

Establishment Reality



By Jon Taplin - November 21, 2009, 8:18PM

For me the most distressing aspect of American politics over the last 30 years is the realization that the Washington Establishment really does rule the country no matter which party holds the White House or Congressional majorities. Progressives suffered through 12 years of Republican presidents after Reagan's election only to realize that the election of Bill Clinton changed nothing. The military budget didn't shrink, deregulation of business oversight continued apace, duopolies mushroomed, alternative energy strategies sat on the shelf. Now we have to suffer through watching Clinton retreads Larry Summers, Tim Geithner and Richard Holbrooke lead Obama down the primrose path to disaster while the financial elites and the defense contractors take home record bonuses.

As [some of our correspondents have suggested](#) that the split we may be seeing is not between liberals and conservatives, but between insiders and outsiders--the Establishment vs the People.

So yesterday the outsiders won an important, but little noticed victory (it did not even deserve a headline on the NYTimes.com politics page). Representatives Ron Paul and Alan Grayson managed to pass out of the House Financial Services Committee a bill to audit the Federal Reserve, despite the strenuous objections of Barney Frank, Ben Bernanke, Mel Watt (Bank of America's congressman) and the Washington Establishment. As [the Huff Post's Ryan Grim reports](#), it was all classic establishment playbook, but Grayson managed to rally the Dems behind Paul.

The playbook in Washington often goes like this: When a measure that threatens the establishment builds enough momentum that it must be dealt with, it is labeled as "unserious." The Washington Post editorial board, true to the script, called Paul's measure "an unserious answer to a serious question."

And it particularly rankles the center that a pair of "wingnuts" are behind a successful effort to challenge the prevailing order.

Step Two is for a "serious" compromise to be offered. In this case, it was Watt's amendment. But by the time the vote was called Thursday afternoon, committee members had seen through his measure, recognizing that it was not a compromise effort to bring real transparency to the Fed but an attempt to further shut the the doors.

"The Watt amendment will fully obliterate everything 1207" -- Paul's measure -- "is intended to do," said Paul during Thursday's debate.

For anyone remaining confused, the debate was further clarified by the central bank itself: Federal Reserve Vice Chair Don Cohn and General Counsel Scott Alvarez spent much of the day calling committee members, urging them to oppose the Paul-Grayson amendment in favor of Watt's, a member of Congress who asked for confidentiality told HuffPost.

Paul's opponents also placed a letter from former Fed chairmen Alan Greenspan and Paul Volcker on the seats of every committee member. Such a move is in violation of House rules and Grayson was able to have the letters removed.

We have to realize there is still a long way before this becomes law. The Senate is the heart of Establishment power. But still, we someday may look back at this day as a day when something slightly unusual happened that began the populist uprising against The Establishment.

The next front in this new coalition against the Insiders is to take on the establishment consensus about Afghanistan as expressed by the [Washington Post's Jackson Diehl](#).

On Afghanistan, in contrast, there is unanimity in the Pentagon and considerable agreement in Congress and among the NATO allies...Almost everyone agrees that accomplishing all those aims will require at least some additional American and NATO troops.

Who appointed bonehead's like Diehl to speak for "almost everyone"? The Wash Po editorial page, which has been remarkably wrong on every foreign policy question in the last 10 years, is just one more Establishment mouthpiece. If more voices on the right like [George Will](#) and the [Cato Institute](#) start raising their voice against our military adventurism we might actually be able to dig this country out of the massive hole it is in. If you don't believe the world economy is still in a hole Look at The [Baltic Dry Index](#), which tracks world wide bulk dry cargo (Coal, Wheat, Autos, Steel, etc) shipments.

