Did the official Treasury document about the first Osborne Budget contain a misprint? On page 74, it carried the statement: "Using the latest market prices, the cost of the financial sector interventions, net of fees and other income, is estimated at £2 billion." In other words, the Treasury believed on Budget day—June 22—that the cost to the taxpayer of the banking crisis was £2 billion.

Only £2 billion? Surely the figure is £20 billion or £200 billion or even, given the supposedly galactic folly and iniquity of Britain’s bankers, £2,000 billion. Isn’t there a nought or three missing?

The recent report from the Future of Banking Commission, masterminded (if that is the right word) by the MPs David Davis and John McFall, asserted: "The immediate and direct public costs of bailing out the UK’s banks is estimated at £131 billion in cash injections, along with additional state guarantees amounting to £850 billion." Alternatively, recall John Kay’s well-regarded column in the Financial Times on May 11: "The party ended with the bankers begging at the back door... We are likely to have borrowed at least £500 billion extra on their account."

So what is the right answer? Has the banking crisis lost the taxpayer £2 billion, £131 billion or £500 billion?

All these numbers are wrong. The truth is that the taxpayer will make an immense profit from the state’s financial sector interventions, not a loss. At the simplest level, banks fully or partly owned by the government have, since the Budget, announced profits and the share prices of the two publicly-quoted banks, RBS and Lloyds, have risen. If the government’s stakes were sold now, a profit of more than £5 billion would have been earned.

More fundamentally, the government has been engaged in large-scale racketeering that will result in a substantial wealth transfer from banks’ shareholders to taxpayers in general. Its behaviour towards the financial sector in the two years to spring 2009 breached a long-standing implicit contract: a solvent UK bank that had complied with regulations should be able to borrow from the Bank of England if it had a cash problem. The breach of this contract enabled the government to stigmatise and vilify the banks.

The state was able to expropriate the equity of Northern Rock and Bradford & Bingley and come close to taking the entire system into public ownership. In January and February 2009, Vince Cable and John McFall openly advocated the nationalisation of the banks and did not bother with the legal nicety that the banks’ owners might be entitled to compensation. In that context, the government was able to acquire its big stakes in RBS and Lloyds at knockdown prices.

The size of the eventual “taxpayer profit” remains a matter of guesswork. Assuming that the status quo ante is restored, the UK’s banks ought eventually to trade at roughly twice their so-called “book value”, in line with the historical norm. That would imply—say in 2013 or 2014—a share price for RBS about three to five times the current level, and for Lloyds about twice, while the disposal of Northern Rock and Bradford & Bingley might raise about £5 billion. On this basis the taxpayer’s profit—and the shareholders’ loss—would be well in excess of £100 billion. Contrary to Kay’s conjecture in his FT column, the state’s intervention in the banks would lead to a significant drop in the national debt.

The last paragraph is so far from the current media consensus that it may make eyes pop. Time will tell. Whatever the precise outcome, the “taxpayer profit” must not be celebrated. The crisis was a shocking demonstration of how much damage the political class and commentariat can do when they misunderstand a complex technical subject. Gordon Brown—the presiding genius over the blunders—was enraged if any of his staff suggested that the crisis was one of illiquidity, not insolvency. The emergence of a taxpayer profit confirms that the banks had a cash problem (that is, they were illiquid) and were not bust.

In his years as the longest-serving Chancellor of modern times, Brown did not acquire—and was not expected to acquire—a deep understanding of the plumbing of the building in Whitehall where he worked. The truth is that he also never became an expert on the meaning of bank balance sheets and the plumbing of the UK financial system. His ignorance about the workings of key institutions in a capitalist economy was wilful, profound and scandalous and was responsible for Britain’s worst economic disaster since the 1930s.