

Our system is socialism for the rich, the powerful, the privileged

Written by By Mike Daly Guest Columnist
Friday, 28 August 2020 05:06



Part one of two

The New Mexico in Depth article about dark money in New Mexico really misses the mark [7/31]. It's not surprising. This is such a long standing issue that many don't recognize the extent of the problem.

Congress saw the problem with money in politics long ago and passed the Federal Election Campaign Act of 1971. But in 1976 the Supreme Court [Buckley v. Valeo] nullified the legislation, holding that by setting limits on election spending the act was unconstitutional. The first to exploit this were political operatives Paul Manafort and Roger Stone [both of whom decades later became two of the eight convicted felons for their work with President Trump]. They saw the weakness in the court decision and saw how to exploit it.

Thus began the tsunami of money in politics. They understood the vulnerabilities in our system and took advantage of them to maximum effect. As a result since that time money has become the penicillin resistant syphilis of American politics. The USA has always been about business, but this broke the scale.

Since that time business and other influences have virtually stolen the country from the electorate.

New Mexico in Depth wants to call out Teresa Leger Fernandez, candidate for congress, for this mess. Good luck. She is a victim of the system as much as the rest of us. It is virtually impossible to run for Congress with less than \$1 million.

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Ms. Fernandez has spent her life assisting people in Northern New Mexico and it appears she has a heartfelt desire to help. But, assuming she wins her seat in congress, she will be faced with the same problem every officeholder has – getting \$ for reelection. That typically means 6 hours a day on the telephone begging for money. For how long can good intentions not be corrupted by a need for cash?

This is not to condemn our office holders. Many, if not most, are working on our behalf, but there are so many dollars available the needs of constituents often get pushed aside.

The public knows there is financial corruption and yet is seemingly powerless to stop it. Federal Corruption is a key issue voters say [WSJ 9/25/2018]. 77% of registered voters polled in a WSJ/NBC News poll said that “reducing the influence of special interests and corruption in Washington” is an important issue facing the country. A New Mexico Common Cause poll of New Mexico Voters in 2014 found that four-in-five voters believe the amount of influence that large campaign donors have on politicians is a serious problem.

When able to act voters do so. New Mexico voters did approve by a similar majority the constitutional change establishing an ethics commission.

Greed and easy money have ruined the economy. Privatized gains & socialized losses are not what Capitalism is supposed to be about. Some groups are rescued by government while others are left to flounder. When an industry expects help from the government it loses as it leads to speculation and excessive risk.

Political connections predominate. What is required is an ounce of regulatory prevention. Socialism for the rich and Capitalism is for the rest.

When Congress was considering the Troubled Asset Relief Program TARP], calls from the public to Congress were 10 to 1 against it. Congress nonetheless approved it. Simon Johnson with the MIT Sloan School of Management in his book *13 Bankers* said that when he worked with the World Bank, crises such as the one the U.S. financial sector was facing occurred in other countries. He said the recommendation given to other countries under similar

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circumstances was to seize the assets, wipe out the shareholders, and pay off the debt.

He also said that banks with assets over \$100 million were unnecessary which is a way of saying we don't need the "too big to fail" banks in the first place. Guidance our congress did not take. What's good for the goose isn't really good for the gander. Imagine the self discipline such an action would have had on the U.S. financial industry.

1971 was the first year that the government bailed out a private firm, Lockheed. Lockheed was on the brink of extinction due to its own mismanagement. The firm was genius in the procurement process, but marginal as a business with cost overruns, poor business practices and institutional corporate welfare.

The vote was close; in the House 189 to 172 and in the Senate 49 to 48. The government by its action supported Lockheed's ineptitude thereby legitimizing failure. Such help rewards failure and penalizes success. It puts a dull edge on competition and draws government into business in the form of additional regulatory intervention.

Lockheed was given a \$250 million loan guarantee; never before in U.S. history had the government rescued a single firm. Previously the government supported industries, not firms, and on the basis of national needs. U.S. efforts began with President Lincoln, think railroads to the west coast and telegraph lines – true infrastructure needs for a growing nation. The Lockheed bailout was the Pandora's Box that unleashed a generation of evils onto capitalism in this country.

Then in 1971 President Nixon took us off the Gold Standard. Prior to that time our dollar was backed by gold. Instead our dollar was made "legal tender" by government decree with no intrinsic value. U. S. Debt exploded after 1971 and the dollar's value plummeted.

The bailouts were funded by debt. The economy boomed for a short time followed by a crash. Prior to 1971 the United States was a creditor nation, subsequently we became a debtor nation as the government learned to print money without real value.

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The next government intervention was Penn Central Railroad which gave us Amtrak, a loser ever since. Congress refused the bailout money, but took over the failing rail service. Meanwhile the U.S. Auto Industry refused to modernize and compete successfully against worldwide competition from Japan and Europe. Chrysler has been “rescued” twice.

After incurring a much deserved loss of \$1.1 billion in 1979, Chrysler asked for and received a government bailout.

With Lockheed the argument for a bailout was national defense, with Chrysler the argument was 200,000 jobs. But the \$1.5 billion in loans left in place the same management team, the same union, the same healthcare plan and the same retirement package. This became a failing venture. The 2008-2009 “Great Recession” caused another collapse requiring another rescue.

Chrysler was sold to Mercedes-Benz, then to Cerberus Capital Management. Eventually the property of Fiat, the auto union, the U.S. and Canadian governments, it is now in the proud [?] possession of Fiat.

Other major bailouts followed, including the Savings & Loan bailout, \$300 billion; Long Term Capital Management was bailed out by the Federal Reserve Bank of New York, \$3.6 billion. The government’s intervention continued in response to the credit crisis, the derivatives disaster and the housing collapse.

The Fed under Alan Greenspan’s leadership encouraged speculation, more aggressive trading and more use of margin. Once traders figured out Greenspan had their backs, they lost much of their restraint. The result is a market with a strong upward bias and a five year run of double-digit returns. We see the same thing today.

The Stock Market is booming because the Fed is holding interest rates artificially low

The most important shift in the economy over the last 50 years has been the move from free-market-based capitalism with light regulation to crony capitalism with heavy regulation.

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In the past most success went to entrepreneurs and businesspeople who took calculated risks in innovation and increased demand by satisfying the public's wants faster, cheaper and more conveniently. Today politicians, regulators and bureaucrats wield enormous power and direct wealth and fame to their favored subjects. This granting of rewards to cronies takes many forms such as employment, direct government contracts, legislation, appropriations tax loopholes, political appointments, regulatory burdens on enemies, acceding to lobbyists' requests and the special investigation and harassment of enemies. If you're a Solyndra you get \$536 million in Department of Energy loan guarantees, but if you're a GM bondholder, you're bullied into watching the auto unions get paid off ahead of you.

SEE PART TWO in the Gallup Sun Aug. 28

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