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Obama's Crony Capitalism and His Top 2008 Donors

The voluminous scale of political favoritism, and in some cases downright corruption, in the current administration has undermined taxpayers and trampled on the U.S. Constitution, as corporate bailouts, legislative kickbacks, and shady government appointments have become commonplace in the Obama White House.

Crony capitalism, also referred to as "cronyism," takes place when entities use the power and authority of government to capitalize in the marketplace. These entities, which are often large corporations, commonly receive lavish government favors after offering public endorsements and bulky bundles of donations during an election season.

During the 2008 election cycle, Obama raised a record-breaking $745 million, with some of his largest campaign contributions streaming from Google, Microsoft, General Electric, WilmerHale, and Goldman Sachs. Indeed, Obama's top 20 donors doled out $13,382,825 in 2008, more than three times the $4,034,622 contributed by John McCain's top 20 donors.

For clarification purposes, the figures do not reflect contributions from the organizations themselves; instead the money came from the organizations' political action committees, individual owners and employees, and immediate family members.

Owing to contribution limit restrictions, organizations that bundle together large individual contributions have often ranked among the top donors to presidential candidates, which was particularly true of Obama's 2008 campaign. This, of course, raises an essential question: Why contribute such vast sums of money to a presidential candidate? Are big donors supporting a candidate solely because of political ideologies, or are they expecting a return on their investment?

Some assertions of Obama's corrupt cronyism may seem speculative, or maybe coincidental, but when digested as a whole, the comprehensiveness of Obama's 2008 campaign strategy, combined with his administration's inexorable devotion to political bargaining, establishes almost unquestionable guilt of cronyism. (The donation amounts cited were compiled from OpenSecrets.org.)

Goldman Sachs (donated $1,013,091)

Goldman Sachs was one of Obama's largest contributors, shelling out more than one million dollars to the President's 2008 campaign. Though to Goldman Sachs this amount of money is a pittance, it bought a lot, including a slew of executive appointments to make sure federal money and rules work to Sachs' benefit.

On January 21, 2009, Mark Patterson joined the Obama administration to serve as Chief of Staff to Treasury Secretary Timothy Geithner, where he now monitors the "day-to-day management of Treasury

Department staff and programs." Patterson, a registered lobbyist for Goldman Sachs until April 11, 2008 and Geithner's top aide, played a role in overseeing the $10 billion that Goldman harvested from the TARP bailouts.

Eileen Rominger, before being appointed as the director of investment management at the Securities and Exchange Commission (SEC), worked as the global chief investment officer of Goldman Sachs Asset Management, where she reported $57.5 million in income between 2010 and 2011 and earnings of $2.3 million to $13.2 million in investment income. According to the SEC, Rominger's role in the administration is to "protect investors and promote capital formation through oversight and regulation of the nation's multi-trillion dollar investment management industry."

Rominger's government-insider status could be a critical asset to Goldman, as financial-related economic policy often has a meaningful impact on corporate planning. "Protect[ing] investors" generally involves, as Rominger's purported role indicates, more oversight and new regulations. In fact, Rominger is now in charge of overseeing mutual funds and administering new oversight of hedge funds required by the Dodd-Frank financial reform law. Naturally, deploying an ally in this sector of government could muster a significant advantage.

As Timothy Carney of the *Washington Examiner* opined, "The President who said he would stop the revolving door between Wall Street and the executive branch — the President who poses as the scourge of the big bankers — hires Goldman Sachs' top asset manager to run the agency regulating asset managers."

A catalog of other former Goldman Sachs employees (although some have since resigned) joined the Obama administration, including Larry Summers, Timothy Geithner, Rahm Emanuel, Robert D. Hormats, Diana Farrell, Gene Sperling, and Gary Gensler. These people are privy to the government's monetary and executive decisions prior to other investors, giving Goldman Sachs valuable information that is little, if any, short of "insider trading."

Last August, Obama announced that the Departments of Agriculture and Energy will invest up to $510 million during the next three years "in partnership with the private sector to produce advanced drop-in aviation and marine biofuels to power military and commercial transportation."

"Biofuels are an important part of reducing America's dependence on foreign oil and creating jobs here at home. But supporting biofuels cannot be the role of government alone," President Obama affirmed. "That's why we're partnering with the private sector to speed development of next-generation biofuels that will help us continue to take steps towards energy independence and strengthen communities across our country."

Conveniently, Goldman had already become a leading investor in biofuel production, and has underwritten initial public offerings for multiple biofuel companies: In August 2010, Goldman took on biofuel company PetroAlgae — a speculative development-stage enterprise that had lost $58 million over the previous three years — as a client to help manage an initial public offering and probe the market for buyers.

