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Gods That Failed

By Harold Meyerson

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In 1949, a number of famous writers, among them Arthur Koestler, André Gide, [Richard Wright](#), Stephen Spender and Ignazio Silone, wrote essays explaining why they were no longer communists. The essays were collected in a volume entitled "The God That Failed."

Today, conservative intellectuals might want to consider writing a tome on the failure of their own beloved deity, unregulated capitalism. The fall of the financial system has been so fast and far-reaching that there's been no time to fully consider its implications for the reigning economic theology of the past 30 years. But with the most right-wing administration in modern American history scurrying to nationalize the banks, the question cannot be elided indefinitely.

What exactly do economic conservatives believe now that their god is dead? What's become of the glories of privatized Social Security? Of the merits of 401(k)s vs. defined-benefit pensions?

No wonder we've seen a disoriented [John McCain](#) wandering the moors howling about [Bill Ayers](#). What's he supposed to do? Admit that the Reagan-Thatcher faith in unregulated capitalism, to which every [GOP](#) presidential candidate was pledging allegiance just last winter, has collapsed? The doctrine of laissez faire has been so dominant, so pervasive over the past three decades that hundreds of Democratic politicians can deliver a paean to the market at the drop of a hat, but not a single Republican pol can plausibly defend government as a check on capitalism run amok, even at the drop of thousands of points in the Dow.

Indeed, the gospel of market self-sufficiency had powerful Democratic adherents, too. Back in the '90s, both Republican [Alan Greenspan](#) and Democrat [Robert Rubin](#) played key roles in making sure that the financial sector's market in derivatives would go unregulated, though [Warren Buffett](#) and [George Soros](#) both likened that market to a nuclear bomb waiting to explode.

If the collapse of the markets has left conservatism and Rubin's Wall Street centrism in tatters, it has handed liberalism the task of building a more sustainable economy from the wreckage of the old. But with the Bush administration still in office, liberals find themselves racing both events and [Hank Paulson](#) to shape an equitable solution to the crisis. It was congressional liberals who insisted that the government have the power to take an equity position in the banks -- something that Paulson initially opposed and today embraces.

Now liberals must turn their attention to the kind of financial nationalization on which we're about to embark. Paulson wants to shore up the banks with public funds but also to continue entrusting our banking system to the same bankers who got us into this fix, albeit with more regulation. But why shouldn't banks that take public money be compelled to seat a public member or two on their boards, as a check against their repeating old follies or committing new ones? [Economic Policy Institute](#) founder Jeff Faux says the government should control one major bank to use as a yardstick in the financial sector, just as public utilities constrain the misconduct of private ones.

Today's ideological crisis isn't confined merely to the doctrine of laissez faire. The credo of budget-balancing has become nonsensical with the economy seemingly headed for a deep recession. With banks ceasing to lend, businesses laying off workers, state and local governments slashing services and shedding employees,

homeowners defaulting in record numbers, and consumers cutting back, a massive federal stimulus is all that stands between the nation and economic calamity.

McCain and [Barack Obama](#) disagree sharply on the government's role in bolstering the economy. Obama favors public outlays on alternative energy and education, which would not only create jobs but also make us more competitive globally. McCain still supports a governmental spending freeze, though he calls for a \$300 billion tax cut chiefly for the rich -- who, given current economic conditions, are more likely to stuff their loot in the mattress than invest it productively. Having spent his career championing the policies that resulted in the meltdown, McCain now champions policies that will turn recession to depression. He's entitled to his beliefs, but the nation can't afford to worship at the altar of these failed gods.

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