



Written by [Thomas R. Eddlem](#) on November 16, 2011

Gingrich's Consulting Problem With Freddie Mac

The controversy went public again during the CNBC debate November 9, when CNBC Host John Harwood [asked](#) Gingrich: "Your firm was paid \$300,000 by Freddie Mac in 2006. What did you do for that money?"

Gingrich responded by [denying](#) he'd been a paid "lobbyist":

I have never done any lobbying. Every contract was written during the period when I was out of the office, specifically said I would do no lobbying, and I offered advice. And my advice as a historian, when they walked in and said to me, "We are now making loans to people who have no credit history and have no record of paying back anything, but that's what the government wants us to do," as I said to them at the time, this is a bubble. This is insane. This is impossible.



Of course, Harwood hadn't accused Gingrich of lobbying, and had only asked what he had done to earn the \$300,000 contract. By knocking down the lobbying straw-man argument, Gingrich hoped to end the issue. But his "historian" remark only made those in the press more curious about what he'd done to earn this very substantial paycheck.

The picture that emerges from the Bloomberg [investigation](#) is one of a Gingrich who didn't personally do any lobbying, but where Gingrich was paid to advise the actual lobbyists on how best to influence GOP congressmen to kill new restrictions on federal loan guarantees through Freddie Mac and its sister corporation Fannie Mae. Gingrich was expected to produce written materials for the lobbyists and hone talking points for them.

Gingrich's own campaign website doesn't substantially differ from the Bloomberg account, [suggesting](#) that "Freddie Mac was interested in advice on how to reach out to more conservatives. The Gingrich Group stressed that Freddie Mac must be open to reform of their lending practices but that by stressing the historical success of public-private partnerships in achieving public goods at a minimum of taxpayer money and bureaucracy."

Gingrich's presidential website [reiterated](#) the former House Speaker's claim in the November 9 debate that "on numerous occasions in meetings with Freddie Mac, Speaker Gingrich advised that a business model that involved lending money to people with bad credit and no money down was unsustainable and a bubble, and that it was dangerous to buy securities made up of these mortgages."

But Bloomberg's investigation [says](#) that Gingrich's work was limited to training lobbyists and providing



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them with propaganda pamphlets, and not as an advisor on the direction of Freddie Mac's business. Bloomberg authors Clea Benson and Kristin Jensen [wrote](#): "If Gingrich concluded that the company's business model was at risk and that the housing market was a 'bubble,' as he said during the debate, he didn't share those concerns with Richard Syron, Freddie Mac's chief executive officer at the time, a person familiar with the company's internal discussions said." Bloomberg [concluded](#): "None of the former Freddie Mac officials who spoke on condition of anonymity said Gingrich raised the issue of the housing bubble or was critical of Freddie Mac's business model." Asked by Bloomberg to comment on the specifics of what Gingrich did for Freddie Mac, the Gingrich campaign deferred, citing confidentiality clauses in the contract. I can't give you any of the details, Gingrich campaign spokesman R.C. Hammond [told](#) Bloomberg. It's written into his contract with them.

Gingrich's claims to oppose Freddie Mac's policies as a "bubble" and "insane" have yet to be publicly documented, unlike the warnings issued by fellow presidential candidate and former House colleague Ron Paul. In fact, Rep. Paul made [frequent warnings](#) about Freddie Mac and Fannie Mae [beginning in 2001](#) and throughout the housing bubble.

Gingrich's efforts on behalf of lobbyists by Bloomberg appear to be well-grounded, however. The Bloomberg analysis confirmed much of what a December 8, 2008 article by Pete Yost of the Associated Press [asserted](#). The AP account described the multimillion dollar Freddie Mac lobbying effort in similar terms, noting that a number of Republican heavyweights had been hired as consultants or lobbyists. The 2008 AP account did not distinguish between the lobbyists and the consultants or cover any specifics of Gingrich's activity.

Gingrich has long been a fervent supporter of Freddie Mac. "Fannie Mae is an excellent example of a former government institution fulfilling its mandate while functioning in the market economy, Gingrich wrote in a press release in 1995, [according to](#) Bloomberg.com.

Indeed, Gingrich has long been a supporter of the kind of "government-sponsored enterprises" that is typified by Freddie Mac and Fannie Mae, where government provides the start-up money for a nominally private enterprise and a presumed bailout if the enterprise fails. In the case of Fannie and Freddie, the federal government has [already appropriated more than \\$250 billion](#) (plus \$775 billion in Federal Reserve Fannie/Freddie securities purchases) to bail out the two companies out since 2008. Gingrich also served as a "consultant" for the ethanol lobby, and has supported government subsidies for the ethanol industry so fervently that the *Wall Street Journal* [labeled](#) him "Professor Cornpone." Gingrich also earned \$315,000 in consulting fees to the ethanol lobby.

The former Speaker of the U.S. House of Representatives has been responding to the Freddie Mac story on the campaign trail. At a November 15 campaign event in Sheffield, Iowa, [according to CNN](#), Gingrich said, "Let me draw a distinction: Government-sponsored enterprises which includes the Transcontinental Railroad has a long history of being fairly successful. Now that doesn't mean with bad management and with bad ideas that it can't be a failure. But in the long run it's actually been a useful model for the country overall." Of course, the "historian" Gingrich should have known that the Union Pacific Railroad, chartered in 1862 with \$100 million from Congress, was part of the 1872 [Credit Mobilier congressional bribery scandal](#) and declared [bankruptcy several times](#). Using the Union Pacific as a model for a good public-private partnership was a poor choice for touting public-private partnerships, but perhaps a good example if he wanted to explain why they inevitably become failures.

Photo of Newt Gingrich: AP Images



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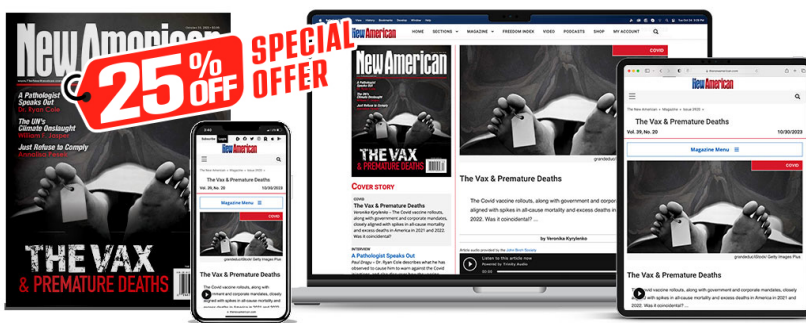


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