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## President Obama's Wealth Destroying Goal: Taking The 'Curley Effect' Nationwide

*A democracy cannot exist as a permanent form of government. It can only exist until the voters discover that they can vote themselves money from the public treasury. From that moment on, the majority always votes for the candidates promising the most benefits from the public treasury with the result that a democracy always collapses over loose fiscal policy, always followed by an increasingly authoritarian government.*

"In a famous 2002 article, Harvard scholars Edward L. Glaeser and Andrei Shleifer identified "THE CURLEY EFFECT." "The Curley Effect" is named after James Michael Curley, a four-time mayor of Boston in the first half of the 20th century. Curley "used wasteful redistribution (of wealth) to his poor Irish constituents and incendiary rhetoric to encourage richer citizens to emigrate from Boston, thereby shaping the electorate in his favor. Boston as a consequence stagnated, but Curley kept winning elections."<sup>[1]</sup>

In a brilliant article By Mark Hendrickson, writing for Forbes Magazine, he shows how Obama has taken "The Curley Effect" for his own. He writes: "**A politician or a political party can achieve long-term dominance by tipping the balance of votes in their direction through the implementation of policies that strangle and stifle economic growth. Counterintuitively, making a city poorer leads to political success for the engineers of that impoverishment.**"<sup>[2]</sup> **The Curley Effect turns traditional views about the requirements for good government upside down. The Curley Effect makes destructive economic and social policies more, not less, attractive to political incumbents and the voters they manipulate.**

**Here's an example of how the Curley effect works:** A mayor or governor wants to create his own political machine. He divides the voters into different groupings. Then he loosens eligibility requirements for disability and welfare benefits. He gives generous contracts to public employee unions and gives tax breaks to businesses whose owners support him politically. He champions the cause of illegal aliens and then loosens voter identification requirements to permit voter fraud among illegal aliens - all of which benefits him. He justifies an increase in people on disability and welfare by proclaiming himself the champion of the poor. All of these people have become economically dependent on the political machine in power, so they give them their undivided electoral support: votes, campaign contributions, and get-out-the-vote drives.



"The government solution to a problem is usually as bad as the problem and very often makes the problem worse." Milton Friedman<sup>[5]</sup>

"Meanwhile, the anti-rich rhetoric of these clever demagogues, combined with higher taxes to fund the political favors, triggers a flight of tax refugees from the cities to the suburbs. This reduces the number of political opponents on the city's voter registration rolls, thereby consolidating an electoral majority for the anti-wealth party. It also shrinks the tax base of the city, even as the city's budget swells. The inevitable bankruptcy that results from expanding expenditures while diminishing revenues can be postponed for decades with the help of state and federal subsidies ("stimulus" in the Obama vernacular) and creative financing, **but eventually you end up with cities like Detroit—called by Glaeser and Shleifer "the first major Third World city in the United States."**<sup>[2]</sup>

"The Curley effect is extensive. The ten poorest U.S. cities with a population of at least 250,000 are: Detroit, Buffalo, Cincinnati, Cleveland, Miami, St. Louis, El Paso, Milwaukee, Philadelphia, and Newark. Besides all having poverty rates between 24 percent and 32 percent, these cities share a common political factor: Only two have had a Republican mayor since 1961, and those two (Cincinnati and Cleveland) haven't had one since the 1980s. **Democratic mayors have had a lock on City Hall despite these once-great and prosperous cities stagnating on their watch. This is the Curley Effect in action.**"<sup>[2]</sup>

In the 1920s, Detroit was arguably the richest city in the world. After 51 years of Democratic hegemony and a Curley-like agenda, it is broke. Detroit's Coleman Young was a master of the "Curley Effect." In his 24 years as mayor, he established a political machine by driving white residents and businesses out of the city.<sup>[3]</sup> Detroit ended up in far worse shape after Coleman's 24 years than before he took office.



