

Government Bailouts are Nothing New

[My friend Kirby forwarded an article to me (appended below) which pointed out that government bailouts are hardly something new. This is my response of Sept. 19, 2008. – S.H.]

Hi Kirby,

Thanks for forwarding this. But the airline bailout after 9/11 [2001] was only one example in an endless stream of handouts to corporations. Remember the government bailout of Chrysler a decade or two ago, for example?

Actually most of the government gifts to corporations occur in the form of tax breaks and tax cuts. The whole tax system is set up based on the principle of “what can we do for the big corporations?” Then there are special programs to help separate industries, such as the huge payouts to agribusiness which have existed for many decades (all under the political cover of helping the “family farmer”).

Some of the points I am arguing for in my pamphlet on capitalist crisis theory are:

1) While governments in the capitalist era have always served the class interests of the capitalists, since the advent of capitalist-imperialism there has been a qualitative change. More and more there has been a collective management of the capitalist economy by the capitalist class as a whole through their government. Agencies like the [Federal Reserve](#) were set up to foster this. (The Fed was created in 1913 after the Panic of 1907 showed that the government itself now needed to do what J.P. Morgan did to settle things down in 1907-08).

During the 1930s this took another qualitative leap with the institutionalized “corporatism” in Mussolini’s Italy and Nazi Germany, and the similar National Recovery Administration in the U.S. During World War II this sort of overall government management of the economy was carried to much further lengths in all the capitalist countries at war. After WWII there was a sharp (though partial) reversal; the government no longer *directed* the private economy in the same total way. But it was still at the *service* of the large corporations, both in national economic policy and even in foreign policy.

(The 1954 CIA overthrow of the reformist [Arbenz](#) regime in Guatemala was directly on behalf of the United Fruit Corporation, for example, while the 1953 coup toppling Mossadegh in Iran was engineered by the CIA on behalf of British and American oil companies. And of course the wars by the two Bushes against Iraq have really been on behalf of U.S. oil interests.)

With the growing systemic economic problems since the “long slowdown” began around 1973, there has been another increase in government support for and bailouts of corporations that get in trouble. To some extent they are *all* in trouble! The corporate tax rates have been slashed for all corporations and the Government Accounting Office issued a report last month which showed that a majority of both U.S. and foreign corporations operating in the U.S. paid *no* taxes during the 1998-2005 period! But in addition

there are many special breaks for individual industries and individual corporations (especially big-time financial corporations). This is why the tax code goes on for thousands of pages. (Loopholes are wordy!)

Regulations governing corporations have also been tremendously relaxed in recent decades. And the anti-monopoly laws are rarely enforced. (AT&T was broken up a decade or so ago, but this was a rare exception (which was done on behalf of other corporations). And since then the pieces of AT&T itself have mostly come back together.

And of course we have massive “loans” and outright handouts of billions of dollars directly to corporations that get into major trouble. In the past week alone this has amounted to hundreds of millions of dollars, and the government is now arranging a new general bailout of mortgage firms that will probably cost another half trillion dollars (or more!).

2) In effect there has been an ever closer *economic* (as well as political) “merger” of government and the big corporations. If this had not happened we would have been in another great depression long ago.

3) But what this means is that if the economy collapses now, it can only be, and *will be*, because the government support for and overall management of the economy collapses along with it.

In effect, the government for the past 35 years has been doing the sorts of things (Keynesian spending and propping up of corporations) that can (sometimes) be used to resolve recessions and prevent a depression. But this has gotten harder and harder to do, and is now requiring expenditures of not just billions, but actually *trillions* of dollars to accomplish. They can only obtain these trillions by borrowing or simply printing them. And even those means are now on the verge of leading to total disaster (in the form of runaway inflation and global economic collapse).

If the foreign holders of massive U.S. debt (and Japan and China in particular) throw in the towel, the game will be over. The possibility of this has the financial managers of this society scared shitless at present! Regardless of actions by the Chinese and Japanese, the dollar is definitely due for a much bigger fall before long, and that will inevitably lead to further financial crises and panics.

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So your friend is correct that these government bailouts are nothing new, but he obviously doesn't really understand A) just *how* extensive they have been for a long time now; B) just how *necessary* they have been and still are for keeping the economy above water; C) just what a great disaster ending them will bring on; and D) how and why they must nevertheless fail in the end. Stopping the bailouts would just push up the date of the impending disaster.

In other words, the guy is a foolish ideologist of laissez faire capitalism who just doesn't understand how the system works, let alone how serious the situation is for it at this point.

Scott

From: James ...
Subject: Stop the presses!
Date: Wednesday, September 17, 2008

This just in... after only 150 years in business, the New York Times has figured out that the US does not have a free market economy.

http://www.nytimes.com/2008/09/18/business/worldbusiness/18rescue.html?_r=1&hp&oref=slogin

It is also news to top government officials around the world:

"We're in new territory, this is a paradigm shift." - Gary Gensler, who served as a top official in the Treasury Department during the Clinton administration.

"They will say that even the standard-bearer of the market economy, the United States negates its fundamental principles in its behavior." -- Mario Monti, the former antitrust chief at the European Commission.

"Washington is following a different script this time." -- Yung Chul Park, a professor of economics at Korea University in Seoul who was deeply involved in the negotiations with the I.M.F.

I know it was a massive 7 years ago, but can't they remember the US government bailing out the airlines for \$15B after 9/11?

http://www.worldnetdaily.com/news/article.asp?ARTICLE_ID=24684

The MSM and government officials know full well that there is no free market, and never has been. It's very disturbing how they present a facade to the public to them dumbed down enough so they don't do anything about this theft of their money.

-- james
