



How TARP Created Trump

Back in 2008, rather than fix mark-to-market accounting, Treasury Secretary Hank Paulson, Federal Reserve Board Chair Ben Bernanke, and other members of the financial market crisis team, chose to use a government-funded bazooka. A \$700 billion bank bailout named The Troubled Asset Relief Program, or TARP.

President Bush, who authorized this approach, later explained it by saying he “abandoned free market principles to save the free market.” That statement makes no sense. Either you believe in free markets, or you don’t. Violating a free market means it’s not free. More truthfully, the Bush team abandoned free markets because it was the politically expedient thing to do.

But, by doing this, Republican leadership undermined a sacrosanct belief of conservatism – markets are self-healing and government intervention creates unintended consequences. Abandoning this philosophy left voters literally adrift. Politics is just politics. The GOP ship has no anchor or rudder. Why vote for a philosophy if those who claim to support it do so only when it is convenient? The result: Donald Trump.

The subprime bubble was government failure, not free market failure. We knew back then, and we have the data now to prove that government had created the housing bubble. The Department of Housing and Urban Development (HUD) forced Fannie Mae and Freddie Mac to buy subprime loans. To fulfill government mandates, Fannie and Freddie “pushed” banks to make loans to low and moderate income families. This required accepting lower credit scores and smaller down-payments. And that’s exactly what the private sector did; fill government orders.

Then, when these loans inevitably started to go bad, mark-to-market accounting forced banks to write down assets that were still viable, to illiquid, virtually non-existent market prices. On paper, this destroyed private bank capital, forcing them into the arms of the

government. Hank Paulsen knew this, but refused to change the rule. Instead, he used massive government intervention and justified it by saying the market would fail without it. He didn’t believe in free markets.

What no one talks about is the fact that the S&P 500 fell an additional 40% after TARP was passed. The \$700 billion didn’t save the banks or the economy. In fact, the \$700 billion was sucked up by mark-to-market losses, which would have continued indefinitely without a change in rules. Thank the Lord that this happened in March 2009 when Congress forced the Accounting Board to fix it. That’s when the market and the economy bottomed, not when government flooded the system with money.

Nonetheless, the philosophical damage was done. Government grew, TARP was used to justify passage of Dodd-Frank financial regulation. But most importantly, it created a narrative that the private sector, and fat cat bankers, needed a government bailout. This was a huge political mistake that the GOP has yet to recover from.

The GOP created a “mosh pit” of beliefs that elevates personal desires, inconsistent thinking, an interventionist government, a mistrust of private institutions, fear of our own neighbors, and celebrity above consistent philosophy and trust in our fellow man. And they have governed like that ever since, refusing to use the power of the purse to stop Obamacare (even though they said that the healthcare law would destroy America) and refusing to use scandal at the VA to show how bad government run healthcare really is. Ending one-half the Sequester, and claiming it was conservative to do so, was also nonsense. Don’t misunderstand, no one is going into the voting booth with TARP, itself, on their mind. What they know is that the GOP is just another political party who abandons philosophy for expediency.

And this has far reaching effects. If the GOP doesn’t trust banks, why is President Obama wrong when he says

we shouldn't trust private health insurers or power plants? If the GOP can't stand up and defend free markets and its supposed core principles, how can it ever stand up to political arguments from the left?

Unfortunately, this argument will fall on deaf ears to many because it seems so out of sync with the narrative that politicians of both sides want you to believe. The GOP will not admit it made a mistake with TARP, neither will those who supported it, like The Wall Street Journal Editorial Page. And the Democrats believe in big government and evil corporations, so they love this, just like they loved the Great Depression – Happy Days Are Here Again!

In the meantime, the establishment GOP, when it had complete control of government, grew the government. And, now, that it controls the Senate and the House, but does not have a super majority, it says, well, we need to play along so we can get a GOP president in the White House. *Then* they will cut the size of government. In other words, they have no real principles except a desire for power.

What they do have is lots of lung power for blasting Donald Trump. But isn't it interesting that they say he isn't a real conservative? Neither are they. I'm old enough to know a real conservative when I see one, and the current leadership is not conservative.

They are right that Donald Trump has no true guiding philosophical principles, at least none that are visible. "Making good deals" is not a principle, and it's not even a strategy, it's a tactic. On the Democrat side, Bernie

Sanders is a socialist who doesn't trust the private sector. Senator Sanders is attracting crowds because of his principles, winning political points when he claims the GOP only cares about bailing out fat cats. He has a point. Donald Trump is attracting crowds with tough talk even if it's incoherent from a philosophical point of view, because the GOP and the President aren't tough.

Neither candidate can "fix" the economy, not with their current proposals. But, voters don't have a clear vision of what the US economy needs to be fixed, because the GOP pulled up the philosophical anchor. So, the next time the GOP claims Donald Trump isn't reflective of conservative values, they ought to look in the mirror. They created him. The only way out is for Paul Ryan, George Bush, The Wall Street Journal Editorial Page, Hank Paulson and every other GOP member that supported TARP to admit it was a mistake.

The way to beat Donald Trump is to attack the Establishment GOP, not cozy up to it. Even John Kasich, a moderate, seems to understand this. Trump is the result of a vacuum in principled leadership. A rudderless ship, or a ship with no anchor in a storm, creates fear. True leadership has an anchor, a rudder. It's time to elect a real conservative as president. Someone who can lead the American people back to a consistency of thought that supports free markets and fights against government growth. A true conservative GOP candidate will run against the establishment, pointing out its failure to hold any real philosophical ground. That will be the winning strategy come November 2016.

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