



Dr. Fred Schwarz

The Schwarz Report



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The Saul Alinsky Playbook

by John Fund

Forty years after his death, Saul Alinsky—the father of the community-organizing model that inspired both Barack Obama and Hillary Clinton—is more politically relevant than ever.

Leading conservatives attempt to tie the Obama administration to Alinsky's radicalism, with Newt Gingrich declaring that Obama draws his "understanding of America" from "Saul Alinsky, radical left-wingers, and people who don't like the classical America." For their part, liberals have scrambled to minimize Obama's affinity for Alinsky and to sand over Alinsky's sharp edges. A blogger at Britain's *Guardian* newspaper claims that Alinsky was merely "what passes for a left-wing radical in American politics, agitating for better living conditions for the poor." (Liberals have also largely ignored the fact that the subtitle of Hillary Clinton's honors thesis at Wellesley was "An Analysis of the Alinsky Model.")

Somewhere between Gingrich's exaggerations and the Left's whitewash of Alinsky is an explanation of why so many followers of Barack Obama—along with the president himself—draw inspiration from a long-dead radical.

Born in 1909, Alinsky was a left-wing activist with a streak of ruthless political realism. After studying Criminology at the University of Chicago, he went into union organizing, and found it too tame. His "approach to social justice," in the words of the *Washington Post*, would come to rely instead on "generating conflict to mobilize the dispossessed." His first big conflict came in 1939, when he helped lead workers in cleaning up the Back of the Yards, the festering slum area of the Chicago meatpacking district. That led to a major grant from department-store heir Marshall Field III, whose generosity enabled Alinsky to found the Industrial Areas Foundation, the nonprofit at which he invented "community organizing."

This new approach was distinctive. He deployed pickets to the homes of slumlords and used megaphones to hurl insults at them; he dumped trash on the front step of a local alderman to demand better garbage collection; he flooded stockholder meetings with raucous protesters, a tactic Occupy Wall Street is emulating; and he tied up bank lines with people who exchanged loads of pennies for \$100 bills and vice versa.

He boasted that knowledge of his tactics often led to preemptive surrender by local officials or businesses. He was able to abandon plans to flood a department store with protesters who would order merchandise to be delivered that they had no intention of paying for; he also never had protesters occupy every bathroom stall for hours at Chicago's O'Hare Airport. In both cases, the mere threat of such action won important concessions from his targets.

Alinsky himself disdained the chaotic tactics of 1960s student radicals. He eschewed violence in favor of planting radical seeds. While students were rioting at the 1968 Democratic convention, former left-wing radical David Horowitz recalls, "Alinsky's organizers were insinuating themselves into [Lyndon] Johnson's War on Poverty program and directing federal funds into their own organizations and causes."

His most enduring influence may have been to inspire the National Education Association to become a political powerhouse. Sam Lambert, the executive secretary of the NEA in 1967, when it hired Alinsky as a political trainer, boasted that it would "become a political power second to no other special interest." The NEA delivered on that promise. Between 1963 and 1993, the number of teachers belonging to unions grew to 3.1 million, up from only 963,720.

Alinsky didn't live to see that, or a number of other fruits of his labors. But just before his death in 1972, he synthesized the lessons he had learned into a book called *Rules for Radicals*, in which he urged radicals to make common cause with anyone to further their ends. The book was even dedicated, presumably tongue in cheek, to Lucifer, "the very first radical," who "rebelled against the establishment and did it so effectively that he at least won his own kingdom."

Alinsky argued for moral relativism in fighting the establishment: "In war the end justifies almost any means. . . . The

practical revolutionary will understand [that] in action, one does not always enjoy the luxury of a decision that is consistent both with one's individual conscience and the good of mankind."

