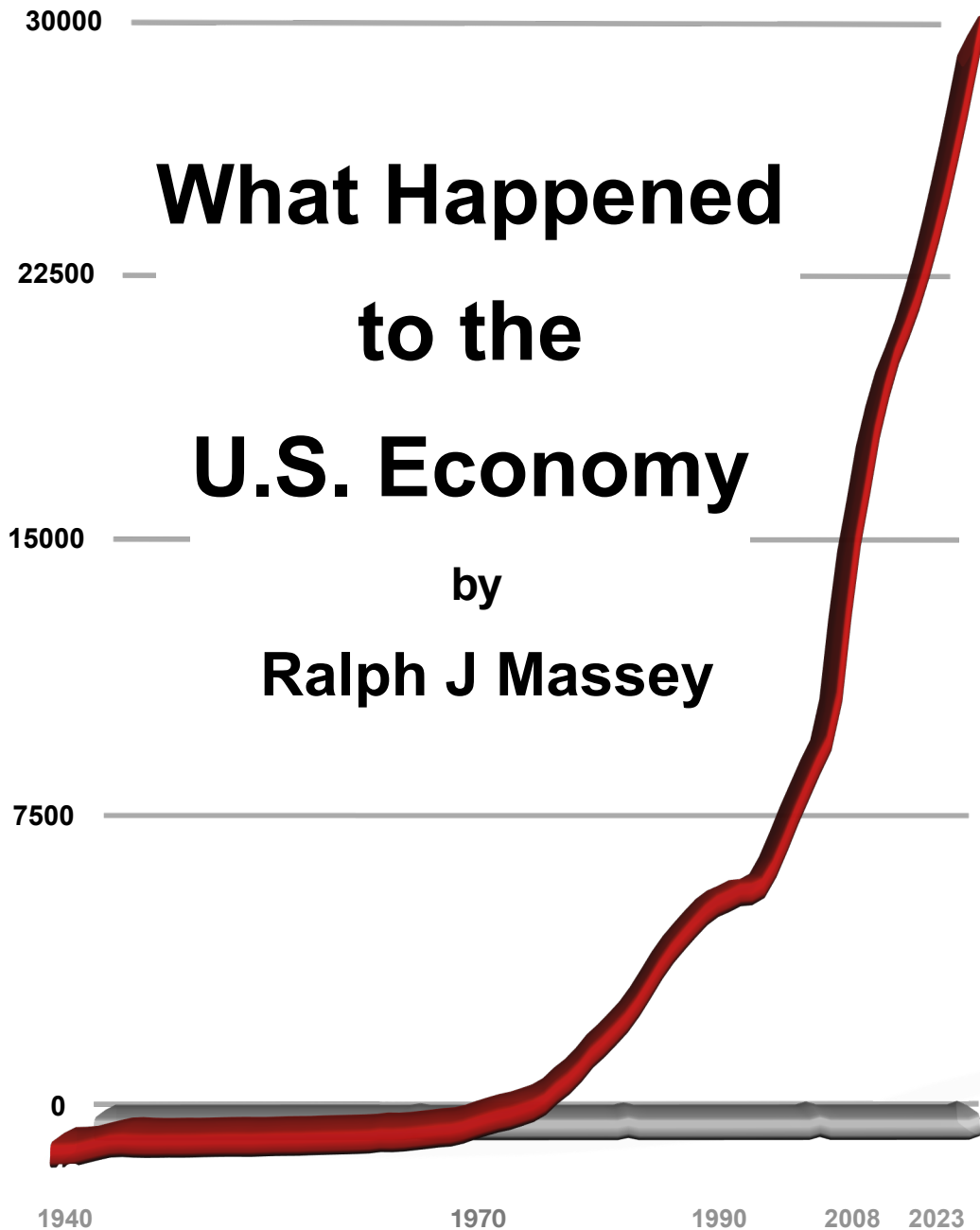


U.S. Gross Federal Debt *

Billions US\$



What Happened to the U.S. Economy by Ralph J Massey

* White House COA 1940-2012 & Congressional CBO 2013-2023

The Author

Ralph J Massey was born in 1929 in Cleveland, Ohio, son of a police officer and grandson of a railroad brakeman and a coal miner.

There he graduated *magna cum laude*/Phi Beta Kappa from Case-Western Reserve University; and then studied at the University of Chicago in the early-1950s when Milton Friedman emerged as a leading conservative economist. He was a Harry A Millis Fellow in Industrial Relations and a Research Associate in the Department of Economics.

He left the University with a masters degree in Economics when the Industrial Relations Center was closed; and then he pursued a 36-year business career at Ford Motor, Kimberly-Clark, Johns-Manville and Chemical Bank...now a part of JPMorgan Chase.

He is a founding member of the Nassau Institute and was a consultant to the Hotel Employers Association of the Bahamas.

“What Happened to the American Economy?” is his perspective on a century of profound turmoil - two Great Wars, two Great Depressions and periods of real prosperity - and what America did and did not do on the road to what may be a financial abyss.

The Preface

After its “Revolution of Independence” in 1776, the United States uniquely evolved from its English roots to become by 1950 the dominant power in the world.

Oriana Fallaci (1929-2006), the sensational international journalist, anti-Fascist/anti-Jihadist war correspondent, and novelist wrote about America in 2001 -

“Since America is the richest and strongest country in the world...the most powerful and the most capitalistic...and since her military supremacy scares the world, Americans themselves used to cherish the illusion of her invulnerability.

“But America’s vulnerability lies exactly in her strength...my dear...in her richness, her power and her super-capitalism.

“These are the reasons why she ignites every kind of jealousy and hate.”

My “Narrative” on “What Happened to the U.S. Economy” is less colorful and dramatic.

The first six Chapters deal with the **The New Left**, the period when the American political-economy started the big shift to the left. Then the politics of “Spend, Borrow & Print” took hold of both political parties; and it borrowed seemingly without limit to finance both an expanded role in world politics and a Great Society of burgeoning social entitlements.

The next eight chapters discuss the factors that led to a “Bloodless Coup” by **The Far Left** when the country elected Senator Barack Obama President. He was a Radical Socialist whose oratorical skills rivaled those of Franklin Delano Roosevelt.

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The Narrative

America is facing economic and political crises of enormous proportions. More than ever before...politicians, citizens and the media are polarized on a number of economic, political and cultural issues. This narrative will focus solely on the domestic economic crisis.

In this regard, the author believes that the U.S. got to where it is in two major steps with the New Left and the Far Left. The critical pivot point in this narrative was the election of President Barack Obama in late 2007.

But first...this situation should be put into perspective. Although it may not be apparent to many, the most obvious economic development after 1971 was America's willingness to "Spend, Borrow & Print" well beyond its income.

In 1940 the total Federal debt was \$51 billion (or \$0.5 Trillion); today it is over \$17,000 Billion (or \$17 Trillion); and is expected to exceed \$26 Trillion by 2023. The Government today borrows 40 cents of every dollar it spends; and it prints money at an annual rate well beyond the growth of the things that its economy produces.

This creates the likelihood of future "adverse unintended consequences". Yes...we are experiencing rising prices and fewer jobs; but the longer-term adjustments can include hyper-inflation, sustained high levels of unemployment and social unrest.

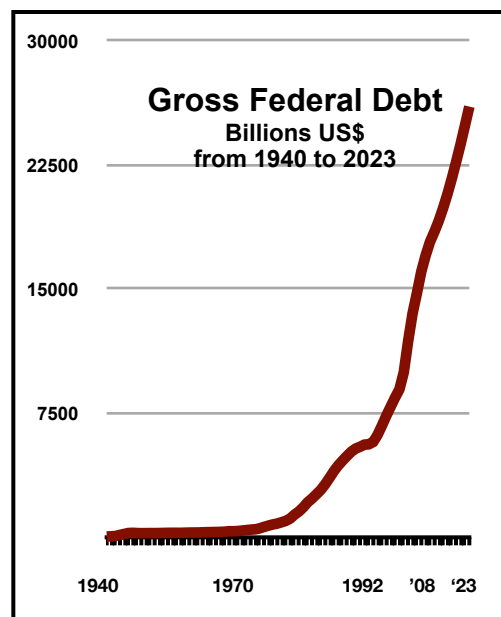
But...let's go back to the beginning, the Keynesian Revolution in Economics that began in the 1930s.

John Maynard Keynes (1883-1946) was the most important economist of the first half of the 20th Century. He looked at unemployment in Great Britain and wrote his *General Theory of Employment, Interest and Money*. He addressed what a government could and should do to end the scourge of unemployment.

