jevich, an act of charity that had nothing whatsoever to do with influencing him to appoint their man to Obama's seat.

"People know me," Jackson avers. "They know who I am. I'm confident that no one on my behalf made a single offer to anybody for anything." Well, you don't really know someone until you've listened in on his private conversations, which the feds may well have been doing when Jesse Jr. met with the Boss.

With Patrick Fitzgerald listening in on the other end, it looks like Jesse Jr., Rahm, and any number of Illinois Democratic Party muckamucks have met their nemesis. They don't call him "Bulldog" Fitzgerald for nothing—a nickname Scooter Libby came to realize was well-earned and one the holier-than-thou Obama-ites will have good reason to remember.

During the Scooter scandal, the left wing of the blogosphere endlessly dissected each development, eagerly anticipating "Fitzmas" back in the winter of '05. Now that the tables are turned, however, it doesn't matter how many interesting angles and side-narratives this affair develops: the folks over at DailyKos, Firedoglake, and the Huffington Post won't be mapping the highways and byways of corruption as they were last Fitzmas.

This year, a new crowd will be celebrating the season, with the Bulldog playing Santa and showering them with gifts. So join in the holiday cheer because

It's beginning to look a lot like Fitzmas
Everywhere you go!
Can't you just hear those wiretaps,
Oh don't keep it under wraps
We could use a laugh or two these
days, you know!

It's beginning to look a lot like Fitzmas,
A bug in every phone!
But the prettiest sight to see
Is the indictment that could be
Tacked to the White House door. ■

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OLD AND RIGHT

THE SPENDING OF BORROWED MONEY as a permanent policy with a continuous rise in the public debt can have only one effect. A rising public debt means a continuously rising interest charge and persistently rising taxes to service the debt. And this is only the beginning. For as the war ends, the government is planning new and more adventurous and, as it likes to say, "dynamic" uses of public debt than ever. … Only in a totalitarian state can these oppressive levies be imposed and enforced…

We have, without knowing it, been turning first to one and then another of those devices for escaping our economic difficulties to which Italy and Germany turned before us. … [E]ach of these devices offered the political administration the easiest escape. The alternative has been to make difficult and sacrificial corrections in our system and to make unpopular alterations in our course. These sacrificial measures and hard corrections are possible and might be made under a courageous and heroic leadership. Instead we have had a confused, selfish, and utterly political leadership which has sought out, not the remedies, but the special demands of great and powerful minorities and set about satisfying those demands—running with the streams even though the streams were running over the abyss. … Always we adorn those measures here with decorative and patriotic names, while giving to the same measures in Italy and Germany odious names…

The test of fascism is not one's rage against the Italian and German warlords. The test is—how many of the essential principles of fascism do you accept and to what extent are you prepared to apply those fascist ideas to American social and economic life? When you can put your finger on the men or the groups that urge for America the debt-supported state, the autarchial corporative state, the state bent on the socialization of investment and the bureaucratic government of industry and society, the establishment of the institution of militarism as the great glamorous public-works project of the nation and the institution of imperialism under which it proposes to regulate and rule the world and, along with this, proposes to alter the forms of our government to approach as closely as possible the unrestrained, absolute government—then you will know you have located the authentic fascist…

Fascism will come at the hands of perfectly authentic Americans, as violently against Hitler and Mussolini as the next one, but who are convinced that the present economic system is washed up and that the present political system in America has outlived its usefulness and who wish to commit this country to the rule of the bureaucratic state; interfering in the affairs of the states and cities; taking part in the management of industry and finance and agriculture; assuming the role of great national banker and investor, borrowing billions every year and spending them on all sorts of projects through which such a government can paralyze oppostion and command public support; marshaling great armies and navies … and adding to all of this the most romantic adventures in global planning, regeneration, and domination all to be done under the authority of a powerfully centralized government in which the executive can hold in effect all the powers with Congress reduced to the role of a debating society. There is your fascist…

It is part of the government's plan to continue this new and abrasive order. … We shall presently be presented with the final crisis—the necessity of taking the last few steps of the last mile to fascism in some generated crisis, of ending the prologue and running up the curtain on the swelling theme—or of calling off the whole wretched business in some costly, yet inescapable, convulsion.

