

# Financial ‘Reform’ and America’s March to Marxism

**By Howard Rich**  
**Americans for Limited Government**

Contrary to Barack Obama’s rhetoric about protecting consumers, his new financial reform law represents a dangerous big government power grab that willfully ignores the true roots of the recent financial crisis.

It is also the latest example of America’s “march to Marxism,” the not-so-gradual implementation of a command economic system in which the free market is taxed and regulated into oblivion while new and expanded government bureaucracies wield unprecedented power. Like last year’s failed economic stimulus (which was nothing but a bureaucratic bailout) and this year’s health care reform law (the largest entitlement expansion in a generation), Obama’s latest Orwellian scheme is once again being sold to the public as a necessary, even responsible measure.

“Because of this reform, the American people will never again be asked to foot the bill for Wall Street’s mistakes,” Obama said. “There will be no more taxpayer-funded bailouts, period.”

Of course as Obama was making this pronouncement, the taxpayer tab for bailing out government-owned mortgage behemoths Fannie Mae and Freddie Mac continued to soar. That bailout will now cost taxpayers at least \$400 billion, according to the latest estimate from the Congressional Budget Office, although a deteriorating housing market could push the total above \$1 trillion.

Among the chief culprits of the 2008 collapse, Fannie and Freddie became a central repository for much of the toxic debt associated with government-mandated, high-risk loans — like the \$2.4 trillion pumped by the government into “mortgages for affordable housing” in 2000.

“Had Fannie and Freddie not been there to buy these loans, most of them would never have been made,” writes Mark A. Calabria, director of financial regulation studies at the Cato Institute. “And had the taxpayer not been standing behind Fannie and Freddie, they would have been unable to fund such large purchases of subprime mortgages.”

Ironically, the chief author of Obama’s so-called reform bill — Rep. Barney Frank (D-Mass.) — has had a front-row seat to this brewing crisis for years. Yet rather than correctly diagnosing and fixing the problem, he used his influence to block efforts that could have helped prevent the meltdown.

“Fannie Mae and Freddie Mac are not facing any kind of financial crisis,” Frank famously said in 2003, accusing then-Treasury Secretary John Snow of “exaggerating” problems at the lending agencies.

Trillions of tax dollars later, it’s painfully clear that it was Frank who was exaggerating (dramatically) the sustainability of government-mandated lending.

Does Obama’s new “reform” legislation address this fundamental problem?

Of course not. In fact, in addition to imposing a slew of new regulations on banks that had nothing to do with the crisis, Obama’s new law maintains the same strict government-mandated lending quotas as before. Accordingly, while Main Street lenders (which provide capital to small businesses across America) are forced to navigate a maze of new regulations and restrictions, the real culprits of the disaster are not only going unpunished — they are being allowed to conduct business as usual while receiving a steady stream of taxpayer-funded bailout money.

Obviously, this is a recipe for an even bigger disaster in the future — as is the law’s “proxy access” provision, which will permit labor unions, environmental activists and “community organizing” groups to bypass existing state laws on corporate director elections and place their representatives on corporate boards of directors. And far from ending bailouts for private sector firms (as Obama has promised) the law’s “orderly liquidation” provision permits faceless bureaucrats at the FDIC to seize control of any firm that the agency deems a threat to “financial stability” — opening the door to bailouts of companies that aren’t even asking for taxpayer largesse.

Make no mistake — this new law is a dramatic escalation of America’s “march to Marxism.”

It is also the latest example of legislation that must be repealed — and a governing philosophy that must be reversed — if America is to avoid being relegated to the ash heap of history.

*Howard Rich is Chairman of [Americans for Limited Government](#). Americans for Limited Government is dedicated to putting the principles of limited government into action. They work with local groups across the nation to promote freedom, limited government, and the principles of the U.S. Constitution. Their goal is to harness the power of American citizens and grassroots groups in order to put the people back in charge in states across the country*