OPINION “If governments retain part ownership of banks it won’t take long until we see how political interests begin to influence the distribution of credit”, pro-globalist author Johan Norberg writes.

Two years ago the world’s richest man was American, the biggest car producer was American and the biggest bank American. A year later the world’s richest man was Mexican, the biggest car producer was Japanese and the biggest bank Chinese.

Something is changing around the world and it’s about time. The reason why the West has been so far ahead traditionally is that its individuals and entrepreneurs have experienced much greater freedoms and opportunities. That has changed with liberalization and globalization. Now capital and technology can find talent wherever it is hiding. That is one reason why around 50 000 people have been lifted out of extreme poverty every day, the last 25 years.

That is a wonderful development, but it is also frightening to many westerners, especially as some of the new, growing capitalist economies, like China, don’t share our ideals about democracy and human rights. They are now trying to find their identity and position in the new world order. Is there a risk that their growth will come at the expense of not just our jobs, but also our ideals?

Just think of the anxiety that has been expressed in the last decade about the large numbers in the East. You’ve heard it before: The US graduates 70 000 engineers every year, India 350,000 and China 600,000.

As usual, we exaggerate changes in the short term changes. The often quoted figures include students who get diplomas in simple technical tasks after a two- or three-year program. If we exclude those, and auto mechanics and repairmen who are classified as engineers, we would have to reduce the Indian and Chinese numbers by perhaps two thirds. Higher education is still very poor and only a tiny elite gets the skills needed to compete globally.

Businesses – and some politicians – in Asia still complain about the lack of creativity, curiosity and entrepreneurship in the workforce. They have been excellent at putting people to work in routine tasks in manufacturing, but they have been much less successful in stimulating innovation, which is the next necessary step for their economies.

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So the rise of Asia is set to take longer than many expect, and we will have plenty of time to adapt to a new world, economically and psychologically. And we will see how richer markets to sell to and more ideas and technologies to borrow from will benefit us as well, as long as we keep our markets open. The interesting thing from a Western perspective is that these changes will demand more pluralism and individualism in emerging economies, and suddenly that does not seem as threatening. If they want to “beat us”, they have to become us.

So it’s not you, it’s me. If a historical shift is about to take place it’s not so much because of changes somewhere else, but back home. And the financial crisis might lead to such changes.

The economic recession has led to an identity crisis for many western countries. We used to think that we have superior rules, norms and institutions, just look at our…well…our banks. The financial crisis has given a severe blow to the hope that we would be able to export ideas, institutions and services, for example financial services, in exchange for the manufactured goods we import. And the way in which our central banks, politicians and financial regulators inflated the credit bubble for popularity, for votes or just out of short-sightedness and incompetence, makes it difficult to be as self-congratulatory as we used to be.

But crises come and go. The capitalist system has been incredibly resilient and even though the weakness of banks and a new non-leveraged economy will lead to lower growth rates in the future, we should be able to get back fairly soon if we allow market forces to kill inefficiencies and allow capital to move from the uncompetitive to the most competitive sectors.

However, since the attempts to respond to the crisis politically has been so extraordinary, there is a risk that this process of creative destruction is halted this time. Attempts to bailout industrial giants hep the big and well-connected at the expense of companies that would have been competitive. Support for companies in one country leads to demand for protection from them in other countries. If governments retain part ownership of banks it won’t take long until we see how political interests begin to influence the distribution of credit. Big deficits take money from businesses that need them and put them in government projects.

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And when the American government realises that it will never be able to pay back its gigantic debts without massive tax increases and spending cuts, there is a real risk that it will start the printing press and inflate its way out. When that happens it will spell the end of the dollar as the world’s reserve currency.

We will survive economic stagnation and inflation as well, of course. After all, we survived the 1970s. But it would undermine America’s and Europe’s self-confidence, and our economic and political models would seem much less attractive to the rest of the world, at the same time as emerging economies are already growing much faster and are attempting to define their future role in the world.

The most important achievement of Thatcher and Reagan was not their foreign and defence policies, but their economic policies. They made their economies dynamic and made people believe in the future once again, so that they tempted the rest of the world. Something to aspire to and something to fight for. And Thatcher and Reagan don’t live here anymore.

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