He assumed and asserted that free markets could not be relied upon to cause a spontaneous rebound from a slump in economic activity; it was the excessive saving of the "wealthy" that caused a shortage of demand and "unnecessary" unemployment. The solution was direct government intervention to boost demand...specifically government spending and preferably fiscal deficits. According to Keynes this would "save" capitalism.

One cannot understate the "clean sweep" of academia and government policy-making that this message produced.

In the United States, for instance, Paul Samuelson's 1948 *Economics* college textbook became the introduction to Keynesian theory. An estimated 4-million copies in 19 editions and 41 languages were sold. Everywhere Keynes overwhelmed those who saw the future



adverse consequences and the proven longer-term effectiveness of free markets and economic freedom.

Then **Milton Friedman (1912-2006)** became the most influential Conservative economist and Keynesian critic in the second half of the 20th century. His monumental work on the tendency of people to save and the role of money and governments in causing and amplifying business cycles effectively undermined Keynesian economics. In the 19 editions of Paul Samuelson's *Economics* Friedman's name does not appear until the 10th edition in 1976 and then only in the footnotes. In the 1985 edition Samuelson "conceded that early Keynesianism had benefited from the 'rediscovery of money'. Money definitely mattered."

That's a thumbnail sketch of an important past economic controversy.

Question: But what did the politicians and citizens of America learn from it?

Answer: In the short-run government intervention and spending could stimulate the economy and relieve human hardship; AND...in a popular democracy like America...it could secure critical popular votes. It was as if Friedman's message on the longer-term virtues of monetary stability and fiscal responsibility fell on deaf ears; and "Spend, Borrow & Print" was embraced by both parties.

But Milton Friedman did effectively promote the concepts of limited government and free markets with world leaders such as Margaret Thatcher and Ronald Reagan; and he even had some success with dictatorships in China and Chile.

Nevertheless, Radical Socialism, a modernized Marxism, did emerge in academia and local politics.

In academia it was powered in 1966 by the ideas of Professors Cloward and Piven at Columbia University, principally their strategy of "Non-Reform Reform" and by Saul Alinsky in his book, *Rules for Radical: A Pragmatic Primer for Realistic Radicals* published in 1971. *Rules* became the primer of the Far Left, a "veritable blue-print for a socialist revolution in America that Alinsky called 'Hope and Change.'" This book's historical importance cannot be over-stated since it became a vital part of President Obama's core beliefs.

And...America was vulnerable. According to **François Furet (1927-1997)**, the French historian when commenting on 20th century Communism -

Liberty and equality were "unlimited promises that proved problematic as soon as anyone attempted to apply them to society...For such abstract promises create an unbridgeable gap between people's expectations and what the society can actually offer them. They kill off any debate or agreement on the limits of democracy."

This did happen in America. The New Left did emerge; and it did from the remnants of -

- The Russian espionage network of the Cold War that was larger than anyone realized at the time.
- The Students for a Democratic Society (the SDS), an estimated 100,000 college activists. They successfully protested the draft during the Vietnamese War and then joined the credentialed elite of academia, the law, the media and the governmental bureaucracy.

- The Weather Underground, a clandestine revolutionary group that violently tried to over-throw the U.S. Government.
- The Association of Community Organizations for Reform. ACORN was founded by a dropout from Williams College and peaked at over 500,000 members in more than 1,200 neighborhood chapters in over 100 cities before dramatically dissolving.

The author contends that the First Revolutionary Step was taken in 1991 by the U.S. Government when it mandated reckless and ill-advised financial behavior in connection with the “Affordable Home Ownership for All” initiative. It was a true Socialist Dream or Illusion; and it produced the second Great Depression, the end sought by the “Radical Socialists”. It was a “Non-Reform Reform” that used the welfare benefits of a popular democracy to destroy “capitalism”.

AND...it set the stage for the emergence of Barack Obama as a “viable” Presidential candidate of “many gifts but precious few accomplishments”.

He was the “Perfect Stranger”, a candidate who was thoroughly grounded in socialist ideology beginning in childhood but who, as a Presidential candidate, convincingly misrepresented himself as a moderate pragmatist...the champion of “Hope and Change”. Unchallenged on his resume and fitness for office by the national media and his opposition...and with the unrelenting help of the national media and political organizing unseen before in America...Senator Barack Obama disarmed his opponents and achieved a true Bloodless Coup.

He said his first priority was jobs. BUT...the economy has not bounced back sharply as it did with all the recessions of the last three-quarters of a century. The country has fallen below its long-term economic growth path and the level of job creation associated with that historic rate of growth. This is the growth that creates jobs for school leavers.

But his main objective, in fact, was not jobs...it was socialist change. For instance, with ObamaCare, his signature piece of legislation, public expenditures are expected to be up to five times the amount forecasted in the Bill; the new taxes and fees imbedded in it do adversely affect employment; and compliance will be policed by the Internal Revenue Service with a new army of bureaucrats allegedly 16,000 strong with over 30,000 pages of regulations. That’s Radical Socialist reality.

The unintended consequences of “Spend, Borrow & Print”, Radical Socialism and America’s Unlimited democracy leave the country on the edge of an economic “Abyss”.

The optimist looking at the future can point to the riches of the country and the possibility that a suffering and enlightened electorate may elect courageous leaders who will end the Radical Socialism of the Far Left and put the country back on its historic path of economic growth.

Such an optimist may also wonder about the election and re-election of Barack Obama...the gifted presidential candidate and Perfect Stranger...who is likely to make the welfare of the average American materially worse rather than better.

The New Left

Spend, Borrow & Print

Exactly “What Happened to the U.S. Economy?” That question and its many answers dominate the politics of today. One witnesses a tango between political adversaries trying to avoid being blamed for many things...but in this case...the “looming financial cliff”, the abyss where past commitments come due. In one sense the origin of the problem is incredibly simple to illustrate.

Just consider the country’s national debt...from the total outstanding in 1940 to the forecast by the Congressional Budget Office for 2023. It was \$50 Billion (\$0.5 Trillion) in 1940; today it’s over \$16,700 Billion (\$16.7 Trillion); and in 10 more years it’s expected to reach \$30 Trillion.

In any enterprise such a record would suggest both bad management and business failure on a grand scale.

I contend that the U.S has experienced a failure in responsible political leadership, the necessary popular support for such leadership and a complex history that has created what appears to be a looming economic/financial storm. This narrative looks at this situation from the point of an economist/businessman.

In addition to the Federal Debt shown on the cover, there is the Money Supply - M2 that includes U.S. currency, the Treasury’s promises to pay on demand, bank deposits, etc.. These totaled \$0.3 trillion (\$300 Billion) in 1960 and reached \$11 trillion (\$10,527 billion) in 2013.

The highest annual percentage increases occurred during the administration of Richard Nixon, 11.7% per year in 1971. The lowest were 1.2%% per year under George Bush “41” in 1991 and 0.4% per year in 1994 under Bill Clinton.

The rate of increase in the money supply has been consistently both erratic and on average a multiple of the long-term rate of growth in real economic output that had been an average 2.5 percent per year. AND the Federal Reserve Bank...more than five years after the start of the 2008 recession...is “printing money”. It is buying its longer-term debt with newly “printed” money, its short-term notes, trying to stimulate demand in the short run but adding fuel to the adverse consequences in the longer run.

Keynes & Friedman

Let’s start with economic theory and begin with the most important economist of the first half of the 20th Century, **John Maynard Keynes (1883-1946)**.

He rose to international fame with his outspoken criticism of the Versailles Treaty ending World War I and the post-War economic policies of the British Government. The terms of the former set the stage for World War II and the latter produced unacceptably high levels of unemployment in Great Britain.

Keynes, the Cambridge professor, developed and published the *General Theory of Employment, Interest and Money* in 1936. It addressed what a government could and should

do to address the scourge of unemployment. In so doing he created modern macro-economics and business cycle theory.

- He asserted that free markets could not be relied upon to cause a spontaneous rebound from a slump in economic activity.
- He contended that at the bottom of the economic cycle a chronic shortage of demand caused a slowing of business and “unnecessary” unemployment. The solution was direct government intervention...government spending and preferably fiscal deficits...to boost demand...consumer spending.
- He believed that this was caused by excessive total savings...as incomes rise, the share of total income spent decreases. This produced an excess of saving and a fall in economic activity below “full employment and maximum output”.
- He was concerned with the cycle’s determinants...inflation, interest rates, and exchange rates and overlooked the importance of money...viewing it as a technical issue and not a factor determining economic stability.

