matter, though, involve the issues of interest-group politics, the bureaucratic state, the manipulation and perversion of the democratic enterprise by the combination of the two, and the consequent corruption of liberty and self-government, subjects we have tackled countless times over the years.

In our domestic policy Fearless Forecast issue for 2010, published January 5, 2010 and titled “The New Paradigm and Then Some,” we discussed this issue in depth with regard to the then-still-pending health care legislation and the fact that it was hated by everyone in the country, except those in government and in big business. We put it this way:

The current situation is one in which state control, not liberty, is the preeminent political value. It is also one in which the bureaucracy in general and the experts in particular are the preeminent political actors. By contrast to classical American political paradigms, the individual today is a secondary actor, a critical component of the state, but only insofar as his interests can be

subsumed by the state. The state, after all, is the guarantor of the domestic tranquility and of social equality. And therefore the individual must comply with the wishes of the state to such an extent that liberty is ultimately curtailed.

None of this is particularly new or interesting. It is, as we have said countless times, the direction in which Americans have been heading for many years. And it is fitting that health care has been the vehicle for achieving this dubious goal, it having always been the proverbial camel's nose under the tent, with its potential for providing an excuse for the state to regulate every aspect of American life.

There is, after all, a reason that the great tobacco wars of the 1990s were waged on behalf of Medicaid; smoking (allegedly) increases health costs, some of which are paid by the state, and therefore smoking is considered a risk to the state and tobacco companies must be punished. It's that simple. Any behavior of which the state and its experts disapprove can be deemed too costly and therefore a threat to the equity of the state's health care provisions, which is to say that any behavior of which the state and its experts disapprove can be curtailed, banned, fined, or otherwise punished. That's the ultimate cost of state control of health care.

We've been warning of this for years.

What we did not foresee, at least not consciously, was the ultimate collusion in this effort between government and erstwhile private industry. Like most Republicans and even most conservatives, we viewed private industry – big business, if you will – as a bulwark against government by

bureaucracy. Business, we assumed, would have different goals and different interests from the bureaucrats and would therefore protect the interests of free markets and free people. We were wrong . . .

Notice the differences here, between 1993 and 2009/10? This time around, the people hate the legislation, by an overwhelming majority. But the “special interests,” in the form of “insurance companies, doctors' groups, pharmaceutical manufacturers,” are all on board. Heck, it's they who stand to benefit the most from the passage of “reform.” These interests aren't a curb against the power of the state. They are a force multiplier.

Any number of economists – from Gordon Tullock to Anne Krueger to Fred McChesney – could have warned us that this was the case. But for whatever reason, we were late to this realization. Big Business and Big Government are mutually reinforcing, and it's the individual who pays the price.

If there is any lesson in the health care reform debacle, this is it. The old, reliable Iron Triangle has collapsed. And along with it, the basic principles of democratic governance. Who can stop this legislation from being passed? No one, it seems – with the possible exception of a bribe-addled Senatorial Dead-Man-Walking from Nebraska. The people hate it. But the state and its business partners love it. So the people get screwed.

And you will note that health care is not the only aspect of governance in which this is the case. Treasury Department policy, for example, over the last two years and across administrations from

BOTH parties, has been directed almost exclusively at enabling and fortifying the prospects of Big Business (and big banks in particular) with no accountability whatsoever to the people. The powerful and the well connected have always done well in Washington, but now it seems that they alone do well and extremely well at that.

Enter now Ron Suskind, the Pulitzer Prize-winning journalist for the *Wall Street Journal*, who has just written a new book on the behind-the-scenes maneuverings of the Obama administration, most of which are interesting, some of which are telling, and at least one of which is damning. As an *AP* account of Suskind's retelling puts it:

A new book offering an insider's account of the White House's response to the financial crisis says that U.S. Treasury Secretary Tim Geithner ignored an order from President Barack Obama calling for reconstruction of major banks . . .

The book states Geithner and the Treasury Department ignored a March 2009 order to consider dissolving banking giant Citigroup while continuing stress tests on banks, which were burdened with toxic mortgage assets.

In the book, Obama does not deny Suskind's account, but does not reveal what he told Geithner when he found out.

Now, in case you were wondering, up until early 2009, about the same time as the alleged "slow walk" of the Citigroup matter, a Director and Senior Counselor (and briefly Chairman) of Citigroup was a man named Robert Rubin, who earned over \$100 million in cash and *stock* during his stay at Citi. Oh yeah. And he was also a former co-chairman of Goldman Sachs. And a former Treasury Secretary. And one more thing: as Treasury Secretary, he was boss to a young Undersecretary of the Treasury for International

Affairs named . . . sing along with us! . . . Timothy Geithner!

