



Crony Capitalism in the GOP Presidential Race

While Republican voters shift their political inclinations from one presidential candidate to another, as they peruse political records, judge personal character, and appraise other qualities they find meaningful in a potential U.S. President, one distinct issue many voters seem to overlook is the degree of power and influence that crony capitalism has played in some of these candidates' professional lives.



The candidate hauling the most noticeable crony baggage is former House Speaker Newt Gingrich (pictured), who has used his political stature to amass millions of dollars, and whom GOP candidate Michele Bachmann [brands](#) the “poster child for crony capitalism.” In 1978, the year he ran for office, Gingrich [made a total](#) of \$10,000; by the time he became the Speaker, he was earning more than \$600,000; and in the years following his congressional tenure, his net worth had vaulted into the million-dollar range. Indeed, Gingrich became a prosperous man during his tenure in Congress, and as he left office, he learned to leverage his status as former Speaker to rise to the ranks of America's wealthy.

One of the more widely-reported instances of Newt's cronyism stems from a \$1.6-million “consulting” fee from government-backed mortgage company Freddie Mac. Many economists point to Fannie Mae and Freddie Mac as well as the Federal Reserve and its manipulation of interest rates as the leading culprits in spawning the housing crisis.

But while many conservatives and free market proponents warned of Fannie Mae and Freddie Mac's poisonous influence in the housing industry several of whom called for reforming or abolishing the entities altogether Gingrich defended, and at times even lauded, the two government-sponsored enterprises (GSEs). In an [interview](#) on April 24, 2007, he averred, “While we need to improve the regulations of the GSEs, I would be very cautious about fundamentally changing their role or the model itself.” He then went on to tout Fannie and Freddie's “important contribution” to homeownership and the housing finance system.

Moreover, the Center for Health Transformation, a think tank founded by Gingrich, has gladly accepted at least \$37 million over the past eight years from major healthcare insurers and firms which support an individual mandate a key tenet of ObamaCare offering special access to the former Speaker and other



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perks. The *Washington Post* recently [reported](#):

The Center for Health Transformation, which opened in 2003, brought in dues of as much as \$200,000 per year from insurers and other health-care firms, offering some of them “access to Newt Gingrich” and “direct Newt interaction,” according to promotional materials. The biggest funders, including firms such as AstraZeneca, Blue Cross Blue Shield and Novo Nordisk, were also eligible to receive discounts on “products and workshops” from other Gingrich groups.

But Newt is not the only candidate on the GOP stage bearing a crony capitalist temperament, as former Massachusetts Governor Mitt Romney is an adamant proponent of corporate welfare, backing the TARP bailout in 2008 and currently raking in hundreds of thousands of campaign dollars from the same corporations which were bailed out by the federal government two years ago. Through the third quarter of 2011, Romney [collected](#) a whopping \$367,200 in Goldman Sachs employee donations, along with \$170,350 from Morgan Stanley and another \$123,800 from JPMorgan Chase.

Similar to the Obama administrations embarrassing Solyndra investment, Romney has his own taxpayer-funded investment blunder (albeit on a much smaller scale). When he was Governor of Massachusetts, the state granted \$4.5 million in loans to two firms managed by his campaign donors which have since defaulted, leaving taxpayers with a hefty bill. [According](#) to the *Boston Herald*,

The two companies Acusphere and Spherics Inc. stiffed the state on nearly \$2.1 million in loans provided through the states Emerging Technology Fund, a \$25 million investment program created while Romney was governor in 2003 that benefitted 13 local firms.

Acusphere, a biotechnology firm headed by a Romney campaign donor, got \$2 million in 2004 that it was supposed to put toward a \$20 million manufacturing facility in Tewksbury, which never became fully operational.

Spherics Inc., meanwhile, was lured from Rhode Island to Mansfield with much fanfare from the Romney administration, partly through a \$2 million loan in 2005. By 2008, the company laid off all employees and completely shut down. The state received about \$300,000 when the company liquidated its assets, but the firm defaulted on more than \$1.5 million of the state loan...

Texas Governor Rick Perry, another candidate known for his crony capitalist tendencies, has also molded big government to his favor, as his 2007 executive order, [requiring](#) a controversial immunization of young girls, tossed a lucrative kickback to Merck, the manufacturer of the vaccine that Perrys executive order sought after. It just so happened that Perrys former chief of staff, Mike Toomey, was a lobbyist for Merck, and the companys political action committee donated money to Perrys 2006 reelection campaign.

Additionally, there is ample evidence that Governor Perry has capitalized on the corporate welfare system by dishing out taxpayer dollars to corporate cronies. Perry launched the Texas Emerging Technology Fund in 2005 which was established to allure start-up technology companies to the state of Texas. Six years in and the fund has amassed nearly \$200 million of taxpayer money to fund 133 companies, and only Perry and a few others maintain final authority over the disbursement of the funds money.

The New American [reported](#) on the Governors boondoggle back in August:

So pervasive was Perrys influence on the fund that the *Dallas Morning News* reported that nearly \$16 million from the Texas Emerging Technology Fund went to firms in which major contributors



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to Perrys campaign served as either investors or officers, and “\$27 million from the Fund has gone to companies founded or advised by six advisory board members.” This excessive and self-serving entanglement has not escaped the attention of observers in Texas, especially among fiscal conservatives already riled at Perrys fast and loose manner when it comes to spending taxpayer money.

While other GOP candidates chide Gingrichs, Romneys, and Perrys crony capitalist temperaments, no other contender can effectively match Ron Pauls war on corporate welfare, as he has consistently battled against the notion of big government for decades. Further, he is the only candidate currently polling in double digits who opposed TARP and other bailouts the staples of 21st century cronyism.

But also convincing is Pauls campaign ethics, as he avoids special interests like the plague and receives the overwhelming majority of his contributions from small individual donations. His grassroots campaign [raised](#) more than \$8 million in the third quarter, trickling in from 100,000 different contributors. By comparison, Texas Gov. Rick Perry raised more than \$17 million from 22,000 donors almost five times as many contributors in the same three months.

“If you get \$8 million, half as much, and you get it from small individual donors who are fervently engaged in campaigning for you, thats a lot different than getting money that more than likely might have come, for the other candidates, from special interests,” Paul [said](#) during a luncheon at the National Press Club. “All donors are not equal. I will take my small donations, with the enthusiasm of the people who send me the money.”

[According](#) to Brent Budowsky of *The Hill*, “Ron Paul has an opening to be the one true champion of opposing crony capitalism, which could be the next stage in the Ron Paul surge and his frontal assault against Newt Romney.”



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