David Sirota

The Democrats' class war

For all the hype about generational and gender wars in the 2008 Democratic presidential primary, we have a class war on our hands. And incredibly, corporate America's preferred candidate is winning the poorer "us" versus the wealthier "them" — a potentially decisive trend with the contest now moving to working-class bastions like Ohio and Pennsylvania.

In most states, polls show Hillary Clinton is beating Barack Obama among voters making $50,000 a year or less — many of whom say the economy is their top concern. Yes, the New York senator who appeared on the cover of Fortune magazine as Big Business's candidate is winning economically insecure, lower-income communities over the Illinois senator who grew up as an organizer helping those communities combat unemployment. This absurd phenomenon is a product of both message and bias.

Obama has let Clinton characterize the 1990s as a nirvana, rather than a time that sowed the seeds of our current troubles. He barely criticizes the Clinton administration for championing job-killing trade agreements. He does not question that same administration's role in deregulating the financial industry and thereby intensifying today's boom-bust catastrophes. And he rarely points out what McClatchy Newspapers reported this week: that Clinton spent most of her career at a law firm "where she represented big companies and served on corporate boards," including Wal-Mart's.

Obama hasn't touched any of this for two reasons.

First, his campaign relies on corporate donations. Though Obama certainly is less industry-owned than Clinton, the Washington Post noted last spring that he was the top recipient of Wall Street contributions. That cash is hush money, contingent on candidates silencing their populist rhetoric.

But while this pressure to keep quiet affects all politicians, it is especially intense against black leaders.

"If Obama started talking like John Edwards and tapped into working-class, blue-collar proletarian rage, suddenly all of those white voters who are viewing him within the lens of transcendence would start seeing him differently," says Charles Ellison of the University of Denver's Center for African American Policy.

That's because once Obama parroted Edwards' attacks on greed and inequality, he would "be stigmatized as a candidate mobilizing race," says Manning Marable,

OPEN FORUM

Who will pay the mortgage when the homeowner walks? You

By Sean Olender

California's housing market may be entering a scarier phase: the point at which homeowners walk because the house isn't appreciating, not because they can't afford it. Banks are worried.

A Federal Reserve survey in January 2008 found that loan officers "are concerned with borrowers' reduced motivation to retain possession of their properties."

And Calculated Risk, a blog, posted a quote from Wachovia Bank's January 2008 conference call: "One of the challenges is. . . a lot of these current losses have been coming out of California. . . from people that have otherwise had the capacity to pay, but have basically just decided not to because they feel like they've lost equity, value in their properties, and . . . we're just going to have to see how the patterns unfold here."

Bank of America CEO Kenneth Lewis said, "There's been a change in social attitudes toward default . . . We're seeing people who are current on their credit cards but are defaulting on their mortgages . . . I'm astonished that people would walk away from their homes."

If income indicates ability to pay, down payment is an incentive to pay — skin in the game.

In California, lenders are generally barred from getting money from a defaulting borrower. The lender gets the house and that's it, even if the borrower has $1 million in the bank. Only judicial foreclosure allows the lender to get the borrower's other assets, but it's slow, expensive and encourages a defense of loan origination fraud. Buying a house with little down is like having your cake and eating it, too. If the house appreciates, you keep the riches; if it doesn't, you walk and lose only what you put down, often nothing. It's wrong to insure such losses with taxpayer money.

Laws limiting investor liability are everywhere. If you own stock in a company that goes bankrupt, you don't feel a moral obligation to pay the company's creditors, because the law limits your liability. But the government doesn't guarantee those creditors' losses — and it shouldn't do so in the housing market, either.

Visit *www.uwalkaway.com*, a company that sells kits explaining a homeowner's right to walk if the house isn't a good deal anymore. And "60 Minutes" recently featured a couple who explained they could afford their mortgage payments, but the house was "worth less," so why pay?

Who loses if the trend grows? The biggest loser will be mortgage bond investors, and next is originating banks and investment banks (because investors will try to sue for fraud and misrepresentation). Homeowners who put zero or 5 percent down lose little more than outsized hopes of future riches. And as *uwalkaway.com* notes, eight months of "free rent" will help them feel better.

Now that Congress has passed higher loan limits for Fannie Mae, Freddie Mac and the Federal Housing Administration, Americans will lose because investors facing losses can get paid by Fannie, Freddie and FHA.

In the future, Congress should require California to allow lenders to garnish wages of affluent borrowers who walk away from their homes. It's dishonest to have it both ways: (1) federal tax money backstops investor and bank losses when homeowners walk away from homes, and (2) California law allows homeowners to walk away without liability — even if they have money to pay. It's not that the California statute is bad alone; it's that it's wrong for federal taxes to guarantee huge loans without homeowners guaranteeing those loans too.

Gov. Arnold Schwarzenegger wrote last Monday, "Unfortunately, the California families most hurt (by inability to get affordable mortgage credit) are in lower- and moderate-income brackets." Then, he magically ties this to raising the loan caps to $729,750. But 2006 California median family income was $64,563. This isn't an anti-poverty plan.

Even Marin, California's top 2006 county for median family income, was $99,713 — too low to benefit from the higher caps. I see how politicians could confuse median family income, because they don't hang out at places where they'd meet a median income earner.

The new increase in the loan caps is nothing more than a handout. It's welfare for the wealthy — a group that tirelessly touts free market principles. Raising the caps is morally wrong, and it's also bad policy.

Sean Olender is a San Mateo attorney.

We are all Chinese

By Peter Bosshard

China is rapidly buying up the world's resources. The new global superpower is exploring oil fields in Africa and Central Asia, drilling for gas in Burma, building hydropower dams in the Mekong region, prospecting for minerals in the Congo and cutting down forests in Indonesia. China's hunger for raw materials is pushing up the price of oil and other resources, and stretching the ecological limits of the planet.

China is joining the party at a time when other countries and companies already control most of the world's resources. China's response has been to explore sites which other actors have considered too risky. Chinese companies are developing oil fields, mines and dams in areas that are geographically remote, politically unstable and

To learn more

Peter Bosshard will discuss China's global environmental footprint.

WHERE: San Francisco's Commonwealth Club.

WHEN: 6 p.m., Feb. 13. A reception precedes at 5:30 p.m.

TICKETS: $8 for members and $15 for nonmembers, go to www.commonwealthclub.com

Like any long-term investor, Chinese companies have an interest in avoiding human rights abuses and environmental destruction in their host countries. The Chinese government has issued guidelines for Chinese companies to protect the rights of workers, local communities and the environment. Chinese companies have started