A Bipartisan Problem

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The Republican and Democratic Parties are both guilty of the same short-sighted policies.

Introduction

In today's *Wall Street Journal*, commenting on President Obama's speech to the nation, Karl Rove complains ("Obama's Straw Men", Wall Street Journal, Thursday, February 26, 2009, Page A11):

Mr. Obama also said that America's economic difficulties resulted when "regulations were gutted for the sake of a quick profit at the expense of a healthy market." Who gutted which regulation?

Perhaps it was President Bill Clinton who, along with then Treasury Secretary Larry Summers, removed restrictions on banks owning insurance companies in 1999. If so, were Mr. Clinton and Mr. Summers (now an Obama adviser) motivated by quick profit, or the belief that the reform was necessary to modernize our financial industry?[1]

Mr. Rove is referring to the Gramm-Leach-Bliley (GLB) Act, also known as the Financial Services Modernization Act of 1999, which repealed the reforms of the Depression era Glass-Steagall Act. One can argue GLB was not about "modernization" but turning back the clock and ignoring the hard earned lessons of history. Mr. Clinton and Mr. Summers were probably motivated by "quick profit" or more likely "quick profits" for campaign contributors who often turn out to support both Republican and Democratic politicians.

Indeed, it is probably not a coincidence that the *Wall Street Journal* editorial page has been a strong supporter of Larry Summers, for example during his controversial tenure as the head of Harvard. Now the *Wall Street Journal* editorial page has certainly been highly critical of Bill Clinton, but how real is the criticism? As Karl Rove's editorial indicates, President Clinton was not really all that different from the Republicans.

Conservative, libertarian, and business sources are busy attacking President Obama as a "radical", "socialist", "big government liberal", and all their usual attacks on liberal Democrats, even as President Obama throws more money at the mega-banks that routinely take out full page advertisements in the *Wall Street Journal*.

Both the "anti-government" conservative Republicans and the "big-government" liberal Democrats ignored massive popular outrage to pass the failed Troubled Assets Relief Program (TARP), plunging the economy into a tailspin. Both Senator Obama and Senator McCain voted for TARP. Both President Bush and President Obama have unwisely invoked the specter of the Great Depression to panic the public into support of their similar policies.

There is no question that the rhetoric of conservative Republicans and liberal Democrats is somewhat different. Republicans routinely attack liberal Democrats such as President Obama as closet socialists or something similar. Democrats routinely attack conservative Republicans as closet fascists or something similar. The Republican and Democratic policies are often similar. The current policies toward the mega-banks are virtually identical. It is easy to see why as the mega-banks are major campaign contributors to both the Republicans and the Democrats.

Rhetoric about more government versus less government, regulation versus deregulation, fiscal responsibility, and other clichés of American politics distracts the public and political activists from the substance of the policies, in this case a massive government intervention and subsidy for the mega-banks and the superrich. This is a bipartisan problem. Both parties are guilty. They are each blaming the other, but they are both guilty.

The current economic problems need to be addressed by writing off the bad mortgages in some way (such as putting the mega-banks through bankruptcy proceedings and breaking them up into manageable smaller pieces) and by rebuilding the real economy, especially manufacturing, research and development, and other atrophied sectors of the economy. Further expanding the power of financial manipulators with no real economy experience or skills will almost certainly be catastrophic as they further mismanage and destroy the real economy.

So far, nothing substantial has been done to prevent a negative bubble in housing and other assets. There has been no apparent effort to manage a revaluation of the yuan and a retooling of China's manufacturing to meet the needs of the rural Chinese population and to avoid catastrophic shortages of goods in the United States through a phased revaluation and joint cooperation. With US demand collapsed, China will soon face internal pressure to decouple from the moribund US economy. They have nothing to lose since the US is no longer purchasing luxury goods intended for the affluent US market. They have much to gain by switching to manufacturing goods and providing services appropriate to their own population. Panicky short term "Wall Street trader" thinking is dominating public policy in the United States.

People across the political spectrum need to consider their interests and not be distracted by phony partisan rhetoric. Very few people are benefiting or will benefit from this extreme concentration of political and economic power in the hands of a few politically connected bankers. The results have already been disastrous. Conservatives and Republicans love to raise the specter of the extreme concentration of power in an out-of-control socialist state like Stalin's Soviet Union. This fear has actually been used to argue against any significant oversight, reforms, or especially breaking up the mega-banks while giving them hundreds of billions of dollars. This same dangerous extreme concentration of power can also take the form of a few government-financed "private/free market" mega-banks.

This is a bipartisan problem. Both parties are blaming the other party. Both parties are guilty. Both parties are broken.

About the Author

John F. McGowan, Ph.D. is a software developer, research scientist, and consultant. He works primarily in the area of complex algorithms that embody advanced mathematical and logical concepts, including speech recognition and video compression technologies. He has many years of experience developing software in Visual Basic, C++, and many other programming languages and environments. He has a

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[1] The Gramm-Leach-Bliley Act of 1999, also known as the Financial Services Modernization Act of 1999, was enacted on November 12, 1999. Robert Rubin, who became a director of Citigroup in 1999, was Treasury Secretary from January 11, 1995 to July 2, 1999. Larry Summers succeeded Rubin as Treasury Secretary. Mr. Summers was Treasury Secretary at the time GLB was finally enacted. President Clinton signed GLB. Robert Rubin was a supporter of GLB. Mr. Summers is often described as his protégé. Gramm is then U.S. Senator Phil Gramm, a Republican. Leach and Bliley are both Republican Congressmen. Most Republican Senators and Congressmen voted for Gramm-Leach-Bliley. Phil Gramm is now vice-chairman of UBS Investment Bank and writes editorials blaming the fiancial crisis on the Community Reinvestment Act (CRA).