



“Toxic Asset” Plan Based on Fascist Model

The Obama administration’s long-awaited proposal to remove so-called “toxic” mortgage-backed assets from U.S. banks has finally been unveiled, to huzzahs across the globe. Stocks from Tokyo to New York rallied as investors expressed relief that finally, somehow, the U.S. government was going to take care of the problem. But just what does Treasury Secretary Timothy Geithner intend to do, precisely?



According to details of the plan, the government will form public-private partnerships to buy up the assets, putting up \$7 in cash and \$86 in government loans for every \$7 spent by private capitol pools like hedge funds. The expectation is that, once the markets begin to rise and these mortgaged-backed assets recover their value, both taxpayers and private investors stand to gain. Should the assets lose further value, of course, both investors and taxpayers will be on the hook.

The federal government will tap the Troubled Asset Relief Program for up to \$100 billion, and rely on private investments, the FDIC, and (of course) the Federal Reserve for a total of \$500 billion. However, Geithner has indicated that the amount of purchases may eventually rise to \$1 trillion, or roughly half of the estimated \$2 trillion in toxic assets on the books. The plan will start banks lending, enthused President Obama, so that “families can get basic consumer loans, auto loans, student loans, [and so] that small businesses are able to finance themselves, and we can start getting this economy moving again.”

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For the moment — if the stock rally is any indication — investors appear to be dwelling in a fool’s paradise. This plan is but the latest attempt by the Obama administration to re-inflate the bubble — that is, to once again lift valuations (in this case, mortgage values) far beyond what normal, rational market conditions would warrant. “Toxic” assets are not worthless, nor even undervalued, except in relation to the bubble market that assigned them their previous inflated book values. The mere act of government-backed purchases will doubtless bid prices up somewhat but, as with all other such socialist flapdoodle, will not be sustainable in the long run. To the degree that mortgage values can be re-inflated, a much larger crash will be guaranteed in the future.

Public-private partnerships are the very essence of what used to be called fascism, before the latter term became tangled up with the racist ideology of Nazism and diluted to refer to any police-state apparatus. In point of fact, fascism as an economic program involved government control — but not



Written by [Charles Scaliger](#) on March 23, 2009

outright ownership of — private capital, so that industry could be channeled to serve the priorities of the state. This, journalist John Flynn pointed out more than 60 years ago in his book *As We Go Marching*, is precisely what the FDR tried to accomplish in the United States during the 1930s and 40s.

Unfortunately, the fascist legacy of FDR's New Deal is very much alive and well, as manifested by this latest proposal to marry the public and private sector to serve the interests of the power elites.

As for the loyal GOP opposition, House Republican Whip Eric Cantor correctly called the Obama proposal a "shell game," a plan that "seems to offer little incentive for private investors to participate unless the subsidy is made so rich that it comes at the expense of the taxpayer."

But what is the Republican answer to the Obama administration's "shell game" of public-private partnering? According to Tom Raum of the Associated Press, Cantor said "he hoped the administration would consider instead an earlier Republican proposal to set up a government-sponsored insurance program for mortgage-related securities."

We are thus left with two alternatives, both of them squaring perfectly with the fascists' old program: a government-sponsored buyout, or government-sponsored insurance. Either would prove horrendously costly, not only in economic terms, but also in terms of our all-but-forsaken Constitution, which makes no allowance for such public-private enterprises in the first place.

Somewhere, Mussolini must be smiling.

Photo of Timothy Geithner: AP Images



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