Before all is said and done, it is quite possible that the case of Solyndra will be the first real scandal of the Obama administration. As things stand today, we know that the administration, at the very least, wasted half-a-billion taxpayer dollars to pursue a foolish ideological pipedream. But there may be more, much more to the story than that. There are reports of administration officials and even the President himself pressuring bureaucrats to break protocol. There are reports of big-time donors getting preferential treatment. There are all sorts of reports suggesting all sorts of potential misdeeds. Whatever the case, whether or not anything untoward happened, the Solyndra mess represents precisely the perversion of the leftist dream that is the almost always the ultimate end of corporatist/progressive endeavor.

For those of you who are unfamiliar with the budding scandal, *The Atlantic's* Chris Good summarizes it thusly:

In August 2009, White House staff repeatedly asked Office of Management and Budget (OMB) officials about the status of a \$535 million loan to the solar-panel manufacturer Solyndra. Last week, the company filed for bankruptcy. Two days later, the FBI raided its offices in Delaware, refusing to discuss details of the investigation.

The loan was granted by the Department of Energy (DoE) under the green-infrastructure provisions of President Obama's \$787 billion stimulus bill, and OMB officials privately said they felt pressured to approve the loan prematurely. White House officials made their inquiries to OMB just weeks before Vice President Biden announced the loan at a ground-breaking ceremony in September, part of his long campaign to promote stimulus-spending projects across the country.

*The Washington Post* reported those facts on Tuesday after obtaining internal administration emails. The House Energy and Commerce Committee, chaired by Republican Rep. Fred Upton (Mich.), held a hearing on the Solyndra loan and the emails on Wednesday, where officials from OMB and DOE testified.

Additionally, we now know that the Obama administration's own Office of Management and Budget recommended against the loan restructuring, but was overruled and that George Kaiser, the largest investor in Solyndra and one of the Obama campaign's chief fundraisers in 2008, met with administration officials throughout 2009, while the loan was under consideration. We also know, from a statement posted on Solyndra's web site, who the company's financial advisors were during the entire half-billion dollar loan process. To wit:

Goldman, Sachs & Co. acted as exclusive financial advisor to Solyndra in connection with this loan guarantee application.

Didn't see that one coming, didja?

So does all of this prove anything? And if so, what?

Well, for starters, it proves that if you really want to make it big as a player in the administrative state, as a rent-seeking high-roller in the corporatist collusion between Big Government and Big Business, your business should almost certainly read "Goldman, Sachs." As we've said for years in speeches and presentations, all these Robert Ludlum books that posit grand governmental and secret-agency conspiracies to control the world miss the point. It's not the governments that pull the strings – or at least not by themselves. They need the bankers too. And Goldman is the banker's banker.

Does it prove that Barack Obama is a faux leftist and is, as Cornel West and Ralph Nader believe, a sellout to the poor and working class? Absolutely not.

Just like Bill Clinton before him, we believe that Obama firmly believes that it is his responsibility to serve the poor and distribute wealth to those who lack it. But unlike Clinton, Obama is unable or unwilling to grasp the economic reality that underpins the advancement of the underclasses, namely broad economic growth.

The fact of the matter is this: managed economies are doomed to fail. They are unable to meet the needs of employers, the wants of consumers, and nature of man. It doesn't matter if this managed economy is a more-or-less faithful Marxist planned economy or the more gently and judiciously managed "capitalism" of liberal/progressive corporatism. The result, in the end, is the same, namely oligarchy. A small group of well-connected elites winds up reaping the benefits of government management and the masses are essentially squeezed out the picture, left to fight over whatever scraps the ruling class feels it can spare.

The hard-core lefties complain all the time about the growing inequality in society and about the fact that so few individuals now control so much of the nation's wealth. Yet they never stop long enough to think why this might be so. It's a closed club with a revolving door and expanding government only makes it worse. Did you really think that Warren Buffett wanted higher taxes and bigger government because he thinks it will make him poorer or because he thinks it will help distribute wealth more evenly? Have you been paying any attention?

When the left governs in this country, the number of poor increases, as does the nation's collective misery. This is no coincidence. It is, as they say in the world of software programming, a feature, not a bug.

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