

IS BARACK OBAMA A SOCIALIST?

A memo by

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In a TV interview Governor Mitt Romney was asked “Do you think that President Obama is a Socialist?”. This sounds like one of those “gotcha” questions that a candidate evades in an election year; and the Governor did so by contrasting his vision of America with that of President Obama. Nevertheless, this question merits attention.

For starters there has been a Socialist Party in America for 112 years. But it is very small, perhaps no larger than 1,500 members.

No...Barack H. Obama is not a member of the Socialist Party USA.

But...his chosen career as a “Community Organizer” is relevant. **So...**Let’s look at a bit of history.

It is the result of Saul D. Alinsky’s 40-years of community organizing, particularly his Chicago Stockyards Project.

In 1971, the year before his death, he wrote *Rules for Radicals: A Pragmatic Primer for Realistic Radicals* that became the “veritable blue-print for the revolution called Change”.

He influenced the Students for a Democratic Society and the Hippie Movement of the 1960s and 70s.

The former focused on university protests against the Vietnam War and spawned the violent Weather Underground Organization and the Association of Community Organizations for Reform (ACORN). The latter was founded in 1970 and was funded in part by the U.S. Treasury. It peaked with 500,000 members and 1,200 neighborhood chapters and closed operations in March 2010 in response to an effective TV expose and the end of its public funding.

The Hippie Movement has been described as “the last spectacular resurgence of utopian socialism”.

These movements led to the **New Left** in American politics that has so profoundly influenced educators, journalists and the popular media alike.

One should note that Barack Obama in 1985, after graduating from College, became Director and Community Organizer of a church-based project in a very low-income neighborhood of South Chicago. He held that position for three years with distinction.

He then went to Harvard Law School, returned to South Chicago, practiced law...and with these credentials, entered bigger arenas...the Illinois Senate, the U.S. Senate and then the White House.

In his campaigns he cited “Community Organizer” as a qualification for office.

Let’s start with the *Rules for Radicals*.

In 1971 Alinsky grafted the idea of a “radical revolution within a popular democracy” onto the bones of the failed Marxist model because of the widespread disillusionment with Russian Stalinism that followed Nikita Khrushchev’s “secret” revela-

“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
Chicago Sun Times, April 1995

tions in the late 1950’s. This produced a cadre that became a critical part of the Democratic Party; and its “utopian idealism” garnered support beyond that Party.

The **Objective**, as stated in the *Rules*, is to create mass organizations to seize power and give it to the people to realize the democratic dream of equality,

justice, peace, cooperation, etc. In this connection Alinsky quoted Walt Whitman “The goal once named [in such terms] cannot be countermanded.”.

Now the **Community Organizer**, the agent of change, is no longer a Marxist Dictator...nor a bomb throwing Weatherman of the late 1960s.

- He is a middle class person who rejects his/her “world of materialism, its bourgeois, bankrupt and violent values and seeks insights beyond orthodox Marxism.”
- He “shakes up the prevailing patterns of their lives--agitating, creating disenchantment and discontent with current values, producing, if not a passion for change, at least a passive, affirmative, non-challenging climate.”

And **Class Conflict** provides the fertile ground for the Community Organizer.

1. The **Haves**, the smallest in numbers, have power, money, food, security and luxury and want to keep things as they are, opposing change, freezing the status quo.
2. The **Have Nots** are greatest in numbers and are “chained together by a common misery of poverty, rotten housing, disease, ignorance, political impotence, and despair.”
3. The **Have-a-Little, Want Mores**, are the middle class with split personalities...“schizoids” torn between upholding the status quo to protect the little they have and wanting change to get more.

Class Conflict is the fertile ground for a never-ending process of revolution and counter-revolution...one takes “two steps forward and one step backward...producing an endless chain of connected converses.”

But what are the attributes of a successful Community Organizer?

- He is a political relativist who is convinced that the **Means** justify whatever **End** selected. “The most unethical of all means is the non-use of any means.”
- He is 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.”

But one thing is certain, he definitely is not an economist concerned about the allocation of scarce resources amongst numerous competing ends. Rather, he is a political opportunist and not one who considers

the potential adverse consequences of the chosen means and ends.

Let’s look at two examples.

In 1995 the then 61-year old Affordable Housing Policy morphed into an epic Congressional struggle and a crisis that triggered the Second Great Depression.

In the beginning it appeared as an irresistible and desirable goal. But the “ends & means” changed, producing “reckless financial risk-taking” that became widely apparent only as the policy ran its course.

Owning a home rather than renting requires the prospective home owner to save and invest over a long period of time. The critical elements are 1.) the down payment relative to the value of the home purchased and 2.) the size of the mortgage, the interest rate and length of the repayment period. These elements determine the inherent financial risk of a mortgage contract for both borrower and lender.

