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Gaddafi's and west's love of the big lie

By Kishore Mahbubani

Dictators are falling. Democracies are failing. A curious coincidence? Or is it, perhaps, a sign that something fundamental has changed in the grain of human history. I believe so.

How do dictators survive? They tell lies. Muammer Gaddafi was one of the biggest liars of all time. He claimed that his people loved him. He also controlled the flow of information to his people to prevent any alternative narrative taking hold. Then the simple cell phone enabled people to connect. The truth spread widely to drown out all the lies that the colonel broadcast over the airwaves. Similarly in Egypt and Tunisia, the regimes lost control of the narrative. In short, technology has undermined dictators' ability to lie to their people.

So why are democracies failing at the same time? The simple answer: democracies have also been telling lies. Now we know, for example, that the eurozone project was created on a big lie. All the major European politicians assured their publics that the contradiction between monetary union and fiscal independence would be resolved by insisting on fiscal discipline. Any eurozone member that violated the 3 per cent budget deficit rule would be punished.

All this was a big lie. When France and Germany breached the 3 per cent rule in 2003, nothing happened. This then opened the doors for others to break the rule (Portugal, Ireland, Greece and Spain). Even worse, Greece began lying to its European partners from the very beginning. To be fair to Greece, its European partners knew Greece was lying.

The people of Europe went along with the big lie as long as they did not have to pay for it. The great western financial crisis of 2008-09 changed everything. Bankers had to be rescued. Taxpayers had to pay the price. Foolishly, the Irish government took on the liabilities of Irish banks, passing the burden to Irish citizens. Today, the German taxpayers balk at having to pay the price for rescuing an economic experiment that rested on a big lie.

Europe is not alone. The American people are equally angry with their government. No

US leaders dare to tell the truth to the people. All their pronouncements rest on a mythical assumption that “recovery” is around the corner. Implicitly, they say this is a normal recession. But this is no normal recession. There will be no painless solution. “Sacrifice” will be needed and the American people know this.

But no American politician dares to utter the word “sacrifice”. Painful truths cannot be told. And there is an even more fundamental reason why they cannot tell the truth. In theory, a “government of the people, by the people, for the people, shall not perish from the earth” in America. In practice this is a big lie. Take the US budget process as exhibit A. In theory, the government collects taxes to deliver public goods to the population. In practice, the US budget has been hijacked by all kinds of special interest groups. This is why the US stimulus plan failed. A small portion of it went to help create jobs. Most of it was absorbed by various special interests. As Harvard economist Jeffrey Miron says: “The stimulus was so poorly run that stimulus money wound up going to prisoners and dead people, bridges to nowhere, and useless government buildings.”

In short, the US political system is dangerously flawed. The American people feel in their bones that something has gone awfully wrong. They know that the financial elite is in bed with the political elite. The interests of the banks will be taken care of; the interests of the people will not. Yet while all this is happening, politics is on autopilot.

Few American politicians seem aware that the whole world was shocked that a “deal” was reached to get America’s finances in order without raising a single tax. When S&P delivered the natural verdict that this would not work, the messenger, as usual, was crucified.

Most people know what is happening. Hence, there is a simple way politicians can regain trust: tell the truth, even if it hurts. But they won’t until they learn that lying doesn’t work – it is not just dictators like Col Gaddafi who never will.

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