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Surprised by the Obvious

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Are all too many in the global political class doltish, or do they just appear that way? The current financial meltdown has revealed an amazing number of revelations from people who were surprised by the obvious.

For years, liberal Democrats in Congress and some Republicans had pushed for banks and other institutions to make home loans to unqualified borrowers, and suddenly we find many of these people cannot repay their loans.

The reaction from members of Congress, like the “surprised” Speaker Nancy Pelosi, is to demand investigation of “greedy bankers,” while ignoring the fact that it was her left-wing colleagues who created the Community Reinvestment Act (CRA) that required the banks to lend to people who were poor credit risks in the name of “housing rights.” A Chicago “public interest” lawyer named Barack Obama was active in this movement.

A majority of members of Congress seemed to be surprised that Fannie Mae and Freddie Mac became insolvent when many of the subprime mortgages they had been pressured to buy (by members of their oversight committees, such as Barney Frank and Chris Dodd) became nonperforming. Some members of Congress (including John McCain) did try to pass legislation to limit the size of Fannie and Freddie, but it was blocked by – surprise, surprise – Rep. Frank and Sens. Dodd, Charles Schumer, Barack Obama, et al. who just happened to have taken major contributions from Freddie and Fannie.

Mr. Obama was particularly surprised when some charged that his nonsupport of the reform legislation might have had something to do with the fact that he was the second-largest recipient of campaign donations from

Fannie Mae over the last three years. Oh my, how could we possibly think such a thing?

It only gets worse. Most members of Congress seemed surprised that voters think that the huge campaign contributions many of them received from Fannie and Freddie might have something to do with the now all too apparent lack of congressional oversight of the two mortgage giants. The endlessly surprised Mrs. Pelosi ranted against the “privatization of profits and the socialization of costs” in Fannie and Freddie. She must have forgotten that Fannie and Freddie was created and overseen by Congress, and staffed by political appointees (former Fannie CEO Franklin Raines was Bill Clinton’s budget chief), and had an implicit (and now explicit) guarantee from the federal government.

Alan Greenspan seems to have been surprised to find out that when he kept interest rates below the rate of inflation, banks over-borrowed and were less careful as to how they lent or invested the money. This “surprise” occurred despite the fact that many warned of the consequence.

Former and thoroughly disgraced New York Attorney General and Gov. Eliot Spitzer and his political supporters seemed to have been surprised to learn the company would run into difficulty when they forced out the very able and highly regarded Hank Greenberg as head of AIG (the world’s largest insurance company) – on bogus charges of criminality (which have now been dismissed by the courts) – and saddled the company with less competent management and unwarranted huge fines. Rather than protect AIG stockholders, the government raped them.

Political officials outside of the United States are also endlessly surprised. For instance, the Russian Prime Minister seems to be surprised that the Russian stock market has fallen to half its value in May – just because Vladimir Putin has eroded the legal and property rights of private firms, invaded Georgia, and threatened other countries and outside investors.

British Prime Minister Gordon Brown seems surprised that businesses and international business people are fleeing London just because he increased their taxes. He also seems to be surprised the flight has hurt the British economy.

The French, German, Italian and leaders of other high-tax states seem to be endlessly surprised that their citizens will go to great lengths to put their money in less punitive and higher growth economies elsewhere, despite increasing attempts to punish them for looking out for their own self-interest.

Predictable surprises to come: Senator Obama, if elected, will be greatly “surprised” that his increased taxes on capital gains, businesses, and higher-income individuals result in less revenue for government because of the downturn in economic activity and job loss that results from his tax increases. Michigan’s Democrat Sen. Carl Levin and his colleagues, including Mr. Obama, who are supporting greater restrictions on U.S. investment abroad and higher taxes on U.S.-based international companies, will be very “surprised” when their actions cause not less but more capital flight from the United States and more businesses to move or be formed outside of the United States.

Some politicians are “surprised” at the obvious because they are ignorant. However, many more are “surprised” because immediate gratification, whether applause or votes, is more important to them than being responsible, and others are “surprised” because they are just plain corrupt. Being “surprised by the obvious” happens in democratic countries because the media are too fearful, ignorant or biased to ask the tough questions beforehand, and because the population doesn’t understand the second order effects of political actions.

In the private sector, those with fiduciary responsibilities can be fined or even sent to jail if they are surprised by the obvious. Given the great suffering caused by the fiscal mismanagement by the political class, should not the private sector penalties apply to them?

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