“Owning your own home” became the American ideal and the inability to get a mortgage became the obstacle to making home ownership available to everyone. When housing prices were rising at a multiple of the cost-of-living, owners’ net worth swelled along with the political pressure to broaden the boom. But prices peaked in the spring of 2006 and by 2008 recorded the largest price drop in recorded history...producing the Second Great Depression.

- In 1938 the Government created the Federal Housing Administration (FHA) and two Government-Sponsored Enterprises (GSEs), “Fannie Mae” and “Freddie Mac”, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.
- In 1977 Congress passed the Community Reinvestment Act (CRA) to encourage commercial banks to help meet the credit needs of borrowers in all communities particularly low- and moderate-income neighborhoods. For decades they used traditional terms...20% down, a 30-year term and a good credit rating.
- In 1995 compliance with CRA directives became the acid test for banks to get federal regulatory approval for any changes in their licenses. What followed were ten Acts that defined, measured, publicized and co-ordinated CRA compliance.
- And in 1995 the GSEs were authorized to buy subprime mortgages where the borrower had “a poor credit record and/or very low income compared to loan size.” Within two

years Fannie was offering to buy mortgages that had only 3% down.

- ACORN was a particularly aggressive participant in this process...especially in Chicago where there was a virtual explosion in sub-prime lending. In the three years 1996-1999 its subprime mortgages grew from virtually 0.0 % to 36% of Chicago's entire originations portfolio.

"And my worry is that we're using the recent safety and soundness concerns...as a straw man to curtail Fannie and Freddie's mission."
Sen. Charles Schumer (D,NY)

"in nearly a dozen hearings, frankly, we were trying to fix something that wasn't broke. In fact, Freddie and Fannie have exceeded their housing goals, a mission that has seen innovation flourish, from desktop underwriting to 100% loans", loans without a down payment.
Rep. Maxine Waters (D,CA)
House Financial Services, September , 2003

The locus of the epic political struggle was the Government - Sponsored Enterprise "Fannie Mae".

- It operated as a private enterprise in setting aggressive annual sales goals and awarding its top executives salaries and bonuses tied to those goals.
- It did not release audited financial statements. "Between 1994 and 2004, Fannie Mae executives improperly reported \$10.6 billion of earnings while its Chief Executive Officer received over \$90 million in compensation...its Vice Chairman \$26 million..." And Fannie did not mark its mortgage portfolio to current market prices as required by Standard Accounting Practices. It was, in fact, bankrupt.
- And both Finance Committees of Congress passed a resolution demanding disclosure; but in early 2005 a Rule of the Senate blocked it from coming to the Senate floor for a vote. It needed just five Democratic votes to do so; and that never happened.

"Like a lot of my Democratic colleagues I was too slow to appreciate the recklessness of Fannie and Freddie. I defended their efforts to encourage affordable home ownership when in retrospect I should have heeded the concerns raised by their regulator in 2004. Frankly, I wish my Democratic colleagues would admit it when it comes to Fannie and Freddie, we were wrong."

Representative Arthur Davis (D-AL)
September 30, 2008

- Barack Obama (D-IL) joined the Senate in 2005; and he was among those supporting that Senate rule. This was no surprise since in 1995 he was a legal advisor on an ACORN voter registration case and was a lecturer at their leadership

training sessions; and between 1995 and 2008 he was second only to Sen. Chris Dodd in receiving campaign funding from Fannie Mae executives and its Political Action Committee.

The Senate Democrats remained unified and this blocked public disclosure of the true role of Fannie in the housing debacle until after the 2008 election of Barack H. Obama as President.

In June 2009 President Obama turned his attention to the Housing Crisis and quickly came to the conclusion that the most culpable was not the Federal Reserve's Alan Greenspan who could have nipped the Housing Bubble early. Nor was Fannie and Freddie to blame. The President's Commission of Inquiry concluded that they "followed rather than led Wall Street and other lenders in the rush for fool's gold." This clearly was false.

According to the President and the Democratic House of Representatives the real villains were...

- Bank presidents who didn't understand their own lending risks,
- Unscrupulous mortgage bankers who shamelessly induced homeowners to take unreasonable risks,
- Enterprising investment bankers who created new exotic mortgages, packaged them, and sold them to "needy" investors world-wide,
- Rating agencies who gave the securities favorable ratings and
- Insurance companies eager to insure the lending risks.

In July 2010 President Obama signed into law the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, the most comprehensive financial regulation ever.

Senator Chris Dodd and Representative Barney Frank, not only engineered the Fannie financial cover-up, they also delayed the release of the *Final Report on the Causes of the Housing Crisis*, that included the Republican *Dissent*, until after December 2009 when Republicans took control of the House.

This narrative clearly shows how utopian socialist goals get formulated and implemented. They end in an ever growing governmental presence and what Richard A Posner calls *The Crisis of Capitalist Democracy*.

Yes, Barack H. Obama is a Socialist.