Where did Alinsky get this amorality? Clues can be found in a *Playboy* magazine interview he gave in 1972, just before his death. In the closest thing to a memoir Alinsky left, he told how he decided to do his (never-completed) doctoral dissertation in the 1930s on the Al Capone mob, and to do it as "an inside job." He caught the eye of Big Ed Stash, the mob's top executioner, and convinced him he could be trusted as a sort of mob mascot who would interpret its methods to the outside world. "He introduced me to Frank Nitti, known as the Enforcer, Capone's number-two man," Alinsky told *Playboy*. "Nitti took me under his wing. I called him the Professor and I became his student. Nitti's boys took me everywhere."

Alinsky recalled that he "learned a hell of a lot about the uses and abuses of power from the mob," and that he applied that knowledge "later on, when I was organizing." The *Playboy* interviewer asked, "Didn't you have any compunction about consorting with—if not actually assisting—murderers?" Alinsky replied: "None at all, since there was nothing I could do to stop them from murdering. . . . I was a nonparticipating observer in their professional activities, although I joined their social life of food, drink, and women. Boy, I sure participated in that side of things—it was heaven."

Unlike the mob members he hung out with, Alinsky never coveted great wealth. "He was essentially a thrill-seeker who admitted he was easily bored and always had to stir things up," says Lee Stranahan, who was a blogger for the Huffington Post until last year, when his research into Alinsky-inspired groups soured him on the Left. "His followers are even more ideological and relentless than he was."

Alinsky's tactics of intimidation are a case in point. His most oft-quoted rule is "Pick the target, freeze it, personalize it, and polarize it. . . . One acts decisively only in the conviction that all the angels are on one side and all the devils on the other."

Obama's White House has honed that tactic to perfection. In 2009, then-communications director Anita Dunn sneered that Fox News "really is not a news network at this point." President Obama himself has, in the spirit of Alinsky, gone out of his way to lambaste "fat-cat bankers" and greedy health insurers.

"[The administration has] shown they'll go after anybody or any organization that they think is standing in their way," Senate minority leader Mitch McConnell said in a

February speech. "You know the drill. Expose these folks to public view, release the liberal thugs on them, and then hope the public pressure or the unwanted attention scares them from supporting similar causes down the road."

What exactly are the connections between Obama and Saul Alinsky's thought? In 1985, the 24-year-old Obama answered a want ad from the Calumet Community Religious Conference, run by Alinsky's Chicago disciples. Obama was profoundly influenced by his years as a community organizer in Chicago, even if he ultimately rejected Alinsky's disdain for electoral politics and, like Hillary Clinton, chose to work within the system. "Obama embraced many of Alinsky's tactics and recently said his years as an organizer gave him the best education of his life," wrote Peter Slevin of the *Washington Post* in 2007. That same year, *The New Republic's* Ryan Lizza found Obama still "at home talking Alinskian jargon about 'agitation'" and fondly recalling organizing workshops where he had learned Alinsky concepts such as "being predisposed to other people's power."

In 1992, after Obama returned to Chicago from Harvard Law School, he ran a voter-registration drive for Project Vote, an ACORN affiliate set up by Alinsky acolytes. The purportedly non-partisan effort registered 135,000 new voters and was integral to the election of Carol Moseley Braun to the Senate. Obama then moonlighted as a top trainer for ACORN.

Obama even became ACORN's attorney in 1995, when he sued on its behalf to implement the "Motor Voter" law—a loose system of postcard voter registration that has proven to be a bonanza for vote fraudsters—in Illinois. Later, while on the board of the liberal Woods Fund, Obama saw to it that the group gave substantial grants to ACORN.

His 2008 presidential campaign quietly hired ACORN affiliates to handle get-out-the-vote efforts in Ohio and Pennsylvania, improperly concealing their activities in Federal Election Commission reports as being for "staging and lighting." Obviously, Team Obama was eager to distance itself from ACORN's reckless record in voter-registration-fraud scandals. Indeed, since then ACORN has gone into bankruptcy following the surfacing of undercover videos showing its employees offering advice on setting up a warehouse for underage illegal aliens.

