

John Nichols: Austerity Loses in Massachusetts



GOP: Lose Your Home, Lose Your Vote

A Michigan news site uncovers a GOP plan to deny people caught up in foreclosure proceedings the right to vote in November. Team Obama files suit to stop the practice.

Peter Dreier September 22, 2008 | This article appeared in the October 6, 2008 edition of *The Nation*.

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Senator John McCain was a foot soldier in the deregulation revolution, which triggered the current banking crisis and the wave of foreclosures. In Michigan, his party wants to deny the right to vote to victims of the GOP's misguided economic policies and the sleazy banking practices they encouraged.

About the Author

Peter Dreier

Peter Dreier is E.P. Clapp Distinguished Professor of Politics and chair of the Urban & Environmental Policy...

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Peter Dreier and Donald Cohen

James Carabelli, chairman of the Republican Party of Macomb County outside Detroit, said, "We will have a list of foreclosed homes and will make sure people aren't voting from those addresses," the [Michigan Messenger.com](#) reported September 10. Barack Obama's campaign and the Democratic Party quickly [filed a lawsuit](#) in federal court on behalf of three Michigan residents who lost their houses to foreclosure, to stop the Michigan GOP from carrying out what Democrats called an "ugly" and "horrific" plan. Michigan is a key swing state where a few thousand votes could determine who wins its seventeen Electoral College votes.

McCain, who owns ten houses, has long been a lackey of the banking industry and a strong supporter of the industry's efforts to weaken government safeguards against irresponsible lending. Since 1989, the financial services, insurance and real estate industries have contributed \$23.8 million to McCain's campaigns, according to the Center for Responsive Politics. This sector far outspent any other industry in making donations to the Arizona senator. Topping the list of McCain donors are Merrill Lynch (\$366,035), Citigroup (\$317,751),

Goldman Sachs (\$305,015), Morgan Stanley (\$253,871), JPMorgan Chase (\$207,728), Credit Suisse Group (\$178,825), UBS (\$178,515), Pinnacle West Capital (\$164,050), Bank of America (\$160,625), Lehman Brothers (\$128,550) and Wachovia Corp (\$121,346).

McCain was one of the Keating Five, who were behind the 1980s scandal that epitomized Washington's culture of corruption. He and four other senators tried to intimidate federal bank regulators on behalf of McCain friend Charles Keating, an Arizona real estate developer and owner of Lincoln Savings and Loan, who had raised \$1.3 million for the politicians. McCain, who received \$112,000 from Keating and flew to the banker's home in the Bahamas on company planes, attended several meetings in 1987 with federal bank regulators who were investigating Keating for swindling investors. In addition, McCain's wife, Cindy, and her father, Jim Hensley, invested \$359,100 in a Keating shopping center in April 1986, a year before McCain met with the regulators. McCain's Senate colleagues censured him for his poor judgement.

McCain didn't just help one banker looking for a favor. In the 1980s he favored the deregulation of the Savings and Loan industry, which led to the industry's collapse and a taxpayers' bailout of more than \$500 billion. The industry, like Keating's Lincoln Savings, had

balked at constraints on the S&Ls' ability to compete with conventional banks engaged in commercial lending. They got Congress to change the rules, allowing S&Ls to begin a decade-long orgy of real-estate speculation, mismanagement, and fraud. Banks and S&Ls gobbled each other up and made loans to finance shopping malls, golf courses, office buildings and condo projects that had no logic other than a quick-buck profit. When the dust settled in the late 1980s, about a thousand S&Ls and banks (including Lincoln) had gone under, billions of dollars of commercial loans were rendered useless and the federal government was left to bail out the depositors whose money the speculators had looted.

In 1999, McCain supported the banking industry's top priority, the [Gramm- Leach-Bliley Act](#), which, as consumer groups had predicted, has been a major disaster.

Orchestrated by then-Senator Phil Gramm of Texas, the bill further deregulated the banking and insurance industries and is directly responsible for the current wave of home foreclosures and bank failures. It tore down the last remaining legal barriers to combining commercial banking, investment banking and insurance under one corporate roof. By 2005, the ten largest banks controlled 60 percent of industry assets. Banks, insurance companies, credit-card firms and other money-lenders became part of a giant "financial services" industry. Washington walked away from its responsibility to protect consumers with regulations and enforcement. While federal regulators looked the other way, banks and private mortgage companies indulged in risky loans and speculative investments. They invented new "loan products"--such as subprime loans and adjustable rate mortgages--that put borrowers, and their own banks, at risk. Wall Street packaged these loans to investors without scrutinizing their risk. Deregulation encouraged the industry to create this house of cards. Every aspect of the financial industry was so short-sighted and greedy that they didn't see the train wreck coming around the corner. Now major Wall Street banks are imploding.

Gramm, McCain's top economic advisor and campaign co-chair for most of his presidential campaign, was the chief architect of the deregulation laws. Like McCain, Gramm was a free-market fundamentalist and a puppet of the financial industry. He used his power as chair of the Senate banking committee to do the banking industry's bidding--and he enlisted McCain in that crusade. Gramm is now the vice chairman of UBS, the Swiss investment banking giant. Since leaving the Senate, he has used his political connections to lobby for further bank deregulation.

Gramm was considered to be a leading candidate to be Treasury Secretary in a McCain administration until he was forced to resign from his official campaign position in July for his intemperate remarks that the country had become "a nation of whiners" in a "mental recession."