One should note, however, that Keynes claimed that he was not a socialist...he was just against “laissez faire” and “free markets”. He contended that Capitalism could be wisely managed and “saved”; and his *General Theory* created the logic for greater Government intervention, spending and deficits.

One cannot understate the “clean sweep” of academia that these ideas produced in the United States. For instance, Paul Samuelson’s 1948 *Economics* college text became the introduction to Keynesian theory selling an estimated 4-million copies in 19 editions and 41 languages.

Keynes and his “followers” overwhelmed their conservative critics who saw the proven effectiveness of free markets and the importance of economic freedom...but who were initially ineffective and isolated in the wake of the Keynesian Revolution.

Milton Friedman (1912-2006) became the most influential Conservative economist and Keynesian critic in the second half of the 20th century.

He studied at the University of Chicago and Columbia and worked at the National Bureau of Economic Research. As a mathematician/statistician during World War II, he and three others invented “sequential analysis” that “ensured that the detonator on the atom bomb worked”.

He returned to the University of Chicago in 1946 to teach economic theory and remained there for three decades...creating the Chicago School of Economics.

In the 1950s and early 1960s he made contributions in two areas that undercut Keynesian theory.

Savings. Keynes related changes in aggregate consumer spending to changes in National Income...a numerical ratio called the Consumption Function that was a critical building block in his General Theory. He assumed...as noted above...that an excess of savings eventually reduces employment below the full-employment level.

In his book *A Theory of the Consumption Function* published in 1957, Milton Friedman rigorously challenged this assumption with the direct observation of data that showed it to be fundamentally flawed.

In the short-run “rich” people did save more of their income as it rises compared to the “poor”; BUT he observed a surprising anomaly...over the long-run consumers as a whole saved a relatively constant share of income.

Money. In 1963 he and Anna Schwartz published *A Monetary History of the United States - 1867-1960*. With the passage of time it is now viewed as a monumental and enduring contribution to the study of economics. It explained what did happen in the Great Depression of 1929. Namely...“the depression was primarily the result of an inappropriate monetary policy that allowed the money supply to contract”, banks to fail and unemployment to rise.

Robert E. Lucas, Professor of Economics at Chicago, noted in 2013 on the 50th anniversary of the book’s publication that the authors created a new “time series”, the money supply (today known as M2) and its components for the entire 93-year period broken down into 11 sub-periods.

“Every major depression and movement of prices and interest rates was accounted for, every policy decision seen by the authors as important was reviewed, and where policies were found deficient, alternatives were proposed and their likely consequences assessed...one is given a vision of the way this portion of our history might have evolved, with stable prices and smoothly growing real output, and of the policies...that would have achieved this outcome.” Friedman noted that those powers were given to the new Federal Reserve Bank in 1914.

Subsequent to publication he studied the expansion of the money supply elsewhere...where the ancients debased their metallic currencies and contemporary governments are free to “print” money. The value of each unit no longer tied directly or indirectly to a specific weight of gold. Its value is the “exchange value” of buyers and sellers trading in the market place.

He found that..

“Sharp reductions in the money supply precipitated sharp declines in economic activity while monetary growth in excess of real output invariably produced episodes of sustained inflation.” In the U.S., U.K., Germany, Japan and Brazil he found a remarkably close correlation between the “printing” of money and the adjustment process, specifically inflation, that occurred 18 months latter. He concluded that “there is no other proposition in economics that is as well established as this one”.

In the 1950s the difference between Keynesian theory and Friedman’s monetarism was sharp; but with the passage of time it melted away.

In the 19 editions of Samuelson’s Economics, Friedman’s name does not appear until the 10th edition in 1976 and then only in the footnotes. In the 1985 edition Samuelson “conceded that early Keynesianism had benefited from the ‘rediscovery of money’. Money definitely mattered.” Friedman had retired in 1977 from Chicago and then was truly an economic policy “rock star”.

That's economics. But...what about the politicians and the electorate?

According to "Keynes" deficit spending and printing money were good and private saving was bad. Yes..."spending and printing" could in the short-run relieve economic hardship. AND...in a popular democracy it could secure critical popular votes.

BUT...in the longer-term the country has to adjust and deal with the consequences Spend, Borrow & Print that can range from hyper-inflation to stagnation, sustained excessive unemployment and a decline in living standards.

Unlimited Democracy & Radical Socialism

Milton Friedman's contributions in the field of Economics were many and varied...from his work on the value of money, his distinct "Micro" contributions to economics and his specific public policy recommendations that have found a place in the fabric of society.

One that is relevant here is his promotion of limited government and free markets. His book, *Free to Choose: A Personal Statement*, published in 1990 was a best seller; and his work on the Index of Economic Freedom developed with the Fraser Institute furthered the cause of Libertarians everywhere.

This author contends that the economic freedom idea may have been given new life by Daron Acemoglu and James Robinson in *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* published in 2012.

The authors looked at the history of economic growth around the world. After 1750 the Industrial Revolution "emerged in Great Britain slowly as major technological breakthroughs and their application in industry took root." In contrast the Soviet Union did not grow rapidly until two centuries later...between 1930 and 1970...and then it experienced a rapid collapse.

The scope of their analysis is very broad...including two empires, fifteen countries, the Black Plague and Slavery within and outside of Africa. They contend that "economic institutions shape a society's economic incentives: the incentives to become educated, to save and invest, to innovate and adopt new technologies, and so on. It is the political process that determines what economic institutions people live under; and it is those political institutions that determine how this process works."

Inclusive economic institutions allow and encourage participation by a great mass of people in economic activities that make the best use of their talents and skills and that enables individuals to make the choices they wish.

To be "inclusive", economic institutions must feature secure private property rights, an unbiased system of law, and a provision of public services that provide a level playing field in which people can exchange and contract. It also must permit the entry of new businesses and allow people to choose their careers.

Extractive economic institutions have opposite properties to the above and are called "extractive" because such institutions extract incomes and wealth from one subset of society to benefit a different subset.

However, the popular and dominant economic theory of today is a combination of Anti-Colonialism and Revolutionary Socialism. Dinesh d'Souza, the Indian-American conservative commentator and author, contends that anti-colonialism is the most powerful political force especially in the non-Western world in the past 100 years...a force that concludes that the wealth of Western Civilization is stolen wealth. Its proponents have included...

- Frantz Fanon (July 1925 - Dec. 1961) was a Martinique-born French-Algerian psychiatrist, philosopher, revolutionary and writer who is mentioned in President Obama's biography *Dreams from My Father*. Fanon contended that the wealth of the world has not been generated through work or effort or creativity. It has not been earned; rather it has been stolen. The world became rich by invading, occupying, and looting poor countries.
- Edward Said (Nov 1935 - Sep 2003) was a Palestinian writer and a teacher of Barack Obama at Columbia. Said contended that America replaced Europe as the main perpetrator of global theft and exploitation. He was possibly the strongest voice with regard to the rights of the Palestinians.
- The Rev. Jeremiah Wright (d.o.b. Sep 1941) was President Obama's pastor and "spiritual advisor" in Chicago for two decades. "His global theology identifies the West, and specifically the United States, as a global occupier and oppressor, and the rest of the world as a global victim seeking equality and justice."

The author disagrees with the above and contends that today's Anti-Colonialism has its origins not only in the specific "extractive" policies of past colonial powers but also in the *Communist Manifesto* of February 1848.

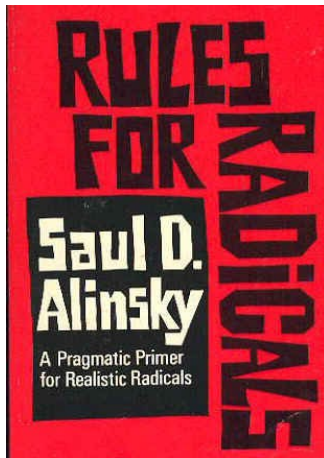
Karl Marx said "What I did that was new...was to prove that -

- The "existence of classes" is only bound up with particular, historic phases in the development of production;
- The class struggle necessarily leads to the *dictatorship of the proletariat*; and
- This dictatorship itself only constitutes the transition to the *abolition of all classes* and to a classless society."

According to Archie Brown, Emeritus Professor of Politics at Oxford, "He had, of course, 'proved' nothing of the kind." Karl Marx did not describe the institutions of that dictatorship nor those of the Utopian society beyond...nor the institutional path from the destruction of capitalism to a Utopian state.

