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Creeping Nationalization

“What we are doing here is we’re creeping our way toward nationalization,” Terry Connelly, dean of Golden Gate University’s Ageno School of Business in San Francisco, told the Associated Press. Be it duly noted that this process was initiated by the Bush administration in a feckless attempt to prop up money-center banks deemed too large to fail. As those banks, most notably Citigroup, Inc., to continue wallow in plummeting stock values and multiplying defaults, the Obama administration refuses to let market forces have their claim.



But now the federal government is poised to take up to 40 percent ownership in Citigroup, and no doubt will buy up the entire corporation — that is, nationalize it — rather than let it go under.

FDIC Chairman Sheila Bair, trying to reassure markets and the American public that nationalization of the banking industry is not, in fact, in the offing, opined that “there’s ambiguity in the word ‘nationalization.’ ” What is being contemplated in Congress, the White House, and numerous think tanks both liberal and conservative is admittedly not the sort of crude confiscation of private assets typically carried out by Third World demagogues eager to pander to the working classes. But it will have the same consequences in the long run. Today, President Obama and others favoring nationalization are promising that such drastic measures, if needed, will only be temporary. But tomorrow, if and when the government moves to take outright ownership of the nation’s banking system, the very problems it will be allegedly confronting will become immeasurably worse. That, of course, will then provide a pretext for the Feds to hold onto the banks indefinitely, with consequences for our financial system that scarcely bear imagining.

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