Obama's 2008 campaign showcased many Alinsky methods. "Obama learned his lesson well," David Alinsky, the son of Saul Alinsky, wrote in the *Boston Globe* in 2008. "The Democratic National Convention had all the elements of the perfectly organized event, Saul Alinsky style. Barack Obama's training in Chicago by the great

community organizers is showing its effectiveness. It is an amazingly powerful format, and the method of my late father always works to get the message out and get the supporters on board.”

In her new book on Obama, *New York Times* reporter Jodi Kantor lifted a bit of the curtain on his past. She told the Texas Book Festival: “The Obamas often don’t mingle freely—they often just stand behind the rope and reach out to shake hands—but he sees Jerry Kellman, his old community-organizing boss, and he is so happy to see him he reaches across and pulls him in. And Obama says, ‘I’m still organizing.’ It was a stunning moment and when [Kellman] told me the story, it had echoes of what Valerie Jarrett had told me once: ‘The senator still thinks of himself as a community organizer.’ . . . I think that plays into what will happen in the 2012 race.”

You can expect that the Obama 2012 campaign and allied groups will be filled with people deeply steeped in *Rules for Radicals*. That is good reason for conservatives to spend time studying Saul Alinsky. It also explains why liberals are so anxious to sugarcoat Alinsky and soft-pedal his influence on Team Obama.

—*National Review*, March 19, 2012, pp. 18ff

Occupy Wall Street: Agents of Change

by John Hayward

The city of Oakland, California finally had its fill of the Occupy Wall Street rabble last night, and decided to clean out their camp sites. The mayor, Jean Quan, released a statement Tuesday morning that was almost painfully deferential to the people she finally got around to booting off public land:

Many Oaklanders support the goals of the national Occupy Wall Street movement. We maintained daily communication with the protesters in Oakland.

However, over the last week it was apparent that neither the demonstrators nor the City could maintain safe or sanitary conditions, or control the ongoing vandalism. Frank Ogawa Plaza will continue to be open as a free speech area from 6 am to 10 pm.

We want to thank the police, fire, public works, and other employees who worked

over the last week to peacefully close the encampment. We also thank the majority of the protesters who peacefully complied with city officials.

There was a lot more than “vandalism” going on at these camps, as the Associated Press reports:

City officials had originally been supportive of protesters, with Oakland Mayor Jean Quan saying that sometimes “democracy is messy.”

But the city later warned the protesters that they were breaking the law and couldn’t stay in the encampment overnight. They cited concerns about rats, fire hazards, public urination, and acts of violence at the site, which had grown to more than 150 tents and included areas for health care, child care, and cooking.

[...] There were reports of a sex assault and a severe beating and fire and paramedics were denied access to the camp, according to city officials, who said they had also received numerous complaints of intimidating and threatening behavior. (Emphases mine.)

Quan was premature in offering those thanks for “peaceful compliance,” because the occupiers decided to show police what “occupy” means. . . and it has nothing to do with returning public spaces to people who disagree with their political demands. The Associated Press describes the scene:

Under cover of darkness early Tuesday, hundreds of police swept into Oakland’s Occupy Wall Street protest, firing tear gas and beanbag rounds before clearing out an encampment of demonstrators.

In less than an hour, the two-week-old, miniature makeshift city was in ruins.

Scattered across the area were overturned tents, pillows, sleeping bags, yoga mats, tarps, backpacks, food wrappers, and water bottles. Signs decrying corporations and police still hung from lampposts or lay on the ground.

Protesters had stayed awake through the night, waiting for the expected raid. Officers and sheriff’s deputies from across the San Francisco Bay area surrounded the plaza in front of City Hall at around 5 am and closed in. Eighty-five people were arrested, mostly on suspicion of misdemeanor unlawful assembly and illegal camping, police said.

That’s a rather sanitized account of what happened.

