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## Havoc Lurks In The Flim-Flam

Politicians Killed Globalization In 1929. They Could Do It Again

Presented by



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Photography By Tyler Anderson

Politicians are masters of the flim-flam art of taking credit for achievements they are utterly not responsible for -- and denying responsibility for all the disasters and failures they help create. That caricature emerges all too clearly in *Financial Fiasco*, Johan Norberg's fascinating little book on the world economic crisis. In the book, subtitled "How America's Infatuation With Homeownership and Easy Money Created the Economic Crisis" (and excerpted in this issue, starting on page 34), Norberg pauses for a moment in the story behind the meltdown to deliver a couple of words on the game politicians have

been playing.

As markets and institutions crashed through 2008, world political leaders rushed to deny their involvement and divert attention, most recently in September, when U.S. President Barack Obama again warned against "unfettered" markets. All this, of course, is just part of the flim-flam. We never had laissez-faire or unfettered markets, but let's gun them down anyway. When things go wrong, the political instinct is to run for cover and divert attention away from the political by finding some external enemy to attack, some other force or factor, thereby enhancing the need of the political. As Norberg writes, after the economic crisis hit, "politicians who had never hesitated to claim credit for each one-tenth of one percentage point of growth or for each new job created now immediately went to great pains to pin the blame for the downturn on their own lack of influence." The media, no surprise, fell in line behind the politicians, joining the chorus calling for radical new regulation on top of the existing multi-billion-dollar regimes that had failed to see the train coming, and for new spending, money creation and subsidies -- in other words, more of the policies that helped create the 2008 crisis.

Much of the threatened interventions may never take place. On the other hand, dangerous initiatives -- trade protectionism, subsidization, regulation, monetary and fiscal expansions -- are on policy agendas everywhere. History also warns that political flim-flammery has in the past caused governments to turn sharply away from open markets and globalization. In *The End of Globalization: Lessons from the Great Depression*, Princeton historian Harold James shows how governments all over the world turned the 1929 financial meltdown into a prolonged global economic crisis. What made the Great Depression "great," says James, was the abandonment of the principles of free trade and globalization in favour of beggar-thy-neighbour policies that destroyed the global economy. The Great Depression was "the time for testing of the first major phase of economic globalization; it was a testing so brutal that the system was destroyed, and the world reverted to autarkic or near-autarkic national economic management. It was only in the 1960s and above all in the 1970s that a global world economy was recreated." The point never to be forgotten is that politicians, playing their flim-flam games, have created economic

havoc before, and they could easily do it again.

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