This spawned a new "theory" of political change...one developed in 1966 at Columbia University. Professors R. Cloward and F. Fox Priven. They contended that Revolutionary Radicals could bring down the American economy by overloading the U.S. welfare system, producing a political crisis that would lead to major socialist reform.

Allegedly Cloward and Priven were inspired by the 1965 Watts Riots in Los Angeles. David Horowitz, an Ex-Communist and prominent critic of the Revolutionary Left, contends that the whole idea was to exploit "black rage" to advance the cause of "social justice." Andre Gorz, the European social philosopher, called it a "Non-Reform Reform" or "Guerrilla Socialism"...a way to overthrow capitalism in a popular democracy.



Such an idea is not new since it was a stated objective of Russia's Communist International (the "Comintern") and the Communist Party in the U.S. ("CPUSA") when both were formed in 1919.

Today Radical Socialism is Modernized Marxism and focuses on those same dreams of perfect equality, justice, peace and co-operation...AND...an eternal class struggle and the ruthless acquisition of power by the revolutionary.

The definitive statement of its objectives and tactics is Saul D. Alinsky's *Rules for Radicals: A Pragmatic Primer for Realistic Radicals*. It is based on Alinsky's 20-years of experience in promoting social revolution at the community level in the U.S.. Written in 1971 it since has become the "veritable blue-print for a socialist revolution that he called 'Hope and Change.'" This

book's historical importance cannot be over-stated since it played an important part in President Obama's life.

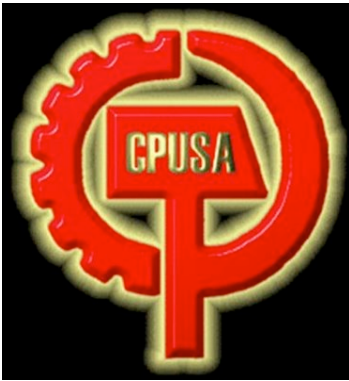
The agent of change is no longer a Marxist Dictator nor a bomb throwing revolutionary.

- He is a middle class person who rejects the "world of materialism, its bourgeois, bankrupt and violent values and seeks insights beyond orthodox Marxism".
- Class Conflict, as always, is the assumed primary dynamic of society.
- The Grand Organizer is ...
 - A political relativist who is convinced that the Means justify whatever End selected; and "the most unethical of all means is the non-use of any mean."
 - A political schizoid who can polarize his constituents so that "they are convinced that their cause is 100 per cent on the side of the angels and that the opposition is 100 percent on the side of the devil.
 - A politician without a concern for the economic consequences of a policy initiative...one who *Spends, Borrows & Prints* in the pursuit of a Marxist illusion.

François Furet (1927-1997), the French historian, in *The Passing of an Illusion: The Idea of Communism in the 20th Century* (1995) evaluated Communism in the 20th century and concluded that -

Liberty & equality were "unlimited promises that proved problematic as soon as anyone attempted to apply them to society...For such abstract promises create an unbridgeable gap between people's expectations and what the society can actually offer them. They kill off...any debate or agreement on the limits of democracy."

The Espionage War



The Cold War between Russia and the West from 1945 to 1991 was a real war with military and espionage components.

However, it was largely fought through proxies and without a direct military confrontation. But it was the related Espionage War that had the more lasting effect on American politics; and we now know more about that war.

With the fall of the Soviet Union in 1991, the Soviet KGB (Russia's FBI) sold its archives on the Communist Party USA ("CPUSA") to the U.S.. "These archives confirmed and amplified what the earlier Venona Project and the deciphering of Russia's coded messages had already shown.

Through its American spies, Russia, in effect, had installed "a giant bugging device that listened in to the White House, the Treasury and State Departments, the Manhattan Project, etc." And that network far exceeded in size all estimates made during the actual Cold War.

However, Russian espionage began in 1919 two years after the Bolshevik's October Revolution when both the Communist International (the "Comintern") in Moscow and the CPUSA were formed to promote worldwide revolution.

The governing rules for all foreign Communist Parties were -

- "Give total subservience to Moscow. Those that reject the conditions and theses put forward by the Comintern are to be expelled from the party."
- Create a "parallel illegal apparatus" that at the decisive moment would rise to the surface and take charge of the revolution
- Practice concealment as long as direct funding comes from Moscow. In the case of the CPUSA that was from 1919 to 1989.
- Use "liberal/progressive dupes" in Communist front organizations to conceal the mission. They had their greatest success among "social justice Christians".

The Cold War itself began in Springfield, Missouri in March 1946. Winston Churchill traveled there with President Harry Truman and delivered his "Sinews of Peace" speech. It contained the now famous line, "From Stettin in the Baltic to Trieste in the Adriatic, an iron curtain has descended across the Continent."

This speech changed the way the democratic West viewed the Communist East.

- At that moment the U.S. had a big army, a large efficient economy and the Atomic Bomb. Russia also had a big army, a much smaller inefficient economy and a desperate need to acquire the bomb.
- The U.S. had individual liberty and civil rights whereas Russia did not. In the U.S. those civil rights were the legal protection that in the end helped Russia to conceal its espionage.
- "The presence of liberal/progressive 'dupes' helped diminish the visible presence of communists and added credibility to the cause." In the parlance of the Party, a "dupe" is

a fellow traveler or a patsy. Please refer to Appendix I: A Short List of Known Communist Party Members and Dupes.

- Russia practiced “Serial Lying”, the “Culture of the Lie”. For instance, knowledge of what was happening within Russia between 1917 and the 1980s, especially its vital statistics, was widely unknown even to key leaders within its government.

The remnants of the Russian espionage network of the Cold War, that was larger than anyone realized at the time, became a part of the organizational base for the New Left.

AND...the vestiges of that network built what became the road to the White House for State Senator Barack Obama, a possibility that far exceeded the realistic dreams of the New-Left.

Vietnam, the SDS, etc.

Yes...the United States did become the dominant industrial and military power; and the loss of the euphoria with it really began with the Vietnamese War.

In 1941 Ho Chi Minh, a Stalinist revolutionary, started a guerrilla army in the north of French Indochina. Throughout his life his objective was a united, communist Vietnam...a country free of 100-years of French colonial rule, a Japanese occupation, a “re-occupation” by France and a new Republic of South Vietnam backed by the U.S..

Unfortunately, the new Republic of South Vietnam was a Buddhist country governed by a corrupt and unpopular minority...and a liability rather than a helpful ally. And unlike the Korean War of 1951-1954, this one was a 20-year costly war of attrition.

President Lyndon B Johnson did not remember President Eisenhower’s caution about a land war in Asia nor President John F Kennedy’s seeming reluctance to “plunge in”. Nor was he aware of the power of anti-colonialism, the possible consequences of the last and bloodiest of the anti-colonial wars and the financial risks of funding both a major war and the welfare initiatives associated with a Great Society.

During the 1960s the **Students for a Democratic Society (the“SDS”)** was a loose association of liberal, radical and Marxist college students. They were mostly white and advocated democracy, civil rights, university reforms and the end of compulsive military service in Viet Nam. They believed that “the new agents of revolutionary change were young intellectuals” and the Soviet Union was no longer the world center for proletarian revolution.

The **Weather Underground**, organized in 1969, was a clandestine revolutionary group seeking the violent over-throw of the U.S. Government. It also disintegrated after the peace accord in Vietnam. However, some of its leaders, like Bill Ayres, the un-convicted and un-repentant bomber of the Pentagon, are today embedded in the nation’s university system; and in his case he has been a long-time associate of President Obama.

The **Association of Community Organizations for Reform (“ACORN”)**, was founded in the 1960s by a dropout from Williams College. At its peak it had over 500,000 members and more than 1,200 neighborhood chapters in over 100 cities. It was a particularly aggressive participant in the “Affordable Housing” program, especially in Chicago where there was a virtual explosion in sub-prime home mortgage lending. ACORN expired as a result of an unfavorable TV video and the end to its U.S. government subsidy.

Chicago Sun Times, April 1995

You’ve got only a couple thousand bucks in the bank. Your job pays you dog-food wages. Your credit history has been bent, stapled, and mutilated. You declared bankruptcy in 1989. Don’t despair. You can still buy a house.

Contact ACORN

Because of doctrinal differences and the end of the War, the SDS expired in 1969; and then many of its estimated 100,000 members joined the credentialed elite that has since dominated academia, the law, the media and the governmental bureaucracy.

The First Radical Step

The Home Ownership initiative of 1938 became the first example of Guerrilla Socialism or Non Reform-Reform in America.