Moreover, Goldman has become a prominent stakeholder in biofuel companies Iogen Corp. and Green Earth Fuels, and has become a vocal advocate for the industry.

Goldman Sachs employees are also undoubtedly advising President Obama on legislation regarding the financial industry.

Part of this financial legislation signed into law on July 21, 2010, purportedly to curb Wall Street speculation that allegedly spurred today's stagnant economy, was deemed by critics the "most comprehensive financial regulatory overhaul since the Great Depression." While the mere act of endorsing regulatory reform may seem repugnant to Goldman Sachs, and against its own self-interests, company lobbyists and executives have touted adamant support for financial regulations. In fact, one Goldman lobbyist stated, "We're not against regulation. We're for regulation. We partner with regulators." Nothing could be more true: They are "partnering with regulators." And there is good reason for doing so: The new regulations often hinder smaller competitors from pursuing risks needed to effectively compete in the marketplace.

While some regulations would certainly impinge on Goldman's business model, many regulations position the company with a telling competitive advantage. For instance, in an annual letter to shareholders, Goldman championed more stringent federal capital and liquidity requirements, reporting on a conference call that the company holds 15 percent "Tier 1 capital," meaning it is low-risk and very liquid. If need be, because of new regulations, Goldman can afford to play its investments safe, but smaller competitors do not have this fortune. As the annual letter indicated, "Given that much of the financial contagion was fueled by uncertainty about counterparties' balance sheets, we support measures that would require higher capital and liquidity levels."

In solidifying the proof that many Goldman executives are pro-regulation, on a conference call with private wealth management clients, Goldman CEO Lloyd Blankfein assured his customers he is not concerned with the new financial reform law. In fact, Blankfein asserted, "We will be among the biggest beneficiaries of reform."

One might suggest that Goldman's support of Obama has generated a handsome reward. As Lawrence Jacobs, a University of Minnesota political scientist, asserted, "Almost everything that the White House has done has been haunted by the personnel and the money of Goldman … as well as the suspicion that the White House, particularly early on, was pulling its punches out of deference to Goldman and its war chest."

Google Inc. ($814,540)

Google, whose employees, executives, and political action committee have been loyal Obama proponents, has been another beneficiary of Obama's generous political offerings.

After Google contributed $814,540 to Obama's campaign, the Obama administration used taxpayer dollars to purchase Google advertising so that typing "ObamaCare" into the Google search engine would guide users to healthcare.gov. The administration, specifically the Department of Health and Human Services (HHS), also bought paid-for results for searches such as "ObamaCare facts," "ObamaCare summary," "ObamaCare info," and other keywords and phrases.

The government watchdog group Judicial Watch obtained documents from the HHS revealing that the White House helped launch a multimillion-dollar taxpayer-funded marketing campaign to use search engines such as Google to drive traffic to the HHS website. According to a budget summary laid out by representatives of the Ogilvy Group, which helped coordinate the campaign, from October 2010 to February 2011 the Obama administration spent more than $1.4 million on the online advertisements alone, the vast majority of which went to Google.

The benefit was reciprocal: Google secured a massive new customer and the White House procured a taxpayer-funded ad campaign that hawked the bullet points of its healthcare overhaul. In describing the administration's web-based marketing campaign, an HHS official wrote in an e-mail, "We are using a bunch of search term[s] to help point people to HealthCare.gov. Part of our online efforts to help get accurate information to people about the new law."

Similar to Goldman's remarkable presence in the White House, several employees of Google became advisors to the Obama transition team, and the company's former head of global public policy, Andrew McLaughlin, was named White House Deputy Chief Technology Officer in June 2009 (although he left the administration in December 2010).

Last year, supposedly acting on a rather bizarre declaration by the United Nations that high-speed Internet access is a basic human right, the White House unveiled an initiative last November to invest more than $400 million to expand broadband Internet access to poor, rural areas of the country. Google's benefit? More people logged onto the World Wide Web and, in turn, more people used its search engine.

The final item on the Google-Obama cronyism list illustrates the corporate favoritism that large Obama donors tend to inherit. Last year, Google acquired ITA Software — a company that builds online flight information software for travel websites — which stirred a wave of protests from the travel industry, as critics argued that enhancements in Google's search engine would translate into the mass extinction of hundreds of travel-related websites. Critics charged that a monopoly was being created. Furthermore, Google recently purchased Motorola for $12.5 billion, which supplied Google with thousands of patents that would help deflect infringement lawsuits.

Ironically, while the politicized Department of Justice turned a blind eye to Google's controversial buyouts, it filed an antitrust lawsuit against AT&T — which, note, is largely bipartisan in its political donations — to block its buyout of T-Mobile, arguing that the measure would severely hurt competition. One can only wonder: Would AT&T have been treated differently if it would have been more liberal with its donations to Obama?