For a more thorough narrative of the evening's festivities, we turn to "Zombie," blogging at Pajamas Media, who provides a copiously annotated and illustrated look at the wee hours of an exciting Tuesday night in Oakland:

What we know so far: After the Occupy Oakland encampment was torn down early Tuesday morning by police, the ousted protesters reconvened outside the Oakland Library on Tuesday afternoon and voted to attempt a re-occupation of the same plaza from which they had just been evicted. Summoned by waves of emergency tweets and emails, fresh recruits joined the evicted Occupiers and early this evening once again marched on downtown Oakland, intending to reclaim Frank Ogawa Plaza.

But the Oakland Police were, of course, monitoring all this, and along with many other local police departments they were waiting for the protesters' invasion. After an hours-long standoff at 14th and Broadway, interrupted by several confrontations and arrests, everything started to turn violent some time after 9:30 pm.

The Occupy Oakland thugs were met with tear gas, rubber bullets, beanbag guns, and (maybe) flash-bang grenades, as you can see from one of the many video clips Zombie highlights: The rioters chanted "Whose streets? Our streets!" as they marched, although police and the law-abiding citizens of Oakland begged to differ. According to the *Oakland Tribune*, they fought back against police by throwing rocks, bottles, and fireworks at police, having issued an earlier call via Twitter for demonstrators to "bring bottles." Authorities say the fireworks thrown by protesters were responsible for the flashes some observers believe were caused by police flash-bang grenades.

Charmingly, the Occupy crowd had "formally" renamed the plaza where they were camping after Oscar Grant, an unarmed man killed by police in 2009. That doesn't sound like the sort of thing a group of peace-loving citizens would do while fostering an attitude of cooperation with lawful authorities, although it is consistent with the historic behavior of occupying forces.

In the end, somewhere between 75 and 85 people were arrested, according to various press reports. I haven't seen a single mainstream media account that accurately described the scene. They generally note the number of arrests, and perhaps mention that tear gas and beanbag guns were used, but give the impression that it was something less than the full-blown violent street riot Zombie described and documented. Very few national media accounts mention that the Occupy Oakland mob launched a counter-attack and tried to take their camp back from police. For example, here's the CBS News report:

Oakland police say they arrested 75 people while clearing an anti-Wall Street protest in front of City Hall that had grown into an encampment with dozens of tents.

Most of the people arrested were taken into custody on suspicion of misdemeanor illegal lodging, as police raided the encampment around 5 am Tuesday.

Interim Oakland Police Chief Howard Jordan said at a news conference later in the morning that hundreds of officers and sheriff's deputies from more than 12 agencies moved in on about 170 protesters.

He said police fired beanbag rounds and tear gas, but no one was injured. Television news footage showed protesters being taken away in plastic cuffs without incident, although an officer did fire a non-lethal projectile from a shotgun at a protester who lobbed a bottle, authorities told the *San Francisco Chronicle*.

Ten paragraphs down, CBS mentions that "witnesses reported seeing smoke rising from the area," after citing a newspaper report that "several hundred people appeared ready to defend the camp about an hour before police moved in."

CNN does a little better, but still leaves out an awful lot of details:

Authorities made a series of arrests at Occupy Wall Street protests in California and Georgia on Tuesday with clashes in one city that involved tear gas being used on demonstrators.

Founded in 1953, the Christian Anti-Communism Crusade, under the leadership of Dr. Fred C. Schwarz (1913-2009) has been publishing a monthly newsletter since 1960. The Schwarz Report is edited by Dr. David A. Noebel and Dr. Michael Bauman and is offered free of charge to anyone asking for it. The Crusade's address is P.O. Box 129, Manitou Springs, CO 80829. Our telephone number is (719) 685-9043. All correspondence and tax-deductible gifts (CACC is a 501C3 tax-exempt organization) may be sent to this address. Permission to reproduce materials from this Report is granted provided that the article and author are given along with our name and address.

Police said they fired the tear gas on protesters in Oakland, California, after the crowd threw paint and other objects at officers.

