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## Assault on Liberty: Socialism Not Seen Since FDR

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You would have to be living under a rock these days not to have grown weary of the term "bailout"—unless, of course, you are anticipating being the recipient of such a socialist scheme. In the last four months I have witnessed great swaths of socialist ideology in action, tearing up the country and the free market system of the United States. Not since FDR's New Deal have we seen such sweeping changes in the basic systems and principles underlying our nation's economy. From the auto industry to Wall Street, and from Fannie and Freddie to smaller industry, hands are out in anticipation that Uncle Sam is coming to the rescue—but *at what cost?*

Socialism is clearly defined as, "A system of government in which means of production and distribution of goods are controlled by the state." Since August of 2008, the United States government has become the largest mortgage lender in the nation, potentially the largest automotive manufacturer, one of the largest bankers, and via the rather dubious connection to the Federal Reserve (a private bank owned by member banks) the largest insurer in the world. These former giants have all but surrendered to semi-state control; they have requested, and in most cases received, trillions of dollars in bailouts—at the expense, ultimately, of the taxpayer. Even the departing President Bush was quoted recently saying, "I've abandoned free market principles to save the free market system." What an absurd statement! You cannot protect or save the free market via massive government intervention. On the contrary, you must keep government out of the free market as much as possible.

Hayek, the Austrian economist, noted that the markets create spontaneous order, and to intervene in the natural process was detrimental to the economy. Observers have noted, "Hayek argued that, while in centrally-planned economies an individual or a select group of individuals must determine the distribution of resources, these planners will never have enough information to carry out this allocation reliably. The efficient exchange and use of resources, Hayek claimed, can be maintained only through the price mechanism in free markets..."

Hayek was absolutely correct. The government can never be as efficient as the market itself. This is why tax cuts and limiting the size and scope of government are really the only things politicians can or should do to aid the economy in a downturn.

Now, you won't hear the members of Congress or the Administration ever blame themselves for the current economic malaise; but the fact is, they are largely responsible and will be even more so with these utterly ludicrous bailouts. Whether it is congressional mandates to banks to loan to those who are not credit worthy or the expansion of such plans by Presidents such as Carter and Clinton, government intervention only begets new problems that beget new problems, and on and on.

Actually, this is nothing new in the United States. Franklin Delano Roosevelt and his immediate predecessor, Herbert Hoover, fostered the idea that government could *somehow* do *something* to fix everyone's problems through government intervention. It was not true then, and it is most assuredly not true now. As a matter of fact, it is clearly evident that the actions of both Hoover and FDR only prolonged the Great Depression and its effects.<sup>1</sup> Had the markets been allowed to correct themselves, and had government stayed

out of the way, it is likely the depression would have been over in a few years and freedom and liberties would have remained intact. That is not to say there would not have been a lot of financial pain, but that is part of the healing process with any ailing economy. Once mal-investment is liquidated, balance will be restored naturally. Yes, there will always be some losers. But the thing we must remember is that wealth is never destroyed—it is merely transferred, and money is the transfer agent.

Today's economic woes are no different than any other, with the notable exception that this time around we have much larger numbers and infinitely leveraged "investments," along with nearly 80 years worth of government intervention (meddling might be a better word) that only serves to exacerbate the problems. Government intervention in the free market only serves to stifle and cripple the markets; meanwhile, grandstanding politicians promise money (which they do not have, but intend to take from you and me) to the beneficiaries of their choice

Needless to say, socialists and communists love the current actions by Washington. But liberty-loving Americans should be outraged by such schemes and should be screaming at the top of their lungs for greedy, power-hungry politicians to stop the insanity!

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<sup>1</sup> Readers may wish to read "Prolonging the Depression – The New Deal: Time for a New Look," by Robert L. Bartley, published October 20, 2003, and available in the Wall Street Journal Opinion Archives.