

Be of Good Cheer: A Christmas Greeting from the Director of the Libertarian Alliance

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By Sean Gabb*

There being nothing else on any of the channels we can receive, my wife and I have spent much of the day watching the various Christmas greetings from religious and political leaders from around the world. These range from the vacuous (Her Majesty the Queen), to the impressively malevolent, so long as the volume is turned down (the Bishop of Rome), to the plain stupid (the Archbishop of Canterbury). I will not bother with reviewing these utterances. Instead, I will issue one of my own.

There is little doubt that 2009 will be a bad year in every respect where the politicians have influence. In England, we may have a general election before the summer. If this happens, and if the votes are fairly counted, or if the police decide not to arrest all the opposition leaders, Gordon Brown and his Labour Party will be ejected from office. In the past decade, he has helped turn this country from the incipient police state established by the Conservatives into a true police state that is tempered only by the mockery we are still permitted to heap on its projectors. It would be nice to see these people out of office - especially since they could never be re-elected, and the only thing they have ever really wanted in life was to be in office. But there is no reason to suppose the Conservatives would do much to prevent our final slide into totalitarianism. They have too many nasty inclinations of their own to break up the vast apparatus of control brought near perfection by Labour. Even otherwise, I suspect they are too stupid and lazy to know how to break it up.

I would ignore political developments elsewhere in the world - only it would deprive me of the opportunity to feel sorry for the Americans. I saw their President-Elect in a newspaper the other morning. Posing shirtless, he looked for all the world like one of the more raddled black boys you see selling their bodies in Leicester Square. I think this says more about the tone of his coming leadership than his choice of Hillary Clinton and the usual neo-con suspects to run his foreign policy, or his having accepted the full climate change nonsense. I have no doubt the BBC will cover his inauguration as if it were the Second Coming. It will be watched in much of England, even so, with laughter and contempt. President Obama will be rather like Tony Blair, but without the taste or restraint which Princess Tony will, by comparison, be shown to have possessed.

Since they too are influenced by the politicians, 2009 will be a bad year in most respects economic. I am not sure when the present cycle started, but interest rates have, for many years, been manipulated by the politicians below the level needed to balance savings and loans. The resulting additional

demand for loans was satisfied by creating new money out of nothing. This enabled a gigantic speculative bubble that sprang a puncture last year, and that has now burst. Recession is the natural result. The structure of relative prices has been distorted. Investments have been made that are now shown to be unwise. There must be changes. The beginning of change is to allow interest rates to rise and unsound businesses to go bankrupt. The faster this is allowed to happen, the sooner we can return to prosperity.

Sadly, the political response has been to look for any scheme to save or replace the speculative bubble. Interest rates have been cut in England and America. The taxpayers' money has been lavished on propping up the more unsound banks. Governments are threatening to inflate without limit. The stated purpose of this is to avoid recession. The result will be to make the recession longer and deeper than it needs to be. The politicians tell us that Keynes was right after all. Perhaps that is what they believe. More likely, they have been taken in by the bankers with warnings about total collapse of the financial system, and are now responding like the victims of those Internet frauds run from Nigeria. I see the car makers have taken up the bleat for subsidies. I suppose they will be joined soon enough by the coffee bars and every other business that over-expanded.

2009, therefore, will be a bad year in the economic sense. If it is not, the pain will only have been delayed until 2010, when it will be felt with compound interest.

Here, though, is an end of my gloom. Much is bad now, and will get worse in the next few years. So long, however, as we can avoid a collapse into totalitarianism, the future is nowhere near so bleak as we are presently assured. Scientific and technical progress continue at the most wonderful speed. Sooner or later, there will be a renewed scramble to bring the results to market, and our lives will be still further enriched - and this time, I hope, considerably extended.

And there need be no relative decline of the West. We have been told for years - usually by self-righteous lefties, gloating over a fall that they assume they and their families can personally avoid sharing - that the coming economic giants of this century are China and perhaps India. This is as fatuous as earlier claims about Japan. If you type the phrase "population pyramids" into Google, the first result will be an American Government website showing how the population of every country in the world is, and will be, distributed by age. Until we know how to extend not merely life but also youth, the most dynamic people in any country will be aged between twenty five and forty five. In England and in America, this age group will predominate throughout the present century. In the Orient, every developing country is following the Japanese pattern of rapid ageing, followed by actual decline of population. The Japanese at least reached Western standards of living before they stopped having children. The Chinese may simply grow old before they get rich. After a fashion, China has been getting richer for about thirty years. We shall see how long that can continue once the majority of the population is over the age of fifty, and have neither savings nor children to support them in

old age.

And China has been getting richer only after a fashion. About thirty years ago, its Communist rulers decided to turn the country into one big sweatshop, supplying the West on razor thin profit margins. They managed this by unlimited force. Ordinary working people in China have been ruthlessly exploited. With the banning of real trade unions, and with generally oppressive contracts of employment, labour there is free only in the nominal sense. Otherwise, costs have been socialised for favoured companies; and competitiveness has been maintained by an undervalued exchange rate. Look beyond those glittering towers built for the ruling class and its foreign partners, and you find endless and increasing misery.

Even without the start of demographic crisis, this may now be ending. We are told about the huge scale of the foreign currency reserves maintained by the Chinese Government and its banks - as if money were the same as riches. At least the mercantilists in old Europe wanted their governments to accumulate gold and silver. These could eventually be made into imports. What the Chinese Communists have done is to send us a continuous stream of manufactured goods, accepting in exchange a mountain of dollars - and at an undervalued rate - that are only worth anything if they are not spent. The moment these reserves are used for imports, or switched into more stable currencies, their value will collapse.

The Americans have had the main benefit from this fraud. But so far as the Orientals have had an insatiable hunger for dollars, and the rest of us have had no trouble in getting dollars to hand over, all other Western peoples have benefited.

This brings me to the supposed crisis of our national debt. The English and American Governments have been borrowing for the past decade on a scale that would once have been thought reckless. Gordon Brown has already given this country the ratio of debt to output that we last had after the Second World War. This is without the further borrowing he has announced. The Americans are facing the same explosion of public debt. Some economists are telling us that we shall have to pay higher taxes for at least a generation to service these debts.

But this is not true. Our governments will borrow little from us – most of us having no savings to lend. They will instead continue selling bonds to the Arabs and the Orientals, and a few Russians if the price of oil recovers in time. The real value of these will then be inflated away.

None of this pleases me. Inflation harms us all, in ways that are often hard to trace. But once the mess of the last boom has been cleared away, it will become plain that the chief victims of that boom were the very countries everyone thought were the chief beneficiaries. We shall have had our cheap notebook computers and our flat screen television sets. We shall have increased our wealth in the present, and increased our abilities to grow wealthier in the future. Those who screwed their peoples to the edge of

destitution to make this possible will find themselves holding our increasingly worthless paper. Chinese growth will grind to a halt. India will break up. Eventually, the Arabs and Russians will learn that we have discovered some cheaper source of energy than their carbons. All we need to do is somehow bring our politicians under control, and we shall enjoy a most agreeable twenty first century.

And so I wish all the lucky members of my mailing list a Happy Christmas, and - if the coming year will be dreadful - the prospect of much better times to come.

NB—Sean Gabb's book, *Cultural Revolution, Culture War: How Conservatives Lost England, and How to Get It Back*, can be downloaded for free from <http://tinyurl.com/34e2o3>