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## **The Corporate State Wins** **by Sheldon Richman**

The Senate's passage of the \$700 billion bailout of Wall Street, and its presumed acceptance by the House, exposes once and for all the true nature of the American political-economic system. It is free-enterprise in name only. In fact, and especially for large well-connected companies, it is nothing of the kind. Many names have been attached to the system we labor under: state socialism, state capitalism, corporatism, fascism. Whichever one we choose, let us hear no more about America's free-market economy. There has been no free market in the United States for many generations. This fact has been obscured rhetorically and in other ways, but our vision should be clear now. There is no separation of state and economy.

Many self-styled defenders of the free market misunderstand the American system. They believe that under a thin layer of government intervention lies the system they cherish. All we need to do is scrape away that layer, and glorious capitalism will be restored.

They couldn't be more wrong. There is no thin layer of intervention. Government has intruded deeply into economic activity from the beginning, most particularly in banking and finance, which is by nature at the center of any economy. The web of privilege and control is pervasive, touching all parts of the economy. Moreover, this intervention was never imposed on bankers, financiers, and the rest of the business elite. It was welcomed — to be more precise, it was invited and sponsored by them. Free enterprise, risk, and loss were for the little guy. Partnership with the state was for the elite. That partnership meant favoritism and protection from competition. It meant exemption from market discipline and exploitation of taxpayers, consumers, and workers.

Can anyone possibly question this now? Wall Street and the state for many decades have been co-conspirators in a massive hijacking of the economic system to, among other things, politically divert money to the mortgage and housing industries. This was profitable for key sectors of the economy and good for the politicians, who could boast about extending the American Dream through homeownership to everyone, regardless of ability to pay. But the laws of

reality — economics included — cannot be ignored with impunity. The state and Wall Street built their housing industry on a foundation made of sand. And now it's caving in.

The reaction of those with big money at stake was predictable. They turned to Washington, which always has a few aces up its sleeve: the power to borrow, the power to print money, and the power to tax. The advocates of the bailout marshaled every resource to sell their plan to the American public. Every prestigious figure — starting with Treasury Secretary Henry Paulson (late of Goldman Sachs) and Fed chairman Ben Bernanke — was paraded through the media. The congressional leadership stood with them. Virtually every “serious” commentator and editorial writer — conservative and progressive — became “reluctant” advocates of saving Wall Street. Their message was the same: if this plan is not adopted, catastrophe will befall us. The economy will crash. We'll lose our jobs, our savings, everything.

The mini-revolt in the House was encouraging, but was obviously too insubstantial to hold. The power elite understood that throwing a few unrelated pork projects into the bailout package would turn enough nays to ayes. Some who voted against the bailout the first time got cold feet anyway after the stock market's fall — as though legislators should consult the moment-by-moment Dow gyrations before voting on bills.

Now the “wiser” heads have prevailed, and Paulson will be given near dictatorial power to borrow \$700 billion to buy bad debt from the big banks. The potential for sweetheart deals and corrupt speculation can't be exaggerated. The promise that the taxpayers will break even or even make a profit is laughable. Who seriously believes that bureaucrats spending other people's money are better able to buy low and sell high than entrepreneurs with their own capital at risk? This is corporate privilege, pure and simple.

What will the people get in return? Higher taxes, lost purchasing power, and the perpetuation of the distorted economy, which the bailout will keep from adjusting to reality. The power elite wins. The people lose.

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