



Political fables

President Barack Obama boldly proclaims, "The buck stops here!" But, whenever his policies are criticized, he acts as if the buck stopped with George W. Bush.

The party line that we are likely to be hearing from now until the November elections is that Obama "inherited" the big federal budget deficits and that he has to "clean up the mess" left in the economy by the Republicans. This may convince those who want to be convinced, but it will not stand up under scrutiny.

No President of the United States can create either a budget deficit or a budget surplus. All spending bills originate in the House of Representatives and all taxes are voted into law by Congress.

Democrats controlled both houses of Congress before Barack Obama became president. The deficit he inherited was created by the Congressional Democrats, including Senator Barack Obama, who did absolutely nothing to oppose the runaway spending. He was one of the biggest of the big spenders.

The last time the federal government had a budget surplus, Bill Clinton was president, so it was called "the Clinton surplus." But Republicans controlled the House of Representatives, where all spending bills originate, for the first time in 40 years. It was also the first budget surplus in more than a quarter of a century.

The only direct power that any president has that can affect deficits and surpluses is the power to veto spending bills. President Bush did not veto enough spending bills but Senator Obama and his fellow Democrats in control of Congress were the ones who passed the spending bills.

Today, with Barack Obama in the White House, allied with Harry Reid and Nancy Pelosi in charge in Congress, the national debt is a bigger share of the national output than it has been in more than half a century. And its share is projected to continue going up for years to come, becoming larger than national output in 2012.

Having created this scary situation, President Obama now says, "Don't give in to fear. Let's reach for hope." The voters reached for hope when they elected Obama. The fear comes from what he has done since taking office.

"The worst thing we could do is to go back to the very same policies that created this mess in the first place," he said recently. "In November, you're going to have that choice."

Another political fable is that the current economic downturn is due to not enough government regulation of the housing and financial markets. But it was precisely the government regulators, under pressure from politicians, who forced

banks and other lending institutions to lower their standards for making mortgage loans.

These risky loans, and the defaults that followed, were what set off a chain reaction of massive financial losses that brought down the whole economy.

Was this due to George W. Bush and the Republicans? Only partly. Most of those who pushed the lowering of mortgage lending standards were Democrats — notably, Congressman Barney Frank and Senator Christopher Dodd, though too many Republicans went along.

At the heart of these policies were Fannie Mae and Freddie Mac, who bought huge amounts of risky mortgages, passing the risk on from the banks that lent the money (and made the profits) to the taxpayers who were not even aware that they would end up paying in the end.

When President Bush said in 2004 that Fannie Mae and Freddie Mac should be reined in, 76 members of the House of Representatives issued a statement to the contrary. These included Barney Frank, Nancy Pelosi, Maxine Waters and Charles Rangel.

If we are going to talk about "the policies that created this mess in the first place" let's at least get the facts straight and the names right.

The current policies of the Obama administration are a continuation of the same reckless policies that brought on the current economic problems — all in the name of "change." Fannie Mae and Freddie Mac are still sacred cows in Washington, even though they have already required the biggest bailouts of all.

Why? Because they allow politicians to direct vast sums of money where it will do politicians the most good, either personally or in terms of buying votes in the next election. ■

Editor's note: Thomas Sowell is a senior fellow at the Hoover Institution in Stanford, CA, and served in the USMC.

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