The crowd of about 500 people defied calls to leave an area of downtown Oakland on Tuesday, according to police. Protesters had camped for weeks in several areas in the city, including near City Hall, police said.

Sixteen paragraphs down, after spending much more time noting the police dispersal of Occupy Atlanta (which was also fairly eventful, as it resulted in 53 arrests), CNN blandly notes that “video from the Oakland clashes showed a chaotic scene, with protesters running from clouds of tear gas.”

MSNBC actually makes their story more about the Occupy Atlanta dispersal. Eventually they get around to mentioning Oakland, which they describe as follows:

But while the arrests in Atlanta appeared to be peaceful, in Oakland, Calif., police shot multiple rounds of tear gas in response to rock throwing from some of the demonstrators who had gathered there, authorities said.

The latest skirmish came around 11:15 PDT in front of City Hall, where a haze of chemical smoke still hung in the air. Earlier in the evening, the crowd numbered around 1,000, according to SFGate.com.

Later in the report, MSNBC does mention the attempt to retake the park, and the violent resistance to police, which they describe as “several small skirmishes” that just sort of happened here and there:

The scene has repeated itself several times since. But each time officers move to disperse the crowd, protesters quickly gather again in assemblies that authorities have declared illegal. Tensions rise as protesters edge closer to police line and climax when someone throws a bottle or rock and authorities response with volleys of gas.

I’ve rarely seen the media fight so hard to avoid simply and accurately reporting a massive event that has been copiously documented on video. Liberal reporters love to compare the Occupy movement to the Tea Party. If the Tea Party had ever launched a violent riot in a city, you would still be hearing about it. You most certainly would not have spent the next morning reading sanitized accounts which struggled to call it anything but a riot.

—*Human Events.com*, December 30, 2011

Cuba’s Stalinism

by Humberto Fontova

Last week the regime co-founded by Che Guevara (worldwide icon of youthful rebellion) murdered a young defenseless political prisoner named Wilman Villar for the crime of “disrespect to authorities.”

So 53 years into Cuban Stalinism we’re at about 100,000 Cuban deaths at the hands of the regime and counting. (All of this 90 miles from US shores, while Havana swarms with mainstream media press bureaus and Hollywood producers.)

“The Cuban regime is a callous band of murderers that once again has blood on its hands,” said Senator Marco Rubio in a bi-partisan Senate Resolution passed on January 26 in Villar’s honor. “Once again, we are reminded of the unintended but negative consequences of this administration’s loosened travel and remittance policies [to Cuba]. They help deliver more hard currency to the Castro regime, making it easier for them to brutalize and even murder the Cuban people.”

Last November 30-year-old Wilman Villar was peacefully protesting Cuban Stalinism near his home in Eastern Cuba in a sort of “Occupy Santiago de Cuba.” But this protest was more peaceful, less messy, and completely devoid of Che Guevara iconography. You’ll notice that this last peculiarity is a historic trademark of people cursed by fate to have actually experienced the handiwork of Che Guevara.

Within minutes of the protest’s commencement the KGB- and STASI-trained police that props up the regime co-founded by Che Guevara swarmed in with billy-clubs and arrested all protestors. None of this newsworthy drama was captured by the mainstream media folks. And I repeat: Cuba teems with mainstream press bureaus that report every bruise or hangnail among the prisoners in Guantanamo.

In a *New York Times* article on the 30th anniversary of Che’s death, Christopher Hitchens rationalized his (not-so) youthful romance with the Stalinist war-monger and mass-murderer (who became an icon of anti-war and anti-death-penalty groups) by claiming that, “Che was no hypocrite.” In fact, Che’s monumental hypocrisy—from stealing Cuba’s most luxurious mansion, to whimpering to the *New York Times* in 1959 that he felt “pained” to be wrongly branded a “Communist”—has been amply documented. But in this case, at least, the late Hitchens has a point:

“Youth must refrain from ungrateful questioning of

governmental mandates!” raved Che Guevara in a famous speech in 1961. “The very spirit of rebellion is reprehensible!” commanded this icon of flower children. “Instead the young must dedicate themselves to study, work, and military service.”

