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An Echo, Not a Choice **by Sheldon Richman**

Both major presidential candidates support the taxpayer bailout of Wall Street. They are just arguing over how to do it.

If anyone hoped the presidential campaign would be a debate about political philosophy, the role of government, and such things — forget it. This is a debate over which man — John McCain or Barack Obama — should be given virtually unlimited power to run our lives.

That’s not the kind of debate in which freedom-loving people choose sides. Rather, they say to both candidates, “Thanks, but no thanks. I’m not looking for a leader. I’m looking for liberty.”

For two men who claim they are dramatically different in outlook, they are amazingly alike. Take the current economy turmoil. McCain and Obama both voted for the \$700 billion Wall Street welfare program, which included an extra \$150 billion more in enticements to House members who voted against the bailout previously. Mr. No More Earmarks apparently had no problem with this.

With McCain is trailing badly in key states, he needed to find a way to compare himself favorably with Obama. So he came up with a plan that makes him seem to be a champion of homeowners while portraying Obama as a champion of Big Finance. McCain would force the taxpayers to spend \$300 billion to buy shaky devalued mortgages from banks at face value — that sounds like a bank bailout — and then change the terms for the mortgagors so the payments are affordable. Of course, the taxpayers would be stuck with the difference.

This plan seems strange coming from a member of the party that claims to favor free markets. But as Ayn Rand used to say, “Check your premises.” For Republicans, free-market rhetoric is something that is brought out only when it is useful. Right now it’s not useful, because people have been convinced, wrongly, that the current problems are market failures. That’s why McCain and his running mate are obsessed with Wall Street’s “greed and corruption” and never mention the perverse incentives Republican and Democratic regimes created for mortgage lenders through the “too big to fail” doctrine and easy homeownership policies.

Republicans talk about the burdens of regulation, which leaves the impression that they are for free markets. But this is wrong. Free markets are free of more than regulation; they are also free of subsidies, privileges, and guarantees. Lightening up on regulation may please business, but if it is done while keeping the subsidies, privileges, and the guarantees in place, it is not a move toward the free market.

To see this point, imagine that you offer to cover someone's losses during a gambling junket to Las Vegas and as a measure of protection, you impose some restrictions on the size of the bets, the games played, and the total loss during an evening. If you were to remove those restrictions later while keeping the guarantee in place, we'd hardly describe it as a move toward self-responsibility. Quite the opposite, in fact.

This is analogous to what has happened in the American economy. The financial markets were deregulated to some extent in the 1980s and 1990s, though not during the Bush years. Looked at in isolation, the removal of the restrictions was good; it permitted diversification and broader service in an increasingly competitive global marketplace. But we must remember that the regulations were part of a system that included implied guarantees of rescue if big financial institutions got in trouble. As we now see, those guarantees were not removed.

The upshot is that deregulation under these circumstances did not constitute a genuine move toward the free market, but rather toward greater abuse of the taxpayers by the corporate state.

Real free-market advocates don't want mere deregulation. They want an end to interventionism of all types, privileges as well as restrictions.

Most people naively believe that regulation is needed to protect them from greed and irresponsibility. But bureaucratic and often corrupt regulation is not up to that task. The only protection available is the discipline imposed by the profit-and-loss system.

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