



Some Lessons from Bailout Month

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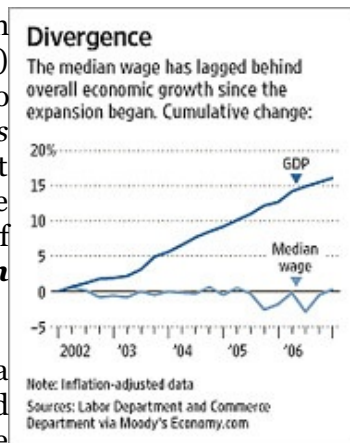
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Despite the first rejection of the Paulson Plan, the effort is ongoing in Washington to push through a plan that is likely to be substantially similar to the first one (as far as I can tell, the only changes will be tax cuts and the inclusion of the renewable energy bill items). Given the overwhelming pressure to "do something", and despite [warnings that we are being rushed for no reason into a terrible plan](#), it is rather unlikely that the final version of the plan is going to be very satisfactory. In any case, the following will hold true irrespective of the outcome of the Paulson Plan.

(Note: This was written for [the European Tribune](#) this week-end, ie before the rejection of the plan by Congress, and before the most recent bank bailouts, but its conclusions stand)

- the consequences of the financial crisis are so dire that the lesson here should not be that a bailout is necessary (it is, at this point) - but to acknowledge that the financial sector has the power to hold the rest of the economy to ransom during *both good times and bad times* and thus that it need to be emasculated so that we never get again to the stage where a bailout is necessary. The lesson is that the financial world cannot behave responsibly, if left to its own devices and thus ***should not be left to its own devices***;
- another is that the main argument to give financial markets a free hand — that they have created so much growth and prosperity — needs to be called for what it is: a lie. Not only the so-called prosperity of the past year was highly unequally shared (see the next point), but it was not even real, as the income and profits of the good years are now dwarfed by the losses of today. Arguments about growth need to be dismissed by a reference to the "full cycle," i.e. the prosperity of the recent past can only be accepted as real if it wasn't a capture of the prosperity of today and the near future. If the forthcoming growth and GDP numbers are dismal, this should be seen as a direct proof that the growth of the past was nothing but, and that the policy prescriptions focused on financial profit are abject failures;



- as the bailout calls for yet another transfer from poor to rich, it is worth noting that even in the good years, the vast majority of the population saw very little of the then much touted prosperity: incomes were stagnant or declining, while benefits declined, and healthcare and energy costs skyrocketed. Thus, current policies seem focused, at all times, on maximizing the income of the few rather than that of the general population;
- the next conclusion is that our political systems are completely geared towards fulfilling that last goal: politicians of all stripes are supporting the bailout despite massive protests by their constituents, just like they supported financial deregulation, labor market "reform," "free" trade, the tax race to the bottom and other similar policy prescriptions in the past. Politicians are supported in that by a media system that brings to the fore pundits that are

fully aligned with these prescriptions, and creates an incestuous class of insiders who, as it were, tend to personally benefit directly from the overall winner-takes-all policies put in place;

- the quasi-unanimous support of the Serious People for the bailout, or at least their inability to point out that the current crisis was the **inevitable** conclusion of the policy framework pushed by the neolib cabal shows how successful they have been at killing alternative ideas as fringe or absurd or dangerous, and suggests that there still is an ideological vacuum; alternative ideas are not "there" enough to be taken seriously despite the ongoing reality, and I'm not sure they will until the current elites are completely pushed out;
- given that staying in power and doing whatever it takes to achieve that goal is their main competence, I fear that we're going to be pushed into ever more dangerous brinkmanship, as the Republicans have amply demonstrated in recent days. They will not leave without a fight, even if reality is overwhelmingly against them, and I expect obfuscation, distraction and worse to be used to deny or avoid that reality. Quite frankly, the alternative now, just like in the 30s, is either a full break from the past (a new "New Deal") or a move towards fascism and war — the latter being our current elites' only chance of holding onto power.

The question therefore is: will the new President, and the new Congress, be part of the problem or part of the solution? Neither McCain nor Obama have taken the lead in mapping out alternative routes - token adjustments to and/or lukewarm support for the Paulson plan cannot count as leadership. As to Congress, many future members are already in now, and their performance, frankly, is not encouraging. What will it be?

In other words: nothing short of a revolution will do. Can it still be a peaceful, democratic one?



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