—*As We Go Marching*, John T. Flynn, 1944

Bad Deal

FDR's public works only exacerbated the Depression.

By Sheldon Richman

NEVER HAS THE PHRASE "the worst economic crisis since the Great Depression" been uttered so often. Reporters and commentators routinely discuss our current financial woes as though it were 1930 again. Pundits and even economists urge President-elect Barack Obama to launch a "new New Deal" as soon as he takes office. Thus it might be useful to revisit the original Great Depression and New Deal to see what actually happened and what lessons we might draw for the present crisis.

The first thing to understand is that these events did not occur in an environment of laissez faire. Contrary to popular accounts, government intervention in the U.S. economy did not begin in 1933 with the inauguration of Franklin Roosevelt. Before that America was no land of unregulated markets. Far from it. Government had intervened in the economy from the very beginning: the first economic act of the first Congress—on July 4, 1789—was a comprehensive protective tariff. Before long, the banking industry, in particular, faced detailed federal and state regulation. Significantly, branch and interstate banking were forbidden. Free-market banking did not exist, and the gold standard was limited.

In 1913, the political class, which included big bankers, decided that a more systematic regulatory regime was needed to keep the economy on an even keel. Hence, the Federal Reserve System—in essence a government-sponsored banking cartel—was born.

The chronology is important because the worst U.S. depression occurred 15 years after the Fed opened. Someone ignorant of history and economics might guess the Fed was set up to prevent a repeat of the Great Depression, but he would be wrong.

As for the events of 1929 and onward, we may start with a remark by Fed Chairman Ben Bernanke. Speaking at a celebration of Milton Friedman's 90th birthday, Bernanke, at the time a member—but not yet chairman—of the Fed's Board of Governors, said, "I would like to say to Milton and Anna [Schwartz, coauthor with Friedman of *A Monetary History of the United States*]: 'Regarding the Great Depression, you're right. We did it. We're very sorry.'"

How did they do it? According to economist Murray Rothbard's history of the period, *America's Great Depression*, the 1920s were marred by the Federal Reserve's inflation of credit in 1921-22, 1924 (a presidential election year), and 1927. The Fed's policy, backed by the pro-business Republican administration of Calvin Coolidge and Treasury Secretary Andrew Mellon, began as a way to end the 1920-21 depression. Other motives were at work, however, such as facilitating exports through easy loans to foreign governments and helping Great Britain cope with its wartime inflation by re-establishing its prewar gold-to-sterling ratio.

According to Rothbard, the money supply grew by nearly 62 percent, or 7.7 percent a year on average. "The inflation of the 1920s was actually over by the end of 1928. ... And therefore, from that time onward, a depression to adjust the economy was inevitable," he added.

Why inevitable? To answer this we must understand the role of interest rates in a free market. Other things being equal, people prefer goods in the present to goods in the future. If they are to defer consumption, they typically must be compensated. That rate of compensation is an interest rate. This "time preference" can vary in intensity. One person might be willing to lend money at 5 percent, while another might insist on 10 percent. The market interest rate emerges from competition among lenders and borrowers. Changes in the rate, absent government intervention, signal real changes in people's time preferences. Interest rates rise when people reduce savings and consume more; interest rates fall when people decide to defer consumption and save more.

These signals guide entrepreneurs in their decisions about how to invest scarce resources in a structure of production with many stages and time periods. High rates signal that scarce capital should go toward consumer goods and producer goods that are close to the consumer-goods stage. Low rates signal more abundant savings and deferred consumption, telling producers that they can invest in longer-term projects at stages of production further removed from the consumer-goods stage.

It is this critical time-signaling function that is damaged when the government's central bank expands the money