



Specter of Bank Nationalization Looms

The Obama administration is still thinking bank nationalization. In the latest twist to the saga of troubled American megabanks, the *New York Times* reported on April 19 that administration officials are considering converting bailout loans to the 19 biggest U.S. banks into shares of common stock, allowing them to stretch further the estimated \$134.5 billion remaining of the \$700 billion bank bailout fund passed by Congress last October.

Such a move would make the U.S. government a majority shareholder in several of these banks, a state of affairs tantamount to nationalization. White House Chief of Staff Rahm Emanuel denied on *ABC's This Week with George Stephanopoulos* that the Obama administration sought to nationalize banks, and expressed confidence that such a step would not prove necessary. "We believe we have those resources available in the government as the final backstop to make sure that the 19 are financially viable and effective," Emanuel told Stephanopoulos. "If they need capital, we have that capacity."



The Obama administration, its rosy rhetoric notwithstanding, is now conducting "stress tests" on the 19 banks aforementioned to determine their financial health, and is ready to do whatever it deems necessary to prevent them from failing — including taking them over.

Although the economic crisis is in a temporary lull, with stock markets no longer in free fall and a spate of better-than-expected quarterly earnings reports (including from the banking sector), the Great Recession is far from over. There can be no doubt that the Obama administration and its lickspittles in Congress are poised to take maximum political advantage of any fresh reversals of economic fortune, with eventual nationalization of the entire banking sector a very real possibility in the context of the coming commercial real estate collapse.

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