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The Street on Welfare

By E. J. Dionne Jr.
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Never do I want to hear again from my conservative friends about how brilliant capitalists are, how much they deserve their seven-figure salaries and how government should keep its hands off the private economy.

The Wall Street titans have turned into a bunch of welfare clients. They are desperate to be bailed out by government from their own incompetence, and from the deregulatory regime for which they lobbied so hard. They have lost "confidence" in each other, you see, because none of these oh-so-wise captains of the universe have any idea what kinds of devalued securities sit in one another's portfolios.

So they have stopped investing. The biggest, most respected investment firms threaten to come crashing down. You can't have that. It's just fine to make it harder for the average Joe to file for bankruptcy, as did that wretched bankruptcy bill passed by Congress in 2005 at the request of the credit card industry. But the big guys are "too big to fail," because they could bring us all down with them.

Enter the federal government, the institution to which the wealthy are not supposed to pay capital gains or inheritance taxes. Good God, you don't expect these people to trade in their BMWs for Saturns, do you?

In a deal that the New York Times described as "shocking," J.P. Morgan Chase agreed over the weekend to pay $2 a share to buy all of Bear Stearns, one of the brand names of finance capitalism. The Federal Reserve approved a $30 billion -- that's with a "b" -- line of credit to make the deal work.

I don't fault Ben Bernanke, the Fed chairman, for being so interventionist in trying to save the economy. On the contrary, Bernanke deserves credit for ignoring all the extreme free-market bloviation. He doesn't want the economy to collapse on his watch, so he is willing to violate all the conservatives' shibboleths about the dangers of government intervention. As a voter once told the legendary political journalist Richard Rovere: "Sometimes you have to forget your principles to do what's right."

But if this near meltdown of capitalism doesn't encourage a lot of people to question the principles they have carried in their heads for the past three decades or so, nothing will.

We had already learned the hard way -- in the crash of 1929 and the Depression that followed -- that capitalism is quite capable of running off the rails. Franklin Roosevelt's New Deal was a response to the failure of the geniuses of finance (and their defenders in the economics profession) to realize what was happening or to fix it in time.

As the economist John Kenneth Galbraith noted of the era leading up to the Depression, "The threat to men of great dignity, privilege and pretense is not from the radicals they revile; it is from accepting their own myth. Exposure to reality remains the nemesis of the great -- a little understood thing."

But in the enthusiasm for deregulation that took root in the late 1970s, flowered in the Reagan era and reached its apogee in the second Bush years, we forgot the lesson that government needs to keep a careful watch on what capitalists do. Of course, some deregulation can be salutary, and the market system is, on balance, a wondrous instrument -- when it works. But the free market is just that: an instrument, not a principle.

In 1996, back when he was a Republican senator from Maine, William Cohen told me: "We have been saying for so long that government is the enemy. Government is the enemy until you need a friend."

So now the bailouts begin, and Wall Street usefully might feel a bit of gratitude, perhaps by being willing to have the wealthy foot some of the bill or to acknowledge that while its denizens were getting rich, a lot of Americans were losing jobs and health insurance. I'm waiting.

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