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The Great Bailout Backlash

By ROSS DOUTHAT

Nothing in this election season, no program or party or politician, is less popular than the Troubled Asset Relief Program of 2008 — aka the Wall Street bailout. No policy has fewer public figures willing to defend it, and fewer Americans who believe it worked. No issue has done more to stoke the fires of populist backlash, and the rage against elites.

It was TARP that first turned Tea Partiers against Republican incumbents, and independents against Washington. It was TARP that steadily undermined Barack Obama's agenda, by making activist government seem like a game rigged to benefit privileged insiders. And it is TARP that's spurred this campaign cycle's only outbreak of bipartisanship: as of September, Politico's Ben Smith [noted](#) recently, the two parties had combined to spend about \$80 million on attack ads that invoke the bailout, with the Democrats alone accounting for \$53 million of that spending.

The question is whether the program's extraordinary unpopularity is justified. Few elected officials may be willing to argue for the bailout, but plenty of policy wonks will make the case (from the safety of their think tanks) that the Wall Street rescue package is actually "one of the most unfairly maligned policy initiatives of all time," as the Center for American Progress's Matthew Yglesias recently [put it](#).

This case was strengthened by the news that the bailout might actually end up costing the taxpayer less

than \$50 billion over all, rather than the \$700 billion originally set aside to pay for it. Moreover, it's the auto bailout, which the TARP funds eventually underwrote as well, that's likely to end up being responsible for the bulk of these losses. As it stands, the federal government may actually end up turning a modest profit on the money injected into Wall Street's failing banks.

Given what seemed to be at stake in the fall of '08, TARP's defenders argue, that doesn't seem like such a bad bargain: the bailout may have averted a Great Depression, and it didn't end up costing very much at all.

Or at least it didn't cost much if you accept that the ends of public policy justify the means. But of course it was the means of TARP, not its final impact on the country's balance sheet, that made it so unpopular.

The bailout became law because the legislative branch was stampeded with the threats of certain doom. It vested unprecedented economic authority in a single unelected official, the secretary of the Treasury. And it used public funds to insulate well-connected private actors from the consequences of their recklessness. Its creation short-circuited republican self-government, and its execution created moral hazard on an epic scale. It may have been an economic necessity, but it felt like a travesty nonetheless.

This is why it should be possible to both sympathize with the politicians who voted for the bailout and welcome their rebuke at the ballot box. Faced with extraordinary circumstances — wars, natural disasters, economic crises — political leaders will always incline toward a blunt utilitarianism, in which the need for stability trumps more high-minded ideals. But after a crisis has passed, it's immensely important that the ideals reassert themselves, so that the moral compromises made amid extraordinary times aren't repeated in ordinary ones as well.

This point is starkly obvious in wartime. It was understandable, if not necessarily laudable, that Harry Truman used the atomic bomb against Japanese population centers to end years of global total war. But it would have been appalling if the memory of Hiroshima and Nagasaki hadn't created a taboo

around the use of nuclear weapons that endures unviolated to the present day. Likewise, the Bush administration's decision to waterboard Khalid Shaikh Mohammed in the wake of 9/11 was far more defensible than the attempt, by many administration apologists, to insist that waterboarding raised no moral or legal difficulties at all, and should be a routine part of our interrogation repertoire going forward.

What's true in wartime can be true in economic policy as well, even if the stakes aren't life and death. TARP may have saved the United States from 15 percent unemployment, but it also implicated our government in the kind of crony capitalism you'd expect from a banana republic. If it was necessary, it was also un-American. If it worked, it did so while doing grievous damage to the credibility of Wall Street and Washington alike.

So it's a healthy and necessary thing that our first post-crisis election has been defined by a groundswell of anti-bailout outrage. This no doubt seems unfair to the politicians who may lose their jobs (or have already lost them) for doing what they felt they had to do. But it would be an infinitely worse sign for America if the present backlash hadn't materialized at all.



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