Under extreme political pressure to eliminate any appearance of racial discrimination in bank home-lending, the housing initiative in 1991 morphed into a highly speculative “Housing Bubble”...producing a self-generating boom and great prosperity for many. But then housing prices fell, mortgage foreclosures skyrocketed and the “Bubble” burst. The 1960’s radical “Non Reform Reform” strategy became reality in 2007.

In this regard it is useful to look at the work of the National Commission on the Causes of the Financial and Economic Crisis commissioned by President Obama. It started work in early 2008; but its findings were not released until January 2011 when the Republican Party took control of the House of Representatives.

The Final Report and the attached Dissent agreed that the Housing Crisis was “man made” but did not agree on much else. For instance, the Final Report did not say what the economist J. V. Overtveldt did in his book *Bernanke’s Test*.

“The derivatives’ explosion, extreme leverage of regulated and shadow banks and excesses of mortgage lending were all flagrant abuses that both Alan Greenspan and Ben Bernanke, Chairmen of the Federal Reserve Bank, could have said ‘no’ to. But they did not. As a result, a complex and unstable system was created and then veered dangerously out of control.”

Work on remedial financial legislation also began in early 2008 and ran separately from the National Commission of Inquiry. That remedial legislation, the “Dodd-Frank Wall Street

Reform and Consumer Protection Act”, was signed into law on January 5, 2010, one-year before the release of the Final Report and Dissent on the causes of the crisis.

- The Final Report identified the villains...bank and shadow-bank presidents, security rating agencies and insurance companies...a strategy drawn directly from Alinsky’s *Rules*.
- The Dissent argued that the Report “erred in assuming that it knew the causes of the financial crisis, namely deregulation, greed and recklessness on Wall Street, predatory lending in the mortgage market, unregulated derivatives and a financial system addicted to excessive risk-taking.” It “did not seriously investigate any other cause”; and, in fact, the majority of the Commission ignored the Dissent.
- The Final Report did examine the role of “Fannie Mae” and “Freddie Mac”, a.k.a. the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. The report recognized that these federally sponsored mortgage companies had “a deeply flawed business model”, a \$5 trillion mortgage foreclosure exposure; and they even “ramped up” their purchases and guarantees of risky mortgages as the housing market was peaking.

AND...the Report falsely concluded that “Fannie and Freddie followed rather than led Wall Street and other lenders in the rush for fool’s gold”. It failed to identify the Government itself as the “critical player”.

Ultimately, all lenders were compelled by the Government to compete for mortgage borrowers who were at or below the median income level necessary for prudent long-term lending and borrowing. One could get a Government guaranteed NINJA mortgage with “No Income, No Job, and No Assets”.

By the middle of 2007 one-half of all mortgages outstanding in the U.S. were risky Non-Traditional Mortgages; and the losses associated with the delinquency and default of payment on these mortgages fully account for the Great Depression of 2008.

The U.S. Government in its First Revolutionary Step mandated reckless and ill-advised financial behavior in pursuit of the Socialist dream of “Affordable Home Ownership for All” that produced the Great Depression of 2008. This is the end sought by the “Radical Socialists”.

The Far Left

Barack & the Poet

One critic looking at the entire life of President Barack Obama characterized him as being thoroughly grounded in socialist ideology beginning in childhood. Subsequently, as a Presidential candidate he convincingly misrepresented himself as a moderate pragmatist; and he was incredibly disciplined in maintaining a nearly apolitical facade before the public

He is the pivotal character in the acceptance of the Far Left by the American electorate; thus he merits our attention; and he does have an unusual family history.

His parents met as college students at the University of Hawaii. His Kenyan father, Barack Obama Sr., became a tragic figure in his country's history. Shortly after the future President's birth, his parents divorced; and his father essentially abandoned him to pursue unsuccessfully a PhD degree in Econometrics at Harvard and a leadership position in a newly independent Kenya.

Dinesh D'Souza describes his American mother, Ann Dunham, as "a white-bread girl from Kansas who became a 'bohemian', a sixties girl before the sixties". She rebelled against her parents, against Christianity and against her country. Ann divorced Barack Sr. with just cause. At the time of their marriage he did not tell her about his wife and two children living in Kenya.

Nevertheless, she shared her-husband's political views and was "the main vehicle for communicating those views to her son and building his lifelong obsession with his absentee father."

Ann Dunham then married an Indonesian student and moved with her son to Indonesia; five years later she sent him home to her parents. They were working-class American grandparents who then raised him in Hawaii where he attended a good private college preparatory school as one of the first Black Americans to do so.

In *Dreams From My Father* Barack Obama refers to a family friend named "Frank" 22 times in approximately twenty-five hundred words of text. He was, in fact, **Frank Marshall Davis (1905-1987)**, a frequent drinking partner of his grand father and Obama's mentor during his teens in Honolulu.

Obama in *Dreams* describes Frank as "an elderly [nearly 80-year old] black poet who enjoyed some modest notoriety" and whose work appeared in a poetry anthology. He grossly distorted reality to create a benign public image.

Frank Marshall Davis was, in fact, a successful editor in the nation's Negro Press, an outspoken radical journalist, a poet and a noted jazz enthusiast. At the peak of his career he owned the Chicago Star newspaper (1934-1948), worked at The Honolulu Record (1949-1957) and wrote for the American Negro Press.

As America entered World War II, Davis “turned to the Communist Party. He crossed the threshold from a political Progressive to a Communist” and became a Communist Party USA (“CPUSA”) member.

The validity of this statement rests on Frank’s own words in several decades of his newspaper commentaries, archival material made available by Congress and the FBI, the Venona Transcripts of coded Russian communications and the Soviet Communist International’s records of the CPUSA that were purchased from Russia during the administration of Boris Yeltsin.

At his turning point in September 1943...just after the Russian victories at Stalingrad and Kursk and before the Allied invasion at Normandy...Davis presented to the National Negro Congress a poem “To The Red Army” that started with “Smash on, victory-eating Red warriors!”

As a loyal CPUSA member he “opposed American foreign policy at each juncture in the hottest days of the Cold War.” Frank bemoaned that Churchill saw a postwar U.S.-U.K. alliance that excluded the USSR; he warned readers of an Anglo-American imperialist domination not a Soviet menace; and he became known as “an unyielding basher of Harry Truman [who he described] as a neo-colonialist trying to create a new neo-fascist state in West Germany”.

We now know that at that time the CPUSA recognized that the real threat to its operations was not Senator Joe McCarthy but Harry Truman...the guy “in the driver’s seat who had governmental power concentrated in his hands” and who “enforced Congress’s anti-Communist legislation.”

In his writings Frank never publicly wavered in his sworn oath to Josef Stalin or in his racial rage that was grounded in traumatic experiences as a young Black growing up in Wichita, Kansas. BUT...he was careful to use the “Davis Defense” to fuse his Communist message to his interest in joining “hands with others seriously interested in fighting racism.”

- We do not know the degree that Frank Davis as Obama’s “mentor” preached his anti-Churchill, anti-capitalist, anti-colonialist, anti-American, pro-Soviet or racial messages to a teenager struggling to define himself.
- We do know that Frank was not the guy described by Barack Obama in *Dreams*, “a poet who enjoyed some modest notoriety.”

From the 600-page declassified FBI record, we know that Frank became Communist Party member No. 47544 in 1945. Davis was listed on the Federal Security Index of individuals subject to immediate arrest and imprisonment in the event of a direct war between the United States and Russia.

But...he was never charged with the crime of espionage.

On December 5, 1956 he testified before the Senate Committee on Internal Security run by Senator Arthur Watkins. He pleaded his Constitutional Fifth Amendment right to silence when questioned about his party membership and affiliation to Communist front organizations. The only known written acknowledgment of his Party membership is in a letter to a lady friend.

And...on Obama's leaving Hawaii for Occidental College in Los Angeles, *Dreams* quotes him...

“Understand something, boy. You're not going to college to get educated. You're going there to get trained. They'll train you to want what you don't need. They'll train you to manipulate words so that they don't mean anything anymore...until you actually start running things, and then they'll yank on your chain and let you know that you may be a well trained, well paid nigger, but you're a nigger just the same.”

Furthermore...Barack Obama wrote about his experience at Occidental.

“To avoid being mistaken for a sellout, I chose my friends carefully. The more politically active black students. The foreign students. The Chicanos. The Marxist professors and structural feminists and pink rock performance poets. We smoked cigarettes and wore leather jackets. At night we discussed the neocolonialism of Franz Fanon”.

