

LEVIATHAN GOVERNMENT

OBAMA'S LATEST VOTE-BUYING SCHEME

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Obama's latest homeowner mortgage relief plan is perfect for him: It both is consistent with his ideology – duh – and allows him to buy more votes with someone else's money, all the while pretending there is in fact such a thing as a free lunch.

The painfully superficial liberal approach to poverty gets old, as does its corollary tenet that conservatives who reject liberals' failed ideas lack compassion. Indeed, Obama seemed to devote half the words in his prayer breakfast speech to proving that Scripture compels liberal policies.

Obama's latest proof that he cares more than we do is his proposal to “give every responsible homeowner in America a chance to save about \$3,000 a year on their mortgage by refinancing at historically low rates. No more red tape. No more runaround from the banks.”

This has all the elements. He frames the program as applying only to *responsible* mortgagors; he personally gets credit for handing out this money from his legendary “stash”; government, not the market, dictates what the interest rate will be; government will wave its magic wand forbidding “red tape” and bureaucratic obstacles; and banks, one of his favorite targets, are demonized and lined up to be punished.

But haven't we had enough of this man's top-down manipulation of the market in the guise of helping people? Is he ever to be held accountable for similar failed programs he's already tried? How about that \$75 billion mortgage relief plan he implemented in 2009? You know, the one he said would “give millions of families resigned to financial ruin a chance to rebuild”? The one he said would save 7 million to 9 million mortgages.

Well, the New York Times reported in January 2010 that the plan had “been widely pronounced a disappointment.” And “some economists and real estate experts,” the Times went on, “now contend it has done more harm than good.” By June 2010, more than a third of the 1.24 million borrowers who had enrolled in the mortgage bailout program had already dropped out. Nevertheless, the administration pressed forward, in complete denial that the program was failing and that the administration should be accountable. It cared, after all.

But if you buy your kid a car or give him a sweetheart loan to help him purchase one and he gets drunk and wrecks it, do you immediately buy him a new, more expensive one?

Moreover, is Obama ever to be held accountable for his entire range of economic policies that have grossly exacerbated our economic malaise and suppressed any chance of a real recovery?

If he would just get his Keynesian boot off the accelerator, quit spending money as if he were a perpetual lottery winner, stop enacting regulations to punish businesses, get behind capital gains and corporate income tax relief, stop showering recklessly wasteful “renewable and clean” energy projects with money as if he were a bitter spouse trying to bankrupt her cheating husband, and end his crusade against tried-and-tested domestic sources of energy, the economy would recover and we wouldn’t have so many homeowners with upside-down mortgages to worry about. But why do all that when you can still blame Bush?

Did Obama accept responsibility for his 2009 mortgage relief plan? Of course not. He brags about it. He fails to mention his promise to save 7 million to 9 million mortgages and boasts that he’s helped nearly 1 million of them, itself a dubious figure. There’s no “I’m sorry it was a miserable failure,” but rather “trust me to throw something else against the wall” – reminiscent of his high-speed rail mantra.

His new plan is terribly flawed. It’ll probably win him votes, but it wouldn’t do anything for the ailing housing market or the overall economy and would probably hurt them. The Cato Institute’s Mark Calabria debunks the idea that reducing homeowners’ mortgage payments would be “a no-cost stimulus.” It might give homeowners more money to spend, but it would drive down payments on mortgages and mortgage-backed securities, so mortgage investors would reduce their spending, making the net effect a wash. It would also redistribute money, regressively, from some taxpayers to homeowners and from retirees to younger homeowners. Nor would the arbitrary fee to be imposed on the evil banks be without consequences because it would reduce bank equity and thus new lending, hurting potential borrowers by reducing available credit. The plan could also reduce future home prices.

So we have a cavalier president proposing, again (remember the GM and Chrysler restructurings), to alter the terms of existing contracts to the detriment of one of the contracting parties, illegally and unconstitutionally, as if lawmakers’ allegedly good intentions exempt them.

This plan moves beyond class-warfare rhetoric into class-warfare policy. The administration is not teaching people to fish but is stealing fish from others and giving it to them. It will not work, and it will further damage our hopes for a sustained recovery.