In the 1950s, Detroit funded one of the best zoos in the country but had not yet built today's gravy train for favored segments of the human population. Some people find it reprehensible to keep animals in zoos, but what is worse? "To see a trapped lion carrying 80 pounds of flab that a lion in the wild would never have, or human beings reduced to a similarly pathetic dependency? The bars that ensnare humans behind the economic and psychological cages of the government dole may not be physical, but **it is pathetic to see people reduced to lives of unproductive idleness and despair, all in the name of "compassion" and, of course, for the sake of cementing Democratic mayors in office.**"[2]

"What is most troublesome about the Curley effect is that it is spreading beyond its historical setting of cities. Entire states—most notably our most populous, California—are manifesting all the symptoms of the Curley effect: Democrats enjoying electoral hegemony; businesses and middle-class individuals, more Republican than Democratic, emigrating to states with less oppressive tax regimes; reduced job opportunities; a budget careening toward bankruptcy."[2]

"The ultimate political prize for the Democrats, of course, would be to control the national government. Obama seems bent on taking the entire country down this suicidal path through a political strategy of "increasing the relative size of one's political base through distortionary, wealth-reducing policies."[1] Everything Obama has done has been designed to strengthen Democratic constituencies (e.g., stimulus spending steered predominantly toward unions and strategically allied state and municipal entities; waivers from Obamacare for unions; a hefty 23 percent increase in the Index of Dependence on Government during Obama's first two years) and to weaken Republican constituencies (e.g., making small business formation more difficult by impeding venture capitalists; refusing to amend Sarbanes-Oxley; using Dodd-Frank regulations to discourage loans; fewer waivers from Obamacare; proposing lower tax rates for large corporations, but not on the "S" corporations that are the preferred choice of small business owners; constant efforts to raise taxes on the "rich"—which means, as we've seen in Detroit, California, and other Curley effect victims, higher taxes on the middle class)."[2]

**"Obama's smash-mouth, Curley-like politics is all about choosing winners and losers. Reread his State of the Union address from January, and you see a parade of proposals to take from A to give to B, to encourage businesses to do C and discourage them from doing D. Indeed, Obama seems incapable of suggesting a single economic policy that does not redistribute wealth from his political opponents to his political allies. The message is clear: He wants Americans to be dependent on the government; consequently, he is hostile to the private sector, because a vibrant private sector enhances economic independence and self-reliance."**[2]

"If Obama and his fellow progressives succeed in applying the Curley strategy on the national level, Americans will no longer be able to move to a new city or state to escape the withering economic impact of Curley-effect policies; their only option would be to leave the country. However, it appears that Obama has anticipated that response. To close the escape hatch from an Obama-Curley America, the president signed the Foreign Account Tax Compliance Act that mandates closer monitoring of Americans' offshore accounts. He apparently approves of policies to impose financial penalties on anyone desiring to give up U.S. citizenship, and periodically calls for "global minimum taxes.""[2]

"The Curley Effect already has inflicted great economic damage on important American cities and states. It now presents an existential threat to our entire country. **That one of our major political parties has based its own success on such a ruthlessly cynical strategy is disgusting, if not diabolical.**"[2] **How we get off this suicidal path is the most urgent challenge facing us today.**



Henry Hazlitt

As the brilliant economist Henry Hazlitt stated in 1946: "Economics is haunted by more fallacies than any other study known to man. The inherent difficulties.... (is) the special pleading of selfish interests. While certain public policies would in the long run benefit everybody, other policies would benefit one group only at the expense of all other groups." There "is the persistent tendency of men to see only the immediate effects of a given policy, and to neglect to inquire what the long-run effects of that policy will be not only on that special group but on all groups. It is the fallacy of overlooking secondary consequences. Sadly....**the bad economists present their errors to the public better than the good economists present their truths.**"[4]

**It is essential that we all recognize how divisive and counter-productive Obama's "Curley Effect" economic policy is.**

Source:

1. [http://www.nber.org/papers/w8942.pdf?new\\_window=1](http://www.nber.org/papers/w8942.pdf?new_window=1)
2. By Mark Hendrickson, writing for Forbes Magazine, Go to: <http://www.forbes.com/sites/markhendrickson/2012/05/31/president-obamas-wealth-destroying-goal-taking-the-curley-effect-nationwide/>
3. [http://www.nber.org/papers/w8942.pdf?new\\_window=1](http://www.nber.org/papers/w8942.pdf?new_window=1) (p 21-23)
4. Economics in One Lesson by Henry Hazlitt - Originally published in 1946 and updated in 1961.
5. An Economist's Protest (1975), p. 6