One should note that a “sellout” is a Black who adopts the ways of the dominant Whites. The reference to Frantz Fanon leaves the reader with the impression that this was nothing more than a “liberal-cool” group.

Now we turn to Dr. John C Drew who “earned his Ph.D. in Political Science from Cornell and taught at Williams College. He also was a senior student at Occidental who described sophomore student Obama as “a Marxist socialist looking forward to an inevitable Communist revolution.”

He met Obama twice in 1980 through a girlfriend who wanted to introduce young Obama as “one of us.”

In fact, “the young Obama was more radical than me because by that Christmas break I had stopped believing in the possibility of a Communist revolution and no longer believed a pure Communist economic and social system – one without private property or profits – was possible anymore.”

Today Dr. John Drew “refers to himself as the missing link between ‘Hawaii Frank’ and later Communist associates in Obama's orbit in 1969 in Chicago.” He includes --

- Bill Ayres who joined the SDS, co-founded the Weather Underground and was the unconvicted and unrepentant Bomber of the Pentagon.

In the absence of any literary work by Obama prior to *Dreams*, critics concluded that Bill Ayers assisted him in writing it. In 2009 and 2011, Ayers said “Yes, I wrote *Dreams From My Father*. I ghost-wrote the whole thing...And now I would like the royalties.”

- Valerie Jarrett is a senior advisor to President Obama and arguably his top and certainly closest adviser. She was, by way of a brief marriage, a daughter-in-law to Vernon Jarrett, a CPUSA member, the first black syndicated columnist of the Chicago Tribune and a promoter of revolutionary causes.
- David Axelrod was a political advisor to President Clinton and is the very successful Senior Political Strategist to Barack Obama. David Cantor was Axelrod's Communist

mentor and David Cantor's father Harry worked with his family in the 1930s in Russia "for the Soviet government translating Lenin's writings".

The Cantors bought the Chicago Star from Frank facilitating his move to Hawaii where an elderly Frank met a young Barack.

In 2007 Herbert Romerstein and Cliff Kincaid, two Cold War historians, held a press conference on Frank Marshall Davis. Despite "the many new primary source exhibits made available to support their critical account of Frank's Legacy, these historians were mocked and ridiculed, but mostly ignored."

The liberal columnist of the Washington Post, Dana Milbank in May 2008 described the conference as a--

"Conspiracy theorist's dream, a gathering of right-wing wackos...A new Vast Right-Wing Conspiracy was being uncorked, this time against Barack Obama...a 2008 version of the 2004 Swift Boat veterans who damaged the candidacy of John Kerry."

And...he laughed and said...

"With the likes of Frank Marshall Davis and other communist radicals, Barack Obama would have difficulty getting clearance for a job as a clerk in a government agency, let alone a pass to sit in the Oval Office.

This produced a "back flip" by the liberal press as Obama emerged as a leading Presidential candidate..

- The Associated Press (the "AP") on August 2, 2008 ran two articles on Barack Obama's life in Honolulu and managed to quote Frank Davis once with "I refuse to settle for anything less than all the rights which are due me under the constitution." The AP showed blatant journalistic bias by simply using the *Davis Defense*, Karl's cover story for his career as a Communist journalist.
- David Maraniss, a Pulitzer Prize winning journalist for the *Washington Post*, did an entire article on Barack Obama's upbringing in Hawaii and did not even mention Frank Davis.
- Jon Meacham of *Newsweek* on August 23, 2008 followed the AP lead and told readers that "Frank wrote about 'civil-rights and labor issues'" and "was a relentless advocate for racial and social justice; and it was this advocacy that came to the attention of the Senate." Meacham adopted one of Frank's lines "the House Committee on Un-American Activities was motivated not by anti-communism or concern over Soviet infiltration, but by unadulterated racism"...this is the *Davis Defense*.

The truth about "Frank" was buried...initially by Barack Obama himself in *Dreams* and then by a complicit Far Left dominated media; and ultimately by society's desire to be "politically correct"...avoiding the appearance of racial bias that a critical examination would bring.

Even more amazing is that Frank was wrong. Barack Obama, despite his Radical Socialist /Modernized Marxist past, did not get his chain yanked on his way to the top. He was, in fact, on the road.

Community Organizer

After earning a Bachelor's degree in Political Science at Columbia and a brief and unrewarding experience on Wall Street, Barack Obama was hired by Gerald Kellman, a Catholic community organizer, identified as "Jerry" in *Dreams*. Kellman was seeking a "non-Anglo" director to work in a very poor neighborhood in South Chicago, someone who could reach out to both the Black residents and churches.

This experience provided him with many useful insights:

- Although he was a thorough student of Alinsky's *Rules*, Obama "shunned [Alinsky's] confrontation tactics like pressuring public officials and business leaders by picketing their homes".
- According to *Dreams* his organizing experience confirmed an effective tactic, "People were satisfied so long as you were courteous and smiled and made no sudden moves. They were more than satisfied; they were relieved, such a pleasant surprise to find a well-mannered young black man who didn't seem angry all the time." This was a key element in his broad public appeal.
- Grass roots organizing also confirmed a need that he be a member of a Black church; and he chose Reverend Jeremiah Wright's Trinity United Church of Christ located in Hyde Park near the Chicago Theological Seminary and the University of Chicago.

He attended that church for 20-years and Pastor Wright married him, baptized his children and, according to him, was his spiritual advisor. Rev. Wright was also a Black Nationalist and an avowed anti-colonialist. In March 2007 he achieved national fame when his "God Damn America" speech was viewed on TV and YouTube.

Barack Obama immediately started distancing himself from him; and in March 2009...in his much publicized "A More Perfect Union" speech...went further by "vehemently disagree[ing with] and strongly condemn[ing]...inflammatory and appalling remarks Wright made about our country, our politics, and my political opponents".

- His grass roots organizing also showed him the great difficulty of building a political power base from the community level up.

The lessons learned as a Community Organizer from "Mentor Jerry" between June 1985 to May 1988 were high lighted in *Dreams* in about one-third of its 442 pages; and in 2008 as a Presidential Candidate he called it "the best education I ever had, better than anything I got at Harvard Law School."

Kenyan Epiphany

President Obama in *Dreams* recognized that he had a “father black as pitch and mother white as snow.” and his search for his own identity “began with that fact.”

As stated earlier he was abandoned by his father shortly after birth and raised at different times by his single mother and/or her middle-class parents in Honolulu or by his mother and his Indonesian step-father in Jakarta. He attended both Muslim and Catholic elementary schools in Indonesia and a prestigious prep school in Hawaii that he described as “an incubator for the island elite”.

There he states “I was engaged in a fitful interior struggle...trying to raise myself to be a black man in America. There he “was living out a caricature of black male adolescence, itself a caricature of swaggering American manhood.” His mother and her parents promoted a heroic image of his father that was bolstered by his father’s brief visit to Honolulu when he was 10-years old. However, in *Dreams* he states that he “learned to distrust my childhood and the stories that shaped it...[it was like] growing up living in someone else’s world”.

He visited Kenya when he was 27-years old to clarify his images of his father and Kenya. There...he learned that his father was known in the Luo tribe (the third largest in Kenya) as the “Great One”. Yes...he spoke English perfectly, dressed impeccably and could be charming. But...

- He was a fabulist, a story teller who embellished every story. For instance, in Kenya he insisted on being called “Doctor Obama”; and he claimed to have been an associate of the econometrician Kenneth Arrow at Harvard even though he did not earn a doctor’s degree and Arrow enrolled at Harvard four years after he left.
- He had a mind for numbers and earned a Bachelor’s degree from the University of Hawaii in three years and a master’s degree in Economics from Harvard. But there his apparent untruthfulness about his personal life caused the University to revoke his student visa and end his work on a “Doctor’s degree”.
- He was a chronic alcoholic known in bar-room circles as “Double-Double”. He was not only outspoken but he was also a notoriously reckless driver who had three alcohol-related accidents. The first caused the death of another, the second the amputation of both his legs and the third his own life at age 46.
- He was a bigamist with four wives and eight children. His third wife was a blond school teacher that he met in Massachusetts and who joined him in Kenya.

Nevertheless, it was his father’s political ideas that captivated his mother, Ann Dunham, and him. These ideas were contained in the East African Journal of June 18, 1965 titled “African Socialism and its Applicability to Planning in Kenya”. It was a scathing criticism of the official development plan of President Jomo Kenyatta and was “home-grown Marxism”.

- He contended that there is an African tradition that is “fundamentally based on communal ownership of the major means of production and the sharing of the fruits of the labors so expended in production, to the benefit of all.