Youth, wrote Guevara, “should learn to think and act as a mass.” Those who “chose their own path” (as in growing long hair and listening to Yankee-imperialist rock & roll) were denounced as worthless “delinquents,” and herded into forced labor camps at Soviet bayonet-point. In a famous speech Che Guevara even vowed, “to make individualism disappear from Cuba! It is criminal to think of individuals!” he raved.

In keeping with this fine tradition, after beating and arresting Wilman Villar, his Castroite jailers demanded he wear the uniform of a common criminal (a traditional Stalinist practice as elaborated by Alexander Solzhenitsyn in his *Gulag Archipelago*).

Villar refused (a traditional response by many Cuban political prisoners as elaborated by Armando Valladares in his prison memoirs *Against all Hope*.) “I refused to commit spiritual suicide,” explained Valladares’ prison-mate Eusebio Penalver, a black Cuban who suffered longer in Castro’s prisons and torture chambers than Nelson Mandela suffered in Apartheid South Africa’s Robben Island. Granted, you’d never know this from the media, or Hollywood—much less the Congressional Black Caucus.

“For months I was naked in a 6 x 4 foot cell,” recalled Penalver. “That’s 4 feet high, so you couldn’t stand. But they never succeeded in branding me as common criminal, so I felt a great freedom inside myself. I refused to commit spiritual suicide.”

“They would leave him naked and handcuffed,” reports Wilman Villar’s widow in a recent samizdat from Cuba. “They beat him. They wrapped his body in chains so he could not take them off [and] they told me that they were not going to give him any medical attention, that if he died, his would be just another death.”

Villar died a week later of “multiple organ failure due to general sepsis,” as explained by the Stalinist regime, and dutifully disseminated by all mainstream media outlets graciously granted by Havana press bureaus.

“Stalin tortured,” wrote Arthur Koestler, “not to force you to reveal a fact, but to force you to collude in a fiction.”

“The worst part of Communism,” wrote Solzhenitsyn, “is being forced to live a lie.”

At the risk of torture and death, Wilman Villar and his fellow Cuban prisoner-heroes refused to collude in this lie, so they enraged the torturers commanded by Jimmy Carter’s “old friend” and Jesse Jackson’s good buddy.

Through it all, they refused to wear the uniform of common criminals, standing tall, proud, and defiant.

Many of the longest suffering political prisoners in modern history live as exiles in the US today. Men (and women, many of them black) who suffered in Castro and Che’s gulag two and three times as long as Alexander Solzhenitsyn and Natan Sharansky suffered in Stalin’s, live within a short cab ride of most mainstream media studios, including CBS, NBC, ABC, and PBS.

As I recall, Nelson Mandela sure didn’t lack for US media coverage. You’d think victims of Castroite torture might make ideal fodder for interviews on 60 Minutes, History Channel, A&E, Nightline, chat shows, etc.

Alas, these heroes were victims of the Left’s premier pin-up boys.

“Castro’s apologists,” said Eusebio Penalver shortly before his death during an interview with this writer, “those who excuse, downplay, or hide his crimes—these people, be they ignorant, stupid, mendacious, whatever—they are accomplices in the bloody tyrant’s crimes, accomplices in the most repressive and murderous regime in the hemisphere.”

—*FrontPageMagazine*, February 2, 2012

Communist China’s Cyber Warfare

by Mike McConnell, Michael Chertoff, and William Lynn

Only three months ago, we would have violated US secrecy laws by sharing what we write here—even though, as a former Director of National Intelligence, Secretary of Homeland Security, and Deputy Secretary of Defense, we have long known it to be true. The Chinese government has a national policy of economic espionage in cyberspace. In fact, the Chinese are the world’s most active and persistent practitioners of cyber espionage today.

