

# A lively and readable account of our gigantic economic mess



Tim Price

As all investors know, the failure of US bank Lehman Brothers five years ago threatened to send the entire global financial system over the edge of a cliff. Having thrown Lehman under

a truck and watched the consequences in rapidly freezing money markets, the US authorities quickly reversed course and leapt to the rescue of every other systemically important financial institution. The British monetary administration was similarly swift to dash to the pumps.

The outcome has been the worst recession for at least a generation, an even bigger debt mountain, and a gigantic lake of liquidity brimming over into financial asset inflation. British and American banks have been largely or partly recapitalised (Europe's hardly at all), but they all remain almost entirely unreconstructed. There is now a widespread feeling of concern, mixed with resentment at the ongoing extraordinary privilege of a banking system blessed with trillions of new dollars, pounds and yen. Oh, and the lowest interest rates seen for 300 years.

It chimes with the discordant spirit of our age that some of the most revealing coverage of the worst financial crisis in living memory has appeared not in the pages of the Financial Times or The Wall Street Journal, but in those of Vanity Fair and Rolling Stone. In the former, Michael Lewis, as befits a bond salesman turned journalist, explored the more grotesque instances of the credit bubble in forensic detail. In the latter, Matt Taibbi set new standards for gonzo journalism and coined that immortal description of Goldman Sachs as “a giant vampire squid wrapped around the face of humanity, relentlessly jamming its

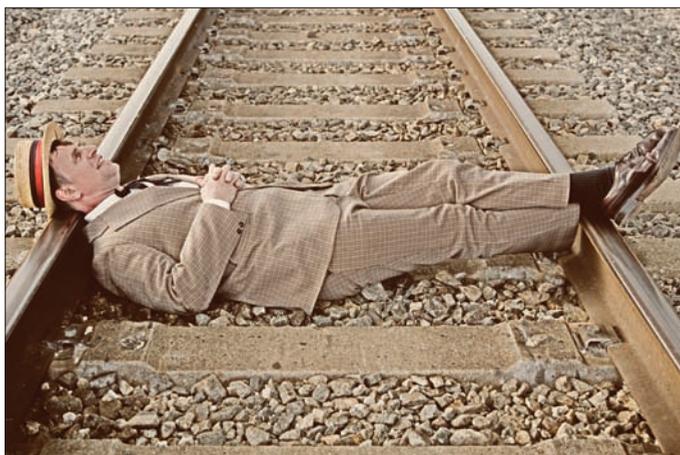
blood funnel into anything that smells like money”.

On which note, I am happy to report that hot on the heels of Messrs Lewis and Taibbi is MoneyWeek's very own correspondent, Dominic Frisby, in a new book, *Life After The State*. So we now have a serious economic and cultural critique of Big Government written by someone who, among his other various attributes, is a stand-up comedian.

And for those looking for answers to our current economic and financial malaise, the most pertinent one has to be: we are in this mess because of decades of uncontrolled growth by Big Government, to the point at which the state is inextricably tied up with just about every facet of modern life. We are paying

For socialists, these arguments will seem like poison. But Dominic has done a genuine service to all those willing to look beyond narrow political labels to a core underlying truth. This truth was candidly expressed by fund manager Paul Singer when he recently remarked that “America is deeply insolvent, and for that matter, so are most of continental Europe, the UK and Japan”.

It is not enough simply to throw one's hands in the air and concede that substantive political change is impossible. As Dominic says in the words of one anonymous internet poster known as ‘Injin’: “Find the right answer, realise you'll never see it in your lifetime, and then advocate it anyway, because it's the right answer.”



Can anyone stop the Big State freight train?

the price, in other words, for decades of promises that none of us, let alone our political “masters”, could ever realistically afford. The sky is now darkening with chickens coming home to roost.

Indeed, the state is so broadly entrenched in our lives that it “looks after the birth of the baby, educates the child, employs the man, cares for the aged, and buries the dead”. However, in dominating the birthing business, the state also spends £700 insuring each of those NHS births against negligence claims; in the process of educating our children, there can be no guarantee that they will read, write or count properly; in providing employment for the man, we are left to question whether such employment has any value.

It was not always this way. *Life After The State* contains several examples of how a more innocent age managed to look after its own without even dreaming of subsidy from Big Government. ‘Big Government’, of course, can only ever redistribute wealth from those who actually possess capital – it cannot magic wealth out of thin air, despite what the neo-Keynesians busily printing money today happen to think.

*Life After The State* is a lively and readable account of how we got into a gigantic economic mess and how we might best extract ourselves from the mire. It also provides an easily accessible history of sound money, inflation, and the role of gold in reintroducing the former. For anyone nursing a nagging sense of disbelief in our modern monetary system, and looking for alternatives, *Life After The State* is thoroughly recommended.

*Life After The State*, by Dominic Frisby, is available from Amazon or Unbound.co.uk, priced £7.19.