- He attacked the private ownership of land and advocated intervention and nationalization of private enterprises.
- He saw no limit to taxation of income if the Government determined that the benefits derived from public services “measure up” to the losses for individuals due to that tax; and it could be up to 100 percent.

But...Kenya under President Jomo Kenyatta became and remains a de facto confederation of competing tribes...not a multi-ethnic state...where the Kenyatta “clique” is the wealthiest, most powerful and a “good” example of post-colonial native extractive institutions.

And...Jomo Kenyatta told him that “he would not work again until he had no shoes on his feet” and he blacklisted him so that he could not emigrate to work elsewhere. Barack Obama Sr. ended his own life penniless and in an alcoholic stupor six years after his career began.

President Barack Obama began his search for his own identity as a teenager; and ended it, according to *Dreams*, with an Epiphany...a new insight realized literally on the grave of his father.

He saw Kenya within an anti-colonial/Marxist and not an “Extractive Institutions” framework. The author contends that this led the future President to Radical Socialism; he would succeed where his father failed.

Residue of Slavery

This narrative must include a discussion of slavery in the U.S. beginning with the Civil War and the social and political residue left in its wake.

In the 1770s America’s founders in their War of Independence from English colonial rule focused on the union of diverse states; and they side-stepped the divisive issue of slavery in the South and its “aristocratic republicanism”. In that first century of independence the South became a true country within a country...and by the mid-nineteenth century a very prosperous agricultural country where “Cotton Was King”.

This was the result of two complementary international developments. The Industrial Revolution in England produced a series of inventions that greatly lowered textile manufacturing costs.

It started in 1583 when William Lee invented the Stocking Frame Knitting Machine that could displace the “two needles-one line of thread” hand-knitting of caps and socks. Queen Elizabeth I had mandated the wearing of stocking caps; and on seeing how the knitting machine worked, she turned down Lee’s application for a patent.

It was also turned down in France and again in England after the turn of the century by James I. These sovereign rulers were motivated by politics...the fear of the unemployment created by this labor-saving device. In 1689, almost one-century after its invention, the first knitting machine went into production; and by 1812 25,000 were operating in England.

Because of this and many other such advances textiles became England’s largest export.

And the American South...because of its favorable climate, soils and slave labour...became the world's largest exporter of "long-staple" cotton, the most widely used fiber in clothing in the world.

By 1850 the South had "a near monopoly on the world's supply of it." The invention of the cotton gin in 1793 reduced the number of hours needed to convert just-picked "long-staple" cotton into bales ready for export from 600 hours of hand labour to 12.

The South also developed a highly efficient "gang-system" of agriculture using slave labour. Because of the research of Robert W Fogel, we now know that "Slavery was profitable, efficient, and economically viable." And...**Yes**...it was the ultimate Extractive Institution...an assault on individual freedom and integrity; it was work "*Without Consent or Contract*", the title of Fogel's book.

In contrast, the American North was a larger more urban country; it was an emerging industrial powerhouse; and its agricultural system was less "efficient" than the plantation agriculture of the South.

By 1860 we had two radically different countries; the South seceded in order to pursue its own interests; and a war of unprecedented size, death and destruction followed. An estimated 620,000 men died.

If the U.S. population suffered the rate of human loss in Iraq equal to that suffered in the Civil War, there would have been 6 million deaths rather than four thousand. The end of slavery cost the life of one soldier for every six slaves freed and one soldier for every ten white men who were not able to secede from the union.

Simply locating, identifying and numbering the dead was a 40-year post Civil War obsession. Yet 40 percent of those who died, an estimated 248,000 men, remained unidentified and "unknown" to relatives and country.

But...the national trauma did not end there since the North's effort to "reconstruct" the South ended in a societal stalemate. Slavery was replaced by a repressive system of White Rule as the South sought to rebuild enterprises and recoup losses. In the 1960s the country addressed the "separate but not equal" reality and spent millions; but fifty years later, one should not be surprised that the political and social residue still lingers.

Perfect Stranger & Bloodless Coup

In November 2008 the Democratic Convention took a truly historic step in nominating a Black American as its candidate for President; but they also chose a political stranger.

Charles Krauthammer in a Washington Post article "The Perfect Stranger" of August 2008, noted that there was an "air of unease" at the Convention with the selection of a candidate of "many gifts but precious few accomplishments". And no one of political stature rose there and attested publicly to knowing him and his fitness to serve...as is customary.

Barack Obama wrote his own life story in *Dreams from my Father* and *The Audacity of Hope*. These accounts raised important questions about his honesty and integrity; but the

media overlooked simple facts. This was blatantly true in connection with Frank Karl Davis, his high school mentor, his Marxism in college, his 20-year relationship with the Reverend Jeremiah Wright, his working relationship with Bill Ayers, the un-convicted bomber of the Pentagon...and...the Revolutionary Socialism that he practiced and taught.

Barack Obama was the Perfect Stranger.

Nevertheless, he was an extremely attractive candidate. Youthful, well educated, a graduate from Columbia University, President of the Harvard Law School's Law Review and Adjunct Professor of Law at the University of Chicago...one can't top that. AND...with his oratorical skills and his lofty Marxist message of "Hope and Change", he created an image of Messianic proportions.

Unchallenged on his resume and fitness for office during the 2007 campaign and with the unremitting help of the national media and political organizing unseen before in America, Senator Barack Obama disarmed his opponents and achieved a true Bloodless Coup.

Fractured Economy

The American electorate did not grasp just what Senator Obama's agenda of "Hope and Change" would be like once he was in the White House.

At the Democratic Convention in 2008 the President stated that the big problem was "jobs" and the suffering that job losses create. He contended that those sufferings "were not all of government's making" but were primarily the direct result of George W. Bush's failed policies...he let "veterans sleep on our streets and families slide into poverty." One could dismiss these charges as "politics as usual"; or one could see their origin in Alinsky's *Rules*.

Radical Socialism. On assuming office the President quickly engineered the passage of the \$825 billion Stimulus Bill (the American Recovery and Reinvestment Act of February 2009), the biggest stimulus bill the world has ever seen. It was much larger than the \$475 billion Troubled Asset Relief Program (TARP) implemented in 2007 by President Bush to address the financial fallout from the subprime home mortgage crisis.

- Technically, the Second Great Depression started before President Obama took office in January 2008. Then the Congressional Budget Office forecasted Gross Domestic Product (GDP) for 2008 and beyond...both with and without the Stimulus Bill and both with High and Low assumptions. All were measured against the country's long-term potential GDP, a simple projection of the actual past GDP growth trend. The Depression was supposed to bottom-out in mid-2008 and sharply recover thereafter...as the economy always did...eventually reaching the country's potential GDP trend line in mid-2014.

In fact, the U.S. economy bottomed in April 2010...not 2009...with 10 percent of the workforce unemployed; and unemployment remained above 9 percent for two full years and at roughly two full percentage points above the CBO's forecast for his entire first term.

- Furthermore, “the number of jobs grew by just 2 percent during the first forty months of recovery. In every previous one since 1970, job growth in the first forty months averaged over 8 percent. And severe recessions, like the one Obama faced, have been followed by even stronger rebounds. The four worst recessions were followed by annual job growth of over 11 percent.”
- Unfortunately, there were only 194,000 more jobs in the U.S. in October 2012 than when Obama became President. The economy simply failed to keep up with the growth in population; at least 5.7 million additional jobs were needed just to hire new entrants in the job market.

And there is powerful evidence suggesting that the Obama stimulus package was less effective than an austerity alternative would have been. John Lott in *At The Brink* examined changes in government spending and both GDP growth and the share of the workforce employed for a base period 2006 to 2009 and a “results” period 2007 to 2010 in 28 countries plus the U.S.. The objective was to measure the short-term impact of the “stimulus” spending on jobs. His analysis shows that --

- The countries with the largest spending increases, specifically Ireland, Iceland, Estonia, Spain and Greece, suffered the biggest drops in the share of the work force employed.
- The countries with most frugal or more austere plans...where Government spending shrank...the Czech Republic, Hungary, Israel, Poland, Sweden and Switzerland...the share of the employed workforce grew.
- In the U.S. the percentage of working-age population fell well below the 2007 level and the per capita GDP growth was only a quarter of that experienced by the six most frugal countries. The U.S. ranked 25th compared to the countries measured but was ahead of Spain, Iceland, Estonia and Ireland.

The economy did not bounced back sharply from the Second Great Depression as it did with the recessions of the last three-quarters of a century. AND...in fact, the recovery is falling below the country’s long-term growth path and the level of job creation associated with that historical rate of economic growth.

