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## U.S. Will Pay 'Long Time' For Bailout and Deficits, Says Author

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The American economy will suffer "a long time" as a result of last year's federal bailout of the financial industry, according to Johan Norberg, author of a new book about the policies that caused the banking meltdown.

Politicians, regulators and central banks in several nations -- including the U.S. Federal Reserve -- helped create the crisis that led to last year's massive Troubled Asset Relief Program (TARP) bailout, Norberg said.

"They distorted all the incentives and inflated the bubble," the Cato Institute senior fellow explained in an interview Tuesday.

Norberg's book, *Financial Fiasco: How America's Infatuation with Home Ownership and Easy Money Created the Economic Crisis*, approaches the mortgage-driven crisis as "a crime story," he said.



"Who did it? It turns out, everybody did it."

A scholar and journalist from Sweden, Norberg spoke yesterday at a book forum at Cato and also appeared at an event hosted by the America's Future Foundation.

Asked how the United States can get out of its current problems like high unemployment and rapidly growing federal debt, Norberg answered, "I'm not sure we do" get out of it.

"I'm afraid we're going to live with the consequences for a long time," he said. "The bailouts . . . the debts -- we won't be able to pay them back. We're going to pay for it for a long time. And it's not just what it costs, it's what we're buying."

Norberg said the TARP bailout would have the perverse effect of encouraging lenders and other financial institutions to engage in the same kinds of risky behaviors that led to last year's meltdown.

"If bankers make stupid mistakes and we bail them out, it encourages them to take big risks in order to make short-term gains, knowing that if they lose out, they can always send the bill to the taxpayers," Norberg said.

Norberg will appear today at a [noon Capitol Hill briefing](#) (Room 339, Rayburn House Office Building) along with [Mark A. Calabria](#), Cato's director of financial regulation studies.

**Robert Stacy McCain** is co-author (with Lynn Vincent) of [Donkey Cons: Sex, Crime, and Corruption in the Democratic Party](#) (Nelson Current). He blogs at [The Other McCain](#).