



OBAMA VS. REAGAN

"This is our moment, this is our time to turn the page on the policies of the past, to offer a new direction. *We are fundamentally transforming the United States of America.* And generations from now, we will be able to look back and tell our children that this was our time." --Barack Hussein Obama [emphasis added]

In July 2006, the median price of a home reached an all-time high of \$230,900 and, on 9 October 2007, the Wilshire Broad Market Indexes peaked at 15,806, the latter being the most significant indicator of investor confidence. It is no coincidence, of course, that the housing and equity markets began their precipitous declines after Democrats regained control of the Senate and House in 2006.

According to the latest data, the median home price has decreased by almost 25 percent (a \$7.5 trillion loss), and the WBMI is now down 50 percent (a \$7.9 trillion loss in capital wealth).

The dramatic downturn in the housing markets began when Democrats took control of Congress in 2006, and the financial collapse began after Obama was named the Democrat presidential nominee in August of 2008. Coincidence?

Indeed, in the last presidential campaign, McCain rallied Americans around an optimistic outlook for the future, and Obama rallied his constituents around familiar themes of pending doom. The latter made a more compelling case than the former, which gave Barack Obama the victory, but that victory was accompanied by a colossal [crisis of confidence](#), which is largely responsible for the current economic recession.

For sure, there were very real financial problems fueled by the Democrat congressional mandates that

the world's largest lenders, Fannie Mae and Freddie Mac, and others downstream, engaged in subprime mortgage lending in order to create more home-ownership opportunities for their low-income constituents. Those mandates trace their origins to Jimmy Carter's Community Reinvestment Act of 1977 and Bill Clinton's insistence that the Department of Housing and Urban Development enforce the CRA regulations. Banks were coerced to alter their lending practices and, by 2006, were underwriting loans to a whole spectrum of unqualified buyers.

As you recall, when Republicans, most notably Sen. John McCain, raised questions about how meddling in the housing market could backfire -- four years before the housing collapse began -- Demo Rep. Barney Frank was the most vociferous defender of market adulteration: "These two entities -- Fannie Mae and Freddie Mac -- are not facing any kind of financial crisis. The more people exaggerate a threat of safety and soundness, the more people conjure up the possibility of serious financial losses to the Treasury, which I do not see. I think we see entities that are fundamentally sound financially and withstand some of the disaster scenarios. And even if there were a problem, the federal government does not bail them out."

Apparently Frank understood the importance of market confidence, but insisted, "The federal government does not bail them out."

Demo Rep. Maxine Waters added, "We do not have a crisis at Freddie Mac and particularly Fannie Mae under the outstanding leadership of Frank Raines." (That's the same Frank Raines who directed enormous campaign contributions to Barack Obama.)

It is no small irony that Frank is now chairman of the House Financial Services Committee and Waters is

Chairwoman of its Subcommittee on Housing and Community Opportunity.

If fact, economists uniformly agree that the current crisis of confidence in the market reached critical mass when the federal government stepped in to bail out these two massive corporations -- and it's been a hard, fast ride down ever since.

There was a competing philosophy back when Republicans and Democrats were debating the wisdom of government interference in the home lending markets: Republicans insisting this was problematic and Democrats insisting this would create no problems.

Those competing philosophies are boiling over this week, as Barack Obama signed into law his federally mandated confiscation and redistribution of more than \$1.3 *trillion* dollars over the next decade and maybe as much as \$3 trillion and counting. One day after signing the so-called "Recovery Act," Obama promised another \$275 billion from the so-called "Troubled Assets Relief Program" for mortgage bailouts to his constituents -- those who enjoy more expensive houses than they can afford -- loans that Frank and Waters insisted were not a problem.

The nonpartisan Congressional Budget Office offered this summary: "In the longer run, the [Obama] legislation would result in a slight *decrease* in gross domestic product compared with CBO's baseline economic forecast." Put another way, we're going to add trillions in debt in order to obtain a slight decrease in economic growth.

Now, according to Obama, "Government has to take responsibility for setting rules of the road that are fair and fairly enforced. Banks and lenders must be held accountable for ending the practices that got us into this crisis in the first place. And each of us as individuals has to take responsibility for their own actions. That means all of us have to learn to live within our means again."

In other words, government is the solution and it was all those greedy bankers and lenders who "got us into this crisis in the first place."

In a recent debate about [President Ronald Reagan's](#) approach to economic crisis versus that of Barack Obama, columnist Charles Krauthammer argued, "Reagan had a lot more substance and he had a lot more ideas. Obama has never managed a candy store, and the way he put together his cabinet shows that he's got a long way to go."

In other words Reagan was all substance and Obama is all fragrance. However, Obama is now managing the largest candy store on the planet.

