

Once, Cleveland capitalists weren't predators
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This year marks the 100th anniversary of the publication of Jack London's dystopian novel "The Iron Heel." In it, a super-wealthy oligarchy has used savage capitalism to destroy the middle class; bankrupt small, independent businesses; and turn farmers and laborers into serfs. This no longer sounds like fiction.

You might recall Vice President Dick Cheney declaring during the 2004 vice-presidential debate in Cleveland that the answer to the 31 percent unemployment rate in "the biggest poor city in the country" was to "have a first-class public school system" and to do for high schools what the No Child Left Behind Act had already accomplished for elementary schools. For 40 years, many of the children in Cleveland's public schools have been left way behind. A February report by the Brookings Institution says that children of poverty have a 62 percent chance of joining the middle class, if they get a four-year college degree. But the same report declares that dysfunctional public schools, families and neighborhoods are the main impediments to their getting to college. In Cleveland, subprime mortgage practices have made these main impediments worse.

In December 2006, I heard a Federal Reserve Bank official explain that the role of the United States in the world economy was to buy things. He said we should keep on buying things, despite the weakness of the dollar and our record levels of household and government debt. I was dumbfounded until I understood that there is a powerful segment of our society that profits from such policies.

Debt comes due. Many Americans are effectively debt slaves right now, and there are people or institutions taking advantage of that indebtedness.

A June 2 Newsweek story described how an entrepreneurial broker made a small fortune selling 71 houses in a depressed but stable Slavic neighborhood of Cleveland by manipulating the appraisals of these properties as much as 600 percent upward and then selling them via subprime mortgages. The neighborhood is now in ruins.

We think of institutions as culprits. The failure of big banks draws national attention. But for big lenders to fail, the Cleveland story has to be repeated thousands of times. In every case, mortgage lenders, real estate agents, appraisers, lawyers and sellers (in the Cleveland case, the broker split his 8 percent commission with other parties) profit from the situation and bring about misery for individuals and whole communities.

There has been a recent 40 percent increase in homeless children in the Cleveland public schools, directly attributable to subprime mortgage foreclosures. Worse still is that Cleveland officials tried to get the Federal Reserve Bank to take action to regulate subprime mortgage

practices. The Fed held a conference in Cleveland in 2001 and then did nothing. Finally, Cleveland's leaders moved to pass their own regulations. Lobbyists for mortgage companies worked upon state legislators who then passed, by a wide majority, a state law forbidding communities to impose their own restrictions on such predatory practices.

My illiterate paternal grandfather came to Cleveland at the end of the 19th century. He worked in Cleveland's steel mills until he was 70 years old. He and my cleaning-lady grandmother raised four children in a house they bought in a Cleveland neighborhood like the ones now destroyed.

How could an uneducated couple who could not even read or write do this? The Lithuanian lawyers and Lithuanian Catholic Savings and Loan were scrupulous in their lending practices. In each of Cleveland's melting-pot neighborhoods, ethnic business people would not betray their own people as the predators who peddle and profit from subprime mortgages these days have done.

In old Cleveland, business people, even if they were not ethical or decent, were pragmatic. Their ethnic neighbors were their prime or exclusive clientele. It was good business to make sure people could pay off their loans. Nowadays, potential mortgagees are "marks" to be targeted and exploited.

Conservative philosophers might argue that those aged Clevelanders on limited income who were seduced into taking out subprime equity loans in order to repair their century-old houses and those desperate families who thought they were being given a chance at the American dream of owning a home are to blame for their own foolishness. Here I abide by the words I once heard conservative educator John Silber speak: "Half of the American people are under average intelligence, talent and abilities." Government regulations, many instituted in our last great robber-baron period, were there to protect the little men and women and their families from their own human foolishness and from law-of-the-jungle capitalists.

We have had 28 years now of deregulation and anti-government politics. We have had savings and loan, junk bond, oil, gas and electricity deregulation (Enron), Iraq contractor and subprime real estate scandals. Our government is off our backs. This leaves the poor, powerless, unlucky and uneducated exposed to economic predators, what London called "the law of club and fang."

We have drifted far from LBJ's vision of a Great Society. We need a new New Deal.

Palaima was born in his grandparents' house at 6202 Dibble Ave., Cleveland, in 1951 and lived there until 1956. He graduated from St. Ignatius High School in 1969. He is the Dickson Centennial professor of Classics at the University of Texas at Austin.



Tom Palaima's father and grandparents in autumn 1942 in backyard at 6202 Dibble Avenue, Cleveland, Ohio.

Sophie Palaima (07/13/1887 - 10/17/1975)	Michael A. Palaima (11/04/1916 - 09/05/2007) active service began 11/02/1942	Michael Palaima (09/29/1873 - 04/18/1957)
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