Evidence of China’s economically devastating theft of proprietary technologies and other intellectual property from US companies is growing. Only in October 2011 were details declassified in a report to Congress by the Office of the National Counterintelligence Executive. Each of us has been speaking publicly for years about the ability of cyber terrorists to cripple our critical infrastructure, including financial networks and the power grid. Now this report finally reveals what we couldn’t say before: The threat of economic cyber espionage looms even more ominously.

The report is a summation of the catastrophic impact cyber espionage could have on the US economy and global competitiveness over the next decade. Evidence indicates that China intends to help build its economy by intellectual-property theft rather than by innovation and investment in research and development (two strong suits of the US economy). The nature of the Chinese economy offers a powerful motive to do so.

According to 2009 estimates by the United Nations, China has a population of 1.3 billion, with 468 million (about 36% of the population) living on less than \$2 a day. While Chinese poverty has declined dramatically in the last 30 years, income inequality has increased, with much greater benefits going to the relatively small portion of educated people in urban areas, where about 25% of the population lives.

The bottom line is this: China has a massive, inexpensive work force ravenous for economic growth. It is much more efficient for the Chinese to steal innovations and intellectual property—the source code of advanced economies—than to incur the cost and times of creating their own. They turn those stolen ideas directly into production, creating products faster and cheaper than the US and others.

Cyberspace is an ideal medium for stealing intellectual capital. Hackers can easily penetrate systems that transfer large amounts of data, while corporations and governments have a very hard time identifying specific perpetrators.

Unfortunately, it is also difficult to estimate the economic cost of these thefts to the US economy. The report to Congress calls the cost “large” and notes that this includes corporate revenues, jobs, innovation and impacts to national security. Although a rigorous assessment has not been done, we think it is safe to say that “large” easily means billions of dollars and millions of jobs.

So how do we protect ourselves from this economic threat? First, we must acknowledge its severity and understand that its impacts are more longterm than immediate. Then we need to respond with all of the diplomatic, trace, economic and technological tools at our disposal.

The report to Congress notes that the US intelligence community has improved its collaboration to better address cyber espionage in the military and national-security area. Yet today’s legislative framework severely restricts us from fully addressing domestic economic espionage. The intelligence community must gain a stronger role in collecting and analyzing this economic data and making it available to appropriate government and commercial

entities.

Congress and the administration must also create the means to actively force more information—sharing. While organizations (both in government and in the private sector) claim to share information, the opposite is usually the case, and this must be actively fixed.

The US also must make broader investments in education to produce many more workers with science, technology, engineering, and math skills. Our country reacted to the Soviet Union’s 1957 launch of Sputnik with investments in math and science education that launched the age of digital communications. Now is the time for a similar approach to build the skills our nation will need to compete in a global economy vastly different from 50 years ago.

Corporate America must do its part too. If we are to ever understand the extent of cyber espionage, companies must be more open and aggressive about identifying, acknowledging and reporting incidents of cyber theft. Congress is considering legislation to require this, and the idea deserves support. Companies must also invest more in enhancing their employee’s cyber skills; it is shocking how many cyber-security breaches result from simple human error such as coding mistakes or lost discs and laptops.

In this election year, our economy will take center stage, as will China and its role in issues such as monetary policy. If we are to protect ourselves against irreversible long-term damage, the economic issues behind cyber espionage must share some of that spotlight.

—*The Wall Street Journal*, January 22, 2012, p. A15

Communist China’s Trade Strategy

by Brent M. Decker and William C. Triplett II

Mutual dependency can guarantee a certain amount of pragmatic behavior by both sides, but there should be no romantic illusions about how the Chinese communists feel about America. “We hate you guys,” China Banking Regulatory Commission Director General Luo Ping fumed about the PRC being forced into buying US Treasuries to protect Beijing’s massive US debt holdings. “Once you start issuing \$1 trillion-\$2 trillion. . . we know the dollar is going to depreciate, so we hate you guys, but there is nothing much we can do.”