So, given that both Reagan and Obama entered office in a time of severe economic decline, let's contrast their proposed solutions and the known outcomes of those solutions: Reagan v. Obama.

In the wake of Jimmy Carter's "Great Malaise," the last colossal undermining of American confidence, Ronald Reagan entered office with inflation at almost 14 percent and unemployment soaring into double digits. It took President Reagan several years to restore free-market principles that would sustain the largest peacetime economic surge in American history.

Campaigning for the presidency, Reagan said, "This is the issue: whether we believe in our capacity for self-government or whether we abandon the American Revolution and confess that a little intellectual elite in a far distant capital can plan our lives for us better than we can plan them for ourselves. ... Somewhere a perversion has taken place. Our natural, inalienable rights are now considered to be a dispensation of government, and freedom has never been so fragile, so close to slipping from our grasp as it is at this moment."

In his 1981 inaugural address, President Reagan assured the nation: "The economic ills we suffer ... will not go away in days, weeks, or months, but they will go away. They will go away because we, as

Americans, have the capacity now, as we have had in the past, to do whatever needs to be done to preserve this last and greatest bastion of freedom. In this present crisis, government is not the solution to our problem; government *is* the problem. ... Our government has no power except that granted it by the people. It is time to check and reverse the growth of government, which shows signs of having grown beyond the consent of the governed. It is my intention to curb the size and influence of the federal establishment and to demand recognition of the distinction between the powers granted to the federal government and those reserved to the states or to the people. All of us need to be reminded that the federal government did not create the states; the states created the federal government."

Reagan implemented massive tax reductions, deregulation and anti-inflation monetary policies, which brought inflation down to 3.2 percent by 1983 and unleashed a historic period of economic growth. Of course, behind all the policy implementation was the most important element of the recovery: Ronald Reagan was a man of character and substance, as evidenced by his [historic re-election in 1984](#). He restored American confidence.

On the other hand, Obama, now facing the worst economic decline since the Carter debacle, has promised to "fundamentally transform the United States of America. ... Everywhere we look, there is work to be done. The state of the economy calls for action, bold and swift, and we will act -- to lay a new foundation for growth."

In his inaugural speech, Obama said, "The question we ask today is not whether our government is too big or too small, but whether it works." This, of course, suggests that somehow our bloated central government is not the problem, but the solution, if it is managed correctly.

Obama's economic philosophy and solution to the current crisis is rooted in the tried and failed policies of Franklin Delano Roosevelt, who attempted unsuccessfully to end the Great Depression with

massive government spending. Obama also subscribes to Roosevelt's class-warfare decree: "Here is my principle: Taxes shall be levied according to ability to pay. That is the only American principle."

If Roosevelt's "principle" sounds familiar, that's because it was no more American than Obama's. Roosevelt was paraphrasing Karl Marx, whose maxim declared, "From each according to his abilities, to each according to his needs."

History, as we know, is littered with the rubble of failed Socialist regimes. Nonetheless, Obama and his ilk press forward with their statist agendas, clearly indicative of their [pathological predisposition](#) toward fatalism.

After signing the Democrats' massive pork pie spending bill, Obama said, "I don't want to pretend that today marks the end of our economic problems. Nor does it constitute all of what we have to do to turn our economy around. But today does mark the beginning of the end."

The beginning of the end of the last chapter of liberty and free enterprise, perhaps...

In the final analysis, Obama can redistribute a lot of wealth, but he can't do what Reagan did -- restore our nations confidence, because most Americans, Left and Right, know that he has no character, no substance.

Make no mistake: The "Recovery Act" is not about economic recovery. It's about shackling our future to a socialist agenda, which will play out in the next decade short of significant intervention -- a cyclical economic recovery, the advent of another great leader with the stature of Reagan, or another unpleasantry like that one begun in 1776, the discussion of which has now entered mainstream conversations, albeit at a whisper.

P.S. Visit Obama's [Recovery Act Web site](#). Once there, you'll be greeted with a header proclaiming, "Your money at work." The Accountability and Transparency section claims, "This is your money.

You have a right to know where it's going and how it's being spent."

Isn't that nice -- Obama is telling me who he is giving my money to because I "have a right to know"?

Now, if the money that Obama is confiscating from my family were really "my money," it would be at work paying our mortgage and my kids' tuitions, paying small contractors for improvements to our home, growing our small publishing business, funding salary increases for my employees to the benefit of

their families. Heck, I might even replace my 10-year-old SUV with another GM product.

Obama's Recovery Act site also has a link to "Share your Recovery Story." I invite you to share yours today.

Quote of the week

"The fact is, we'll never build a lasting economic recovery by going deeper into debt at a faster rate than we ever have before." --Ronald Reagan