Nevertheless, McCain has continued to parrot his mentor's economic views, arguing in favor of further deregulation of banks and business in general. "I have a long voting record in support of deregulation," McCain said in 2003. "I am a deregulator.... I believe in deregulation," he told CNN that same year. Earlier this year, as Wall Street was in meltdown and millions of Americans were at risk of losing their homes, McCain told PBS that "we need less government [and] less regulation" and that "I'm always for less regulation." This March, after the collapse of Bear Stearns, McCain continued to favor deregulating Wall Street.

Only in the last week has McCain changed his tune. He's endorsed the Bush plan to bail out Wall Street firms that engaged in risky, irresponsible behavior, instead of supporting government help for millions of troubled homeowners.

Many of those homeowners live in Michigan, where the economy is in free-fall--the direct result of Bush's misguided economic policies that McCain has consistently endorsed. In the last year, Michigan's jobless rate has jumped from 7.2 percent to 8.9 percent--the nation's highest. Michigan had the highest foreclosure rate in the the nation and economists expect it

to get even worse as the state sheds more and more jobs. So far this year, 95,272 Michigan residents have received foreclosure notices--13,605 in August alone, according to RealtyTrac.

So, to rub salt in these wounds, the Michigan GOP hatched a plan to take away the votes of people who've lost their homes. As reported in the *Michigan Messenger*, Republicans intended to use foreclosure lists to challenge voters at the polls. In a conference call with reporters, Mark Brewer, chairman of the Michigan Democratic Party, said that the McCain campaign "wants to add insult to injury by denying those residents their right to vote."

Bob Bauer, general counsel for the Obama campaign, called the GOP plan "a new and especially repellent version of caging." (Caging is a technique used to challenge voters by taking a list of addresses, mailing letters to them marked "do not forward" and then claiming that those voters whose letters were returned no longer live at the addresses at which they are registered and thus are ineligible to vote.)

Said Bauer: "It is an absolute attack on their right to vote," and a "completely false and completely illegal basis" to challenge votes. He explained that getting a foreclosure notice is not evidence that the person's address has changed. In Michigan, homeowners have the opportunity to redeem the foreclosure even after a sheriff's sale has occurred, permitting them to remain in the house for several months after a foreclosure notice has been sent. In addition, Michigan law allows people vote at their old precinct if they lost their home within sixty days of the election.

Bauer told the *Wall Street Journal* that the Michigan suit against the Republicans was meant to send a message to Democrats around the country to be on guard against voter-suppression tactics. "This can't be just an isolated event," he said. Republicans use these tactics "where they expect the vote to go to the other side. They're not caging in Beverly Hills. By filing the suit, we are assuring people they can be allowed to vote."

Carol Guzman, director of ACORN's Financial Justice Center, said foreclosure lists would be unreliable indicators of who had been forced to leave their homes. Because state law allows a redemption period of up to a year after a foreclosed home has been sold, "you could still legitimately and legally be in your home and be challenged," she told the *Lansing State Journal*. But she believed that the GOP was trying to intimidate voters facing foreclosure from going to the polls in the first place. "I think they're hoping that there will be people who will just stay away," Guzman said.

David Lagstein, head organizer for Michigan ACORN, which has registered 200,000 new voters this election cycle, said, "You would think they would think, 'This is going to look too heartless.' " ACORN runs a foreclosure counseling program and has battled the Republican-led State Senate, which has opposed several anti-predatory lending and anti-foreclosure bills. "The Republicans won't protect homeowners from predatory lending but they try to prey on those who have fallen victim to foreclosure to suppress the vote," said Lagstein.

Michigan Republican leaders insisted that they never had such a plan. Carabelli claimed that he was misquoted by the *Michigan Messenger*. Reporter Eartha Jane Melzer stood by her story. So did Jefferson Morley, editorial director for MichiganMessenger.com's parent organization, the Center for Independent Media. "The reporting is 100 percent accurate and there is no validity to the claim that statements attributed to Mr. Carabelli were fabricated," Morley said in a statement.

McCain's headquarters is located in a building owned by Trott & Trott, a law firm that specializes in foreclosures. ACORN's Lagstein called them "notorious and aggressive foreclosure lawyers" who are "hated by anyone who has faced foreclosure." On September 12, about twenty-five members of ACORN and Jobs for Justice protested outside McCain's Farmington Hills headquarters to demand that McCain fire Carabelli, the Macomb County

GOP chairman. (See a video of the protest [here](#).)

In their lawsuit, the Democrats accuse the Republicans of a "long history" of voter-suppression practices. Obama counsel Bauer said that "this is a standard operating procedure in the Republican Party." Michigan Democrats chair Brewer told the *Detroit News*, "Every two years for the last 20 years we've seen a Republican Party program to intimidate, harass and suppress voters." These charges are documented in a [Project Vote report](#) showing longstanding GOP efforts to intimidate voters, especially African-Americans, in many states, including Michigan.

Last week, thirteen senators petitioned Attorney General Michael Mukasey, asking the Justice Department to guarantee that voters are not harassed or intimidated at their polling places. "Foreclosures are devastating enough for affected families and neighborhoods without adding the outrage of disenfranchisement," wrote Michigan Democrats Carl Levin and Debbie Stabenow along with Senators Barack Obama (D- IL), Charles Schumer (D-NY), Patrick Leahy (D-VT), Edward Kennedy (D- MA), Joseph Biden (D-DE), Herb Kohl (D-WI), Dianne Feinstein (D-CA), Russell Feingold (D-WI), Richard Durbin (D-IL), Benjamin Cardin (D-MD), Sheldon Whitehouse (D-RI), and Sherrod Brown (D-OH).

Rep. John Conyers of Michigan, chairman of the House Judiciary Committee, called on McCain to "step forward now and halt the Republican Party's efforts to profit politically from the economic misery of others."

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