

Downside UP

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Fannie Mae and the "Liberal Establishment" I Know

What kind of hutzpah does it take, at the very moment when Fannie Mae is crashing down on their heads, for the Republican Party to grab Obama's mantle of change and run their campaign against the "incompetence" of the "liberal establishment in Washington." As Jon Stewart put it, "What a pile of (bleep)."

Can you really lie to all of the people all the time and get away with it? Win an election with it? The Republicans and their Democratic allies have been running Washington for almost all of this decade, most of the past 25 years, and, in a sense, most of the past 40 years from Richard Nixon in 1968 to this day. The two Democratic presidents in that time (Jimmy Carter and Bill Clinton) were both former governors from the South carrying the mantle of smaller government and lower taxes. The "liberal establishment" ended 40 years ago.

One of the reasons – maybe the most important reason – that Obama has generated so much excitement among so many Democrats and Independents is that they remember, they know about, or they just dream of the traditional American idea that people have responsibility for people, that government exists to help out the poor guy experiencing hard times, and just because people disagree with you doesn't make them "unpatriotic" or part of the "Axis of Evil."

The Real Liberal Establishment

There used to be a "liberal establishment" in Washington. It was called "Progressivism" and the "New Deal." The majority of Republicans as well as Democrats believed in it. It was Teddy Roosevelt, Dwight Eisenhower, and Nelson Rockefeller as well as Woodrow Wilson, Franklin Roosevelt, and John Kennedy. Before World War I, it gave us trust-busting, regulation of railroad monopolies, the Pure Food and Drug Act, National Parks, and a child labor law.

During the Depression and into the 1960's, the liberal establishment gave us Social Security, a worker's right to organize in the face of corporate exploitation, a minimum wage, unemployment insurance, the Consumer Product Safety Commission, the Federal Deposit Insurance Corporation, the progressive income tax, the Tennessee Valley Authority to produce electric power for people who didn't have any and no private utility would provide, Medicare, the Environmental Protection Agency, the Clean Water Act, and (finally) civil rights legislation to give racial minorities a better chance up the ladder of American opportunity.

This era and long before as well as long after also gave us important and pragmatic alternatives to both government programs and profit-based capitalism: Farmer cooperatives (Land O' Lakes and Ocean Spray), mutual life insurance companies (Northwestern), and mutual fire insurance companies (starting with Benjamin Franklin's "Philadelphia Contributionship for the Insurance of Houses from Loss by

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Fire" in 1752). Ordinary Americans gave us thousands of municipally-owned power companies from Reading, Massachusetts (where I grew up) to Los Angeles, California (where there was never a blip in the trumped up private utility "energy crisis") to the "conservative" South – Florida, Georgia, Arkansas, Oklahoma, Texas, Virginia -- you name it).

Ordinary Americans in towns like mine and yours, Republican (like my town) and Democratic, gave us tens of thousands of credit unions and mutual savings banks with mottos like one savings bank still in Reading: *"At The Savings Bank, we are proud to be different. We're your mutual savings bank, here to serve our customers. We have no shareholders. We've been providing local communities with friendly personal service and great banking value since 1869."* Here I also bought Massachusetts Savings Bank Life Insurance, top-rated by Consumers Union, another cooperative still doing its job serving four million subscribers across the United States and Canada.

Given a chance, today's Republican Party would torpedo it all.

Fannie Mae is Katrina'd

Fannie Mae was also part of this great liberal tradition of doing good and serving people. Officially the "Federal National Mortgage Association," Fannie Mae was established under the New Deal in 1938, to promote home ownership through government-guaranteed mortgages which in 2008 account for half of the \$12 trillion mortgage market. Its collapse, as Bear Stearns last March and Lehman Brothers this week, is no more a coincidence than George Bush's Katrina fiasco. It is the inevitable result of bad government by people who hate government, who do not want it to succeed, who want to privatize and deregulate everything for private profit in the name of "efficiency" -- which turns out to be looting the public treasury and the people for private gain. Incompetence is part of the system. Deliberate. The worse they can make government perform, the more ammunition they have for killing off even more government programs.

Fannie Mae is a classic. In 1968, Congress re-chartered Fannie Mae as a shareholder-owned company funded solely by private capital and in 1970, Congress created Freddie Mac – the Federal Home Loan Mortgage Corporation -- solely to compete with Freddie Mae, particularly in the secondary mortgage market. Until then, Fannie never had any trouble as a staid, conservative, and safe government agency backing home mortgages for ordinary people. What the post-Progressive era did was, under a false notion of competition equated with efficiency, change Fannie and Freddie's mission, opening them up to a world in which private profit was the primary goal, not public service. Then, under George Bush, banks were deregulated, opening the mortgage market to speculation, "securitization" pyramid schemes, and private equity funds.

The failure of Fannie and Freddie is not a failure of original purpose. It is not a failure of government except in the sense that it is what happens when you put in power people who want to ruin government.

I'm for change. I'm for a change back to our best traditions of personal responsibility for the public good. That's not empty, out-of-date nostalgia for a

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usually misremembered past. It's recognition that this country once solved problems in a variety of sensible ways without a single ideological focus. That's good solid conservatism of the kind my Republican parents believed in. Its doing what is best to serve society not what is best for yourself, the rich, and their cronies.

Ronald Woodbury is the writer, publisher, editor, and general flunkey for all of *Downside Up*. While publication benefits from the editorial advice of one of his daughters, a friend, and occasional other pre-publication readers, they will, for their own privacy and sanity, remain anonymous.

Woodbury has B.A., M.A., and Ph.D. degrees in history, economics, and international affairs from Amherst College and Columbia University. In addition to many professional articles, he has published a column, also called Downside Up, in the Lacey, WA, Leader. After a 36 year career as a teacher and administrator at six different colleges and universities, he retired with his wife to St. Augustine, FL. He has two daughters, one a physician and one an anthropologist, and six grandchildren.

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