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## Goldman: Creeping Socialism Finds a Convenient Enemy

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In its quest to ram perpetual bank bailouts and draconian new government regulations through the U.S. Congress under the guise of “financial services reform,” the administration of Barack Obama and its allies have seized upon a convenient new enemy – Goldman Sachs.

Armed with a government lawsuit tailor-made to stoke populist headlines, Obama and his allies want to further force Washington’s tentacles into a financial industry that it ostensibly “rescued” using trillions of dollars borrowed from future generations of U.S. taxpayers.

“If we don’t change what led to the crisis, we’ll doom ourselves to repeat it,” Obama said recently in an article conveniently headlined *“Charges Against Goldman Sachs Boost Case for Financial Reform.”*



Yet in typical Washington fashion, Obama’s proposed “reforms” do nothing to address government’s starring role in the most recent debacle. Nor do they protect taxpayers from future raids on the public treasury. In fact, the legislation Obama is championing would maintain (and even expand) the same federal regulatory conditions and incentives that led to the collapse of the housing market in the first place – while making taxpayer-funded bailouts for financial institutions a permanent part of public policy.

In other words, Washington has learned absolutely nothing.

“The American public has a lot to be angry about, but the spark for that rage was the bank bailouts,” writes Mark A. Calabria, director of financial regulation studies at the Cato Institute.

And yet as Calabria and others have astutely observed, government's solution to the sub-prime mess is to encourage the same loose lending practices that created it – particularly as it relates to government-owned behemoths Fannie Mae and Freddie Mac, whose toxic assets helped sink Bear Stearns at the beginning of the current downturn. Accordingly, Obama's reforms "wouldn't bring stability to our financial system, but (would) further erode market discipline — while asking us to put all our faith in the same regulators who have failed repeatedly," Calabria writes.

Ironically, the beleaguered Wall Street firm that Obama has selected to play the role of whipping boy in this process is a familiar "enemy," having pumped \$4.4 million into the coffers of Democratic candidates in 2008 (compared to \$1.4 million for Republican candidates). Apparently, Goldman Sachs forgot the old adage about "not feeding the tiger in the hopes of being the last one eaten."

All of this leads us to a fundamental question that must be asked (and answered) about our economy moving forward: Specifically, is it government's job to assume the risk associated with bad business decisions? Or if you prefer to get even more Orwellian about it: Is it government's job to arbitrarily restrict free market exchanges in an effort to prevent bad decisions from being made in the future?

If the government's answer to either of those questions is "yes," then it is embracing a Soviet-style command economy and repudiating the free market principles on which this nation was founded.

Finally, in assessing Obama's populist push on "financial reform," it would be wrong not to briefly mention the flimsiness of the federal case that's at the forefront of literally tens of thousands of international headlines. At the heart of the SEC's complaint against Goldman Sachs is the allegation that the firm misled a German bank into buying toxic assets at the behest of a savvy hedge fund manager. This simplistic salvo ignores two salient facts – Goldman's \$90 million loss on the deal as well as clear and compelling evidence that the German firm knew exactly what it was getting into.

In fact, just a year before the Goldman deal, the German bank referenced in the SEC filing was concluding similar agreements with other companies and bragging about its expertise in evaluating the very sort of "corporate loan portfolios" that it now claims it was misled into purchasing.

But as much as Obama and his allies are picking a fight against a convenient enemy, this debate isn't about defending Goldman Sachs – it's about defending the free market from additional government intervention.

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