Critical Changes

Yes...the Second Great Depression was caused by the U.S. Government’s “Affordable Housing” initiative when it supported irresponsible financial behavior in the pursuit of an unattainable social goal. That was the first step.

And...now the undeniable tepid recovery from that Depression is the direct result of a mixture of President Obama’s Stimulus Bill, his signature legislation and his executive orders.

The **Obama Stimulus Bill**, the American Recovery and Reinvestment Act of 2009, was gigantic. It included funds for the needy, for infrastructure programs that were not “shovel ready”, for long-term structural changes in healthcare and energy and for actions that

benefited the unions. There was something, i.e. “pork”, for every significant sector of his political base. And...its most vocal supporters argued that it was not big enough...it should have been a one trillion dollar program instead of \$850 billion.

Furthermore, it was described as being counter-cyclical...presumably in line with the policies originally advocated by John Maynard Keynes. Yes...Keynes concentrated on the decline in “consumer” demand in a cyclical downturn; and he advocated government spending to offset it. Private saving *per se* was viewed as “Not Spending”and that is “Bad”; while “Government spending” was “Good”.

But in a free market economy, even in a downturn, “Savers” do invest...their money does not remain idle. Through financial intermediaries private savings do seek a return and do finance investments in everything from new cars to Venture Capital opportunities.

The Stimulus Bill appears to have sucked up “long-term” savings that would have been invested in the private sector. The alternative was for the Government to spend less...an alternative that can produce better job results because of the greater efficiency of private saving and investment.

ObamaCare...virtually free medical insurance for all...was his main legislative achievement of his first term. It was the second time in less than a century that Government fundamentally changed the healthcare “industry”.

During World War II, the Government established price and wage controls and rationed essentials; it created a command economy where Government spending reached 53% of all spending. For instance, Ford Motor produced B-24 heavy bombers on a new assembly line near Detroit and Packard Motors produced Rolls-Royce Merlin aircraft engines there...55,000 of them. Both needed workers but the employer could not pay higher wages to get them because of wage controls. However, they could offer “Virtually-Free” health care services and did so with IRS tax incentives.

This slight of hand put business into a new role as a “business healthcare provider”. Eventually this raised the issue of equality in access to life enhancing medicine. There were workers and non-workers who were outside this employer-based system and they did not get the same level of healthcare.

ObamaCare was a promise of free medical insurance for everyone; but its “unintended consequences” have become a huge problem. ObamaCare promised to be revenue neutral. But the biggest source of funding was the “savings” realized by not spending the forecasted amounts on the elderly enrolled in Medicare, an array of taxes and fees and the mandatory purchase of medical insurance by all, particularly young healthy Americans.

The Abyss

The author contends that the country moved to the Far Left when it did not grasp the consequences of Spend, Borrow & Print and the financial folly of the Affordable Housing for All initiative. Now it must digest the job-killing structural changes pursued by President Obama. We are in uncharted territory and should expect an adjustment process that may include another recession, hyper-inflation, sustained high unemployment and political and social unrest.

Friedrich Hayek (1899-1997), the author of the classic, *The Road to Serfdom*, claimed in his discussion of democracy and socialism that an unlimited democracy could lose its “power even to do what it thinks right if any group on which its majority depends thinks otherwise.” This is the weakness of America’s “unlimited” democracy that has been exploited by the Radical Socialists. It was the focal point identified by Cloward and Piven in 1961 and exploited by Senator Barack Obama in 2007.

Today’s optimist looking at the future can point to the riches of the country, the proven ability of humanity to innovate and adapt and the possibility that a suffering electorate may select courageous leaders...like those who founded this great country...leaders who will put it back on its historic path of economic growth.

Such an optimist may wonder about the election and re-election of Barack Obama...t he gifted presidential candidate and Perfect Stranger...who is likely to make the welfare of the average American materially worse rather than better.

THE END

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Appendix

A Short List of Communist Party Members and Dupes.

This listing is intended to provide the reader with a “feel” for a piece of history:

- **Lovett Fort-Whiteman** (1894-1939). Founder of the American Negro Congress and according to *Time* magazine (Nov 9, 1925), “the Reddest of the Blacks”, the first to take the pilgrimage to Moscow.
- **James W Ford** (1893-1957). Elected to the CPUSA Political Bureau in 1925 and was tasked by the Comintern in 1930 to create a segregated Negro Republic in the South.
- **Sol Auerbach** a.k.a. James S Allen (1906-1986). A CPUSA member who was sent in 1930 to the South to launch the *Southern Worker* newspaper to “move black Americans away from their beloved party of Lincoln (the Republican Party) to the party of Lenin.”
- **Ben Gitlow** (1891-1965). A prominent American socialist politician of the early 20th century and a founding member of the Communist Party USA. In 1925 he founded the International Labor Defense organization to defend Russia’s Communist Party, the Comintern and the CPUSA. He was a “highly political propagandist.”
- **Harry Dexter White** (1892 - 1948). An economist who became Assistant Secretary of Treasury for International Affairs. He was charged before the House Un-American Activities Committee in 1948 as being a Russian spy; he testified and denied the charges. Two days later he had a heart attack and died.

The Venona intercepts revealed that at the 1945 conference in San Francisco founding the United Nations, White met with a Soviet KGB officer and informed him of the U.S. negotiating position on a number of issues. White’s KGB code name was at various times “Lawyer,” “Richard,” and “Reed.”

- **Robert Oppenheimer** (1904 - 1967) A brilliant scientist and leader of American theoretical physics and the “Father” of the Atomic Bomb. In 1953 his security clearance was taken away. He had lived on the fringes of Communism: his brother, sister-in-law, an early female associate and his own wife had been active CPUSA members. He consistently denied that he was a communist.
- **Harry L Hopkins** (1890 - 1946) One of Franklin D Roosevelt’s closest advisers. He was one of the architects of the New Deal; and during World War II he was Roosevelt’s chief diplomatic advisor and troubleshooter and key policy maker in the \$50 billion Lend Lease program to the Allies. Because of poor health, he lived in the White House from May 1940 to December 1943.
- **Paul Robeson** (1898–1976). A legendary singer, a CPUSA member and a “Potemkin Progressive”. The latter is someone who visited Russia in the mid-1930s and failed to recognize the Stalinist famine and Great Purge. (A Potemkin is a fake village built to deceive visitors.) In 1952 shortly before his death Robeson was awarded the Stalin Peace Prize.
- **Robert R Taylor** (1868 - 1942). The maternal grandfather of Valerie Jarrett was the first African-American student enrolled at MIT, was a noted architect and became a liberal/progressive dupe.

For instance, he knew and worked with Frank Marshall Davis in Chicago on the American Peace Mobilization project that was formed when Germany and Russia became partners in the war against Britain and Poland. FDR was then publicly described as a 'warmonger' aiding Great Britain with the Lend/Lease program. They reversed their position 24-hours before Germany invaded Russia ending the war against Britain and Poland. Then it changed its name to the American Peoples Mobilization project supporting Russia against Germany.

- **Vernon Jarrett** (1918-2004). Father-in-law of Valerie Jarrett, a nationally known Chicago-based journalist and a member of the CPUSA. His chief claim to fame was that he was a "partisan in the cause of African Americans in the broad democratic tradition of Paul Robeson and W.E.B. DuBois", two fellow Communists.
- **Harry Jacob Canter** (1937-1971). A Russian immigrant, a printer and political activist, became Secretary of the CPUSA in 1931 and served one-year in prison for "criminal libel" in connection with his activism. He then moved with his family to Russia where he was employed translating Lenin's works. He returned to Chicago in 1946 and in 1948 he was in the group that purchased the Chicago Star from Frank Marshall Davis thus facilitating the latter's move to Honolulu.
- **David Canter** (d.o.b.1923) The son of Harry Jacob Canter is best known as the Canter who mentored David Axelrod. He was "educated in the Soviet Union at the height of Stalin's collectivization, mass redistribution of income and the five-year plans.
- **William L Paterson** (1891 - 1980). A leading Black communist and one of a group of Communists who in the mid-1940s ran the Abraham Lincoln School, a.k.a. the little "Red school house, in the Chicago Loop".
- **Anthony K "Van" Jones** (d.o.b. 1968). A Left-wing activist and Yale Law School graduate who evolved from a self-described communist to a civil rights group leader, "green jobs" expert and in 2009 President Obama's "Green Czar". He resigned when his Communist past was exposed by Fox News.

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