



## “Bailout” Really About Nationalizing U.S. Financial Sector

This bill — officially the Emergency Economic Stabilization Act of 2008 — is, along with the Treasury Department’s “Blueprint for a Modernized Financial Regulatory Structure,” about nationalizing the entire United States financial system, a truly radical act that will hasten the United States of America along the road to total socialism.



It was Karl Marx who famously recommended, in the *Communist Manifesto*, the “centralization of credit in the hands of the state, by means of a national bank with state capital *and an exclusive monopoly*.” (Emphasis added.) For almost a century we have had a national bank, the Federal Reserve, which has enjoyed a monopoly over the money supply but not over all credit. To the extent that both state and nationally chartered banks and other financial entities still enjoy some independence in the issuance of credit, the Fed’s monopoly over financial activities is diluted.

Now, however, armed with supposed authority from the bailout bill, Treasury Secretary Paulson is preparing to partly nationalize a number of major U.S. banks by purchasing dodgy assets in exchange for government ownership of company stock. In this Paulson is swimming in the wake of the British government, which has already partly nationalized various troubled banks using such a procedure. Paulson himself, asked about his intentions and whether he planned to follow the British lead, was evasive. “We have a broad range of authorities and tools,” he said. “We’ve emphasized the purchase of liquid assets, but we have a broad range of authorities. And I’m confident we have the authorities we need to work with going forward.”

Interestingly, Paulson did not use words like “power” or “constitutional authority.” The former term would have been too candid and the latter flagrantly dishonest. But make no mistake about it; the bailout bill, along with the series of actions by the Federal Reserve since last December to broaden its lending authority to encompass the entire financial sector, is one of the most ominous power grabs in American history. Already the Fed has turned itself into a lender of last resort for banks, brokerages, other types of financial corporations, and even insurance firms. The Department of Treasury, meanwhile, has been granted powers to effectively nationalize financial institutions by acquiring shares in exchange for buying up troubled (i.e. worthless) mortgage-backed assets. Together, Treasury Secretary Paulson and Fed Chairman Bernanke have arrogated near-dictatorial powers over financial activity, and more is coming. If this power grab is allowed to continue unchecked, America’s dwindling financial freedoms will evaporate altogether.

We need hardly add that all of these actions have only exacerbated the national and global financial crisis. But the actions of the Bush administration and the Federal Reserve have little to do with the free market, or even with economic stability, and everything to do with usurpation.

Somewhere, the unquiet shade of Karl Marx is smiling.

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