Great news: Americans trust capitalism, not politicians

By Jim Waters

A couple weeks ago, I wrote: "When government tries to 'help' the marketplace, it usually ends up making things worse."

I wrote that in response to a political stunt by Kentucky Gov. Steve Beshear and Attorney General Jack Conway. They want to use the force of government to address high gas prices. Yet, my principle applies to a host of matters — including what to do about ailing financial institutions.

Beshear's attempts to use government to temper gas prices and quell Internet gambling won't work, and neither will using American tax dollars — nearly a trillion of them — to fix the country's financial woes.

 Americans must ignore the rhetoric of one big-government politician after another coming to the podium and using their 15 seconds of ego-stroking TV time to blame the financial challenges the country faces on the "failure of capitalism and the markets."

"We need more government regulation," they bellow.

No, we don't.

Rather, we need government to quit forcing financial institutions to loan money to people who can't pay it back. People who shouldn't have received those loans and cannot repay now face losing their homes. Indeed, people living beyond their means and financial institutions pandering to them led the markets to this dark place.

Some may consider my theory on government-forced loans to give money to get people out of Section 8 housing and into their own homes a race-based position. Many who benefited from the pressure applied by government are black.

But in my book, the truth is colorblind.

How does failing to bail out homeowners who borrowed more than they could pay or the lending institutions cutting the checks represent racism or a failure of capitalism and the free-market system?

Government pushed for these loans. Where does lax regulation come into play when government demanded institutions make the loans in the first place? The market chaos indicates irresponsible lending and borrowing practices.

Now, many of those in government responsible for the problems have gotten a jump on Halloween and dressed up like Chicken Little, while shouting: "We have to do this or our economy will be brought to ruin."

So, let's look at the claim that only a bailout can ensure "enough capital for capitalism" — a lament I've heard reverberating throughout this mess.

 If that's true, why did Goldman Sachs raise $10 billion in new capital in a single day just two weeks ago, and could have, according to financial experts, raised even more capital if it tried?

And Goldman Sachs did it without "help" from an omnipotent, omniscient and omnipresent government.

The fact that rational investors would allocate hard-to-come-by money to winners rather than losers makes sense in a properly operating free-market system. It's an indication that capitalism works when allowed to work.

We now have a bunch of socialist-minded politicians and bureaucrats on Capitol Hill concerned because many Americans oppose a bailout and demonstrate they still believe in the free-market system.

One of those Americans, Joseph Calhoun, an investment expert, wrote a great article titled "In Times of Crisis, Trust Capitalism." His piece published in Real Clear Markets offers a clear presentation of the financial mess. It includes a discussion of the Federal Reserve's culpability and how the Japanese suffered 15 years of economic stagnation by propping up failed banks in the aftermath of the bursting of its Internet and real estate "bubbles."

Calhoun wrote: "Why are we emulating a strategy that is a demonstrable failure? A better alternative would be to allow capitalism to work as it should and stop the

interventions of the Fed in the money market. Trust capitalism. It works."

He should have added: If it's allowed to work.

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