Microsoft Corporation ($852,164)

Microsoft Corporation, another major Obama donor, contributed hundreds of thousands of dollars to Obama's 2008 campaign, and in return was granted a key executive appointment and benefited from several pivotal legislative measures.

Steven VanRoekel, a former Microsoft executive from 1994 to 2009 — which included a period where he directly assisted Bill Gates — was appointed by the President on August 5, 2011 to operate as Chief Information Officer of the United States. VanRoekel joined the administration with an explicit agenda: "To make sure that the pace of innovation in the private sector can be applied to the model that is government." The authority granted to VanRoekel gave him a portal to the federal government's inner workings, while delivering an ample opportunity to "play favorites" in the technology sector.

In obtaining a government role where he manages $80 billion in annual information technology spending, VanRoekel is in a central position to dish out favors to his former employer. The federal government is the world's largest customer for IT services and products — and VanRoekel has been handed the government's credit card.

Again the favors were reciprocal; VanRoekel donated $50,000 to Obama's 2009 inauguration, along with thousands of additional dollars more from Microsoft CEO Steve Ballmer and Bill and Melinda Gates.

On the legislative front, shortly after taking office, Obama ordered a review of federal efforts to improve cybersecurity, and later proposed legislation to enact regulations to crack down on cyber-related crimes. Microsoft's cybersecurity czar hailed the President's proposal, asserting that "it's not reasonable to expect the market" to effectively safeguard cyber-attacks.

The rise of cyber-related crimes has been a financial burden for computer manufacturers, software companies, and virtually all aspects of the information technology industry. Microsoft retains a position at the center of the industry, spending thousands of man-hours and millions of dollars generating prevention measures to counter cyber-attacks. Having allies in government could lead to an array of federal benefits, including financial relief, and as Obama's legislative proposal indicates, new regulations that may help stave off cyber-attacks.

Moreover, Scott Charney, corporate vice president of Microsoft's Trustworthy Computing Group, was appointed to the Obama administration's National Security Telecommunications Advisory Committee, a presidential advisory board consisting of leaders in key industries. In response to the President's cybersecurity efforts, Charney wrote, "I look forward to working with the other members of the committee to address the challenges of security and reliability in communications, in turn fostering a more resilient national security and emergency preparedness posture."

Microsoft provides a wide range of products for federal agencies.

While the U.S. Chamber of Commerce called Obama's Cybersecurity and Internet Freedom Act of 2011 "regulatory overreach," since it would grant Homeland Security the authority to dictate measures to privately owned computer systems if the President declared a "national cyber emergency," Charney gave the proposal an official stamp of approval.

General Electric ($529,855)

The cronyism between Obama and General Electric is undoubtedly one of the most publicized, and GE CEO Jeffrey Immelt's January 2011 appointment as the President's top outside economic advisor was seen as the cronyism it is by the public at large. Immelt has retained his position at GE while at the same time providing "outside economic advice" to the executive branch.

Of course, one might suggest that the top dog of one of the largest U.S. multinationals is hardly the appropriate person to advise the executive branch on domestic job creation when he spent the last decade terminating 2.9 million U.S. jobs while adding 2.4 million abroad. But such damning facts are seemingly inconsequential to the President.

In addition to doling out more than half a million dollars to Obama's 2008 campaign, GE spent a sizeable $39 million on lobbying efforts in 2010 alone — more than any other U.S. company. In response to its ardent lobbying efforts, GE reaped a myriad of federal kickbacks, including $210 million from Obama's $787-billion economic stimulus law signed in February 2009.

Even if government did have the authority to bail out corporations and dish out plush subsidies to failed business models (which it doesn't), GE would hardly be the prime candidate, as it had total 2010 revenues of more than $150 billion, and has weathered the recession better than just about any other U.S. company.

GE's aggressive lobbying efforts and its immodest donations to the Obama campaign are a viable explanation for its governmental fortune — and company lobbyists and executives pursue federal handouts without any shame.

GE even expects to cash in on federal contracts that offer literally no value to the government. For instance, the nation's top corporate spender on lobbying unabashedly pursued a jet engine contract that Obama, the Pentagon, and Congress all said they weren't interested in. "GE will continue to press our case in the U.S. Senate and elsewhere," Immelt proclaimed after a House vote last Spring terminated funding for GE's Joint Strike Fighter engine, designed as an alternative to an engine already built by rival company Pratt & Whitney. The Pentagon ended up issuing a stop work order on the controversial engine — calling the billions of dollars it cost a "waste of taxpayer money" — as it provided virtually no benefit to the U.S. government.