He says there is nothing they can do because Beijing needs Americans to keep buying their consumer goods. Approximately 20 percent of imports into America come from the PRC, and that percentage is on the rise. China's huge pool of cheap labor means the country can produce more stuff at lower cost than anyone else. As if the peasant advantage weren't enough for its production facilities, Beijing has pursued monetary policies to keep the yuan artificially low to guarantee that its products can undercut any competitors' prices even more.

This is a mixed blessing, or mixed curse, depending on one's point of view. With a flood of inexpensive products coming from China, American homemakers can spend less on most household goods, which leaves more income to save, invest, spend on luxury goods, or dedicate to children's education. On the downside, artificially low prices for Chinese goods create an unlevel playing field on which US companies can't compete, a situation that unquestionably led to millions of US jobs being sent overseas and the resultant collapse of America's domestic manufacturing base.

There is an uneasy alliance of some political factions on the left and right on this issue. Even devout free-traders agree that a working system of free trade depends on a regime of rules that prohibits uncompetitive national practices that prop up or unduly support domestic industries. A May 2011 editorial in the *New York Times* offers a critique of Beijing practices with which almost anyone on the ideological spectrum can agree. "The list of complaints is long: 80 percent of the computer software in China is counterfeit. Beijing just published a new investment catalog that keeps a long list of industries off limits for American firms," the old Gray Lady protested. "It changed the investment vetting process to allow Chinese companies to recommend barring acquisitions by foreign rivals. It has done nothing to reduce the enormous subsidies in the form of cheap credit to favored state-owned firms."

The catalog of Beijing's sins goes on and on, but the point is that the People's Republic can essentially do what it wants and it gets away with it. As Thea M. Lee, policy director for the AFL-CIO, testified before the Commission on US-China Economic and Security Review, "Enforcement of wages, hours and health and safety rules is lax or nonexistent in many areas of the country, and forced and child labor are prevalent in some sectors." It's no surprise many US labor unions have staked out a tough stance on the PRC, and some of it for good reason. Along with child labor, Beijing has a penchant for openly pursuing unfair trade practices and violating international trade rules. One of the most common practices is direct government

financial subsidies for PRC industries so they can sell goods below the price of production, thereby stealing market share.

The other major way Beijing cheats to get its companies ahead is by forcing state-owned banks to provide low-interest loans to businesses and making these financial institutions absorb losses by exporters. Chinese businesses have a significant and unfair competitive advantage by not having to pay market-priced interest rates on borrowed money and not having to cover losses on their books. As Republican Rep. Duncan Hunter put it succinctly, "China is cheating on trade."

At the center of the PRC's trade strategy are machinations to keep their currency undervalued, which makes the price of their exports cheaper in relation to products from nations with stronger currencies. Washington's sale of so much US debt to Beijing unwittingly strengthens this communist ploy. "Because of their undervalued currency (and large trade surplus), abundant US dollars are officially overpriced in China," Jonathan Rothwell, a research analyst at the Brookings Institution, explains. "Chinese banks take deposits from exporters in dollars, convert them to yuan, lend them out, and get artificially high returns by virtue of the enhanced buying power of yuan."

In effect, the Chinese get more bang for the buck than Americans do by using the relatively high value of the dollar in their own markets, where prices are low because of the artificially depressed value of their own currency. To keep the value of the yuan low, China has bought more than \$3 trillion in foreign currency reserves.

America's addiction to cheap Chinese consumer products, as well as our reliance on a constant flow of Chinese loans to buy the junk, stem from economic indiscipline and weak political leadership in Washington. While both political parties have had a poor recent track record on spending, it appears that Republicans now understand the imperative to mend our ways while Democrats are bitterly resisting change in a more responsible direction.

—*The Washington Times*, November 21, 2011, p. 32

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