Every Wednesday in Washington, conservatives gather in the conference room of Grover Norquist's pressure group, Americans for Tax Reform, to hash out arguments and promote their projects. The off-the-record meetings are notorious among liberals: proof of the shudder-inducing organizational powers of the right.

In late September, a White House economist arrived at Norquist's salon to sell a proposed $700 billion bailout of Wall Street firms whose investments in worthless mortgage-backed securities had sparked an international financial crisis. In a tense meeting, the president's emissary was turned into a piñata. Pro-market activists and economists with decades of experience battered him with questions, asking whether the administration was putting an end to capitalism as we knew it. The White House's economist responded coolly. Did these people really want to do *not hing*
in the face of the great 2008 meltdown?

In the end, what fiscal conservatives wanted didn't turn out to matter much. As the Wall Street vapors scrambled every aspect of the 2008 presidential campaign and of George W. Bush's final days in office, no one was as angry as D.C.'s dwindling number of libertarians. They pointed out that Treasury Secretary Henry Paulson's plan involved a massive takeover of private firms and (in its original draft) unchecked executive power. They invoked previous examples of government meddling worsening crises, in the 1930s and the '70s. But as Washington faced the greatest economic panic in a generation, adherents of free markets were spectators in a debate between moderate interventionists and radical re-regulators.

Libertarians proposed alternatives, such as privatizing Fannie Mae and Freddie Mac and letting the market find a bottom. They were shouting into the dark. Instead the feds imposed a two-week ban on short-selling stock and engineered the largest economic intervention since Nixon's wage and price controls. "The market is not functioning properly," warned President Bush. "The government's top economic experts warn that, without immediate action by Congress, America could slip into a financial panic and a distressing scenario would unfold."

People who should have been primed for such a crisis had little voice in the matter. Take the Republican Study Committee (RSC), the fiscally conservative caucus within the House of Representatives. The RSC regularly responds to pork-filled budgets with thriftier alternatives. As Wall Street shattered, the RSC was confronted with a spending package equal to a million earmarks.

On September 18, the committee sent a public letter to the White House opposing any Wall Street bailout because "the risk to taxpayers and to the long-term future health of our economy remain just too great to justify." The next day, RSC Chairman Jeb Hensarling (R-Tex.) put out a tentative, grasping statement on the proposed bailout that decried the idea without ruling it out completely: "My mind remains open."

The next day the draft of Treasury Secretary Hank Paulson's plan was released, with a giant price tag and a two-year ban on oversight of Treasury's activity. Former RSC Chairman Mike Pence (R-Ind.), who attracts TV cameras like lightbulbs attract moths, rejected "the largest corporate bailout in American history."

And then all went practically silent. Fiscal conservatives dared not come out swinging against a proposal whose effects they could not predict, offered by a White House they had trusted more often than not.

On September 22 at 5 p.m., the RSC met to strategize further. Who was opposed to the bailout, full stop? Who had alternatives to propose? According to staff who attended the meeting, the mood was somber and the opposition was not uniform. The next morning, when the full Republican conference met, there was even less unity. According to Arizona Rep. Jeff Flake, only about half the party's members opposed a bailout.

On September 23, a dozen members of the RSC called a press conference in the House to sell their suggestions. These fit on one piece of paper, and included a two-year suspension of the capital gains tax, full privatization of Freddie Mac and Fannie Mae "over a reasonable time period," and a suspension of the "mark-to-market" regulations that forced banks to value assets at zero if they couldn't be sold at that precise moment.

At the press conference, Republicans proposed fixes with little chance of making it into a bailout bill. Rep. Kevin Brady (R-Tex.) suggested that business tax cuts could attract investors to our shores, bringing in more revenue from "profits left stranded overseas." Rep. Joe Barton (R-Tex.), a dogged supporter of more oil drilling, claimed that the policies he favored would, conveniently, pull us out of the crisis. Mike Pence was the only legislator at the events who ruled out any vote for the bailout. He tried, in vain, to challenge the premise. "There are those in the public debate," he said, "who have said that we must act now. The last time I heard that, I was on a used-car lot."

"I would amend that statement," added Rep. John Shadegg (R-Ariz.). "The last time I saw the phrase ‘act now,' it was advertising one of those time-share condo deals that lock you in after a free trial period."

"Did you try it?" asked a reporter.

"No!" Shadegg laughed. That summed up the fiscal conservatives' effort: outraged gallows humor with no expectation of success.

Members of the RSC got a louder megaphone for their ideas when GOP presidential candidate John McCain flew to Washington to tacitly support them. The stunt drew some attention to the House Republicans' proposals, and a coalition of Republicans and liberal Democrats defeated the bailout in an initial vote. But the suggestions themselves didn't challenge the central proposition of the bailout: that the government, in a crisis, needed to nationalize whole chunks of the finance industry. The minority of Republicans who spoke up were accused of being Chicken Littles stoking false fears about the "end of capitalism."

Rep. John Campbell (R-Calif.), an Ayn Rand devotee who made his name voting against earmarks, said he would reluctantly support Paulson's bailout. "People are struggling with it around here like you can't believe," he explained. "This proposal is anathema to everything I believe. I've voted against million-dollar bills, and here's a $700 billion one. But to do nothing—that really threatens a massive expansion of government."

Campbell says he was willing to make the sacrifice, just this once, because he believed the crisis was comparable to 1929. "If John Q. Lunchbucket doesn't understand this stuff, and waits in line for a block to get into his bank, and then is told ‘we don't have your money,' he will respond to any proposal to prevent that in the future. Any populist who says ‘I'll make sure these guys never get your money again' will have his ear."

But who's to say that this scenario hasn't already taken place? If libertarians had won the argument on the economy—if they were as influential as social democratic writers such as Naomi Klein and Thomas Frank claim they are—they would have *dominated* the argument about the causes of the crisis and the damage intervention would wreak. That didn't happen. A bill that failed on September 29 was re-written in the Senate, then passed the House on October 3. Among the congressmen who changed their votes was Shadegg, the man who had compared the bailout to a time-share ripoff.

Rep. Ron Paul (R-Tex.), with a media profile burnished by his presidential campaign, appeared on CNN many times over the weeks of the crisis to explain why the Federal Reserve was to blame. But Paul was lonelier than ever. No other Republican was willing to suggest that avoiding a bailout and risking "a bad year," as he put it, would forestall several more years of economic central planning. They accepted the crisis narrative and attempted to legislate around the margins.

"This does ensure that President Bush will have a legacy," laughed Competitive Enterprise Institute president Fred Smith after that Americans for Tax Reform meeting. "It's a legacy that will set back the concept of economic liberty by a century. The free market, for all intents and purposes, is dead in America."