In the area of "green" energy programs, GE secured a contract to provide wind turbines for the 845-megawatt Shepherds Flat wind farm project in eastern Oregon, where the majority of the $1.9 billion in funding will be provided by American taxpayers. The government-subsidized project is a boon for GE and its partners on the project, who include Google, Sumitomo, and Caithness Energy.

Furthermore, not only is the Energy Department handing over a one-billion dollar loan guarantee to GE and its partners, but as soon as GE's 338 turbines begin their operation at Shepherds Flat, the Treasury Department will funnel a $490-million cash grant to the project developers. The deal was so fortuitous for the developers that some of Obama's top advisors wrote a memo alleging that GE and its partners had "little skin in the game," while the federal government would be supplying "a significant subsidy."

Lastly, GE was a prominent supporter of cap-and-trade, a staple of Obama's 2008 candidacy. The company lobbied heavily for the President's 2009 cap-and-trade proposal (which ultimately failed). GE is not only the largest wind turbine manufacturer, but it stood to pocket millions or billions of dollars from the "secondary market" — also known as the carbon-trading market. In fact, the company had reportedly been gearing up for the legislation with an entire unit dedicated to operating in the "secondary market."

WilmerHale ($550,668)

WilmerHale, a law firm that offers legal representation for dozens of large corporations across a myriad of industries, was also rewarded handsomely by President Obama — after forking over more than half a million dollars to Obama's 2008 campaign. The company publicly acknowledged this fact in a June 10, 2009 statement: "The Obama Administration has certainly delivered on its promise to alter the face of government, and nowhere can that be felt more than at WilmerHale. Every week, it seems another attorney (or two) is leaving the firm to take a position within the new administration. The list of former WilmerHale lawyers working for the government now totals more than 20."

The most notable Obama appointment is WilmerHale's litigation partner Jonathan Cedarbaum, who joined the Justice Department's Office of Legal Counsel (OLC) to provide legal advice to the President and all executive branch agencies. Cedarbaum left the administration after two years of leadership at the Justice Department and rejoined WilmerHale's Washington, D.C., office as a partner in the Litigation/Controversy Department and member of the Government and Regulatory Litigation Group.

As a member of the Government and Regulatory Litigation Group, a key division of the law firm, Cedarbaum's role includes handling "complex cases in which clients' interests intersect with governmental, regulatory or public policy issues," and his former government doings and the connections he made at the Justice Department could serve as an asset for WilmerHale. In fact, the law firm boasts that "on behalf of clients in the defense and other industries," it has provided representation before the Defense Department, the State Department, the Commerce Department, and the *Justice Department*.

Along with Cedarbaum, former litigation partner Jeannie Rhee left WilmerHale to become Deputy Assistant Attorney General in the OLC (although she also later rejoined WilmerHale), and two other partners, Stephen Preston and Bill Wilkins, left the firm to serve as general counsels for the Central Intelligence Agency (Preston) and the Treasury Department (Wilkins).

WilmerHale represents several companies that would benefit from cybersecurity legislation, including communication companies such as AT&T, which secured an eight-year, $5-million deal to provide managed security services and Web hosting services to the Federal Trade Commission.

Further connecting the dots, the Obama administration's May 2011 proposal for comprehensive cybersecurity legislation consisted of seven separate proposals that would, according to WilmerHale, "have a far-reaching impact" on several sectors of the economy, "including the defense, telecommunications, energy, electricity, banking, and financial services." With this in mind, one must look only to the law firm's following clients: AT&T, Boeing, Broadcom, CitiGroup, Goldman Sachs, JPMorgan Chase, and General Electric.

Coincidence or Not?

Some of these interactions between the Obama administration and these companies may seem coincidental, but when taken as a whole, it's hard not to conclude that there's a potent brand of cronyism filtering throughout the Obama administration.

It is, after all, simply logical: Why contribute so much cash to a political candidate if there is no expected return?

The U.S. Constitution was largely designed to curb these perilous effects of cronyism, which has plagued economies and governments, at least in some form, for centuries. If our political leaders returned to the constitutional principles of limited government, where lavish federal subsidies and legislative bargaining were non-issues because the federal government has no power under the Constitution to legislate in these areas, the issue would be moot.

The Constitution was meticulously crafted with structural provisions designed to enact a separation of powers and checks and balances in government. If U.S. voters — thereby our political leaders — were to embrace these abiding principles, the incessant draining of economic resources for the purpose of subsidizing select businesses or sectors would be stunted, and so would the blatant abuses of taxpayer dollars. But as of yet, the current administration has seen little in the way of repercussions for its actions.

Countless politicians, including past Presidents of the United States, have exhibited crony tendencies, but in reflecting on the reported evidence, it could easily be argued that Barack Obama has generated a crony capitalist sentiment in his administration like no other President before him.

— Photo: AP Images