

## [The end of the party](#) [1]

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I don't like to say 'told you so', but the current economic crisis says it louder than those mere words. Back in 2007-08, the politicians were rushing to blame the recklessness of the banks for the financial meltdown. We at ASI argued that the real culprit was actually the recklessness of the politicians. The UK and US governments, in particular, had been throwing a wild party, living beyond their means for decades, spending like mad, creating pointless public sector jobs, then printing money and keeping down interest rates in order to pay for it. But you can't keep partying forever.

And the politicians' answer to the inevitable hangover that followed? A hair of the dog. Quantitative easing that flooded us with fake electronic money which the politicians hoped we would think was real. Interest rates cut so low that they could go no further. Spending that just carried on ? with a rising debt 'ceiling' in the US, and public spending cuts in the UK that are only just big enough to be real.

Continental Europe, meanwhile, superciliously grinned that it had escaped the contagion of those reckless Anglo-Saxon bankers. But again, the banks' high-risk behaviour were just what you'd expect when a government-fuelled party was in full swing ? not the cause of it. And the Euro area was high on its own party substances. It had welcomed in dodgy economies like Italy, and even Greece, which had faked its financial ID to gain entry, and just turned a blind eye as their economic behaviour got more and more outrageous.

By now it's plain that you have to blame the politicians for all this, not the bankers. It is the politicians that the bankers are now punishing, because they fear that governments have let the financial rave get out of control and have no idea how to get themselves sober again. If the authorities do not reach for the strong coffee and drink it down to the bitter grounds of real deficit and debt reduction, the police and ambulances are going to be arriving, lights flashing and sirens blaring, rather earlier than they think.

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