

From the Desk of...

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Author and Speaker on The World Economy and Asia

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Graeme Maxton, international writer, author and Fellow of the International Centre of the Club of Rome, says our lack of principles is holding us back, and that fast money is undermining our societies, ruining the planet and warping our minds

Fast money affects us all. It determines the fate of countries, companies and individuals. It lies behind the damage we are doing to the planet. And it has altered how we behave.

Fast money exists because of a shift in thinking in the late 1970s. A group of economists persuaded western leaders that it was the dead-hand of the state that was holding their countries back. To unleash opportunity, these economists said, regulators should cut red-tape, tax less and privatise state-owned firms. They should let the free-market and “the invisible hand” take charge.

These ideas certainly worked, at least for a while. Between 1980 and 2007, the world experienced the fastest period of economic growth known in history. The size of the global economy more than trebled, with the finance sector’s share rising fivefold. Thanks to easier credit, millions of people could buy items they could not previously afford. New factories were built in China, India and Mexico to cut costs, and prices, allowing spending to rise further and even more people to buy the goods they dreamed of, instantly.

Although this generated lots of growth, the boom fast money created was never real. It was not based on something enduring, like an industrial revolution. It was a fantasy built on too much credit being pumped into the system too fast. People were not actually getting richer, as they thought. Real incomes stagnated in most places. But they felt richer because fast money allowed them to have more of what we wanted, faster. This increased the demand for houses and share, pushed up values and led everyone to feel better off, spiralling the economy ever higher.

Eventually, of course, the fast money fair-ground ride coughed to a halt with the financial crisis of 2007 and the global economy fell back to earth.

Fast money did more than give the world what it wanted ... it also changed the way we think. The years of instant gratification warped our values and this, too, is affecting our ability to recover.

Getting out of the subsequent slump, which has now endured for more than five years, will be hard. Super-low interest rates, tax cuts and printing more money will not pay off the still-crippling debts that remain, despite what

politicians keep saying. It will take something much simpler but much less politically alluring: patience and time. Hundreds of millions of people, thousands of banks and tens of countries will have to pay back

what they borrowed and learn to live within their means.

It will take more than that though. Fast money did more than give the world what it wanted, for a while. It also changed the way we think. The years of instant gratification warped our values and this, too, is affecting our ability to recover. The tide of greed and short-term thinking that fast money unleashed, the desire for fast and easy gratification is still holding us back. Until we fix this problem, the risk remains of us drowning in the toxic sea that fast money created.

Fast money let us think that what we do has no consequence. It let us think we could spend without restraint, borrow as much as we liked and ignore the widening gap between rich and poor. It made us think about ourselves and not our societies. And it made us believe that what we do to the planet does not matter.

But it does. We are now officially living in the age of the Anthropocene, an era when we are changing the Earth's geography.

To supply the raw materials for the consumption boom fast money unleashed, mountains have been reduced to rubble and forests have become deserts. Hills have been turned into heavy metal-soaked swamps and estuaries into dead zones. Seas have evaporated or been poisoned by factory run off. Oceans have been blended with a melting plastic soup of poisons and parts of the Earth rendered radioactive, unsafe for centuries to come.

Catastrophic rises in sea-levels, that until very recently were expected to take more than 100 years, are now predicted within a few decades. The Arctic will be ice free by the summer of 2015, and all year round 15 years later. Crop yields are falling, floods

becoming more frequent and droughts more prolonged.

Despite the damage fast money has caused, the deniers and naysayers still turn to economics for salvation and to technology for magic answers. They say that we should worry about growth, not rising CO2 levels or a few smouldering forests. We should be fretting about the weakness of consumer spending and the plight of the business world. Cut the red tape even more, they tell us, get people to spend again and release businesses from their remaining controls. Free the market. Focus on recovery. Fast money can still come through.

This is all nonsense.

We do not need fast money economics any longer, but the old sort, the economics of Adam Smith.

Traditional economics sees the pricing of the planet differently. It says that we should pay for all the costs of what we consume. Fast money does not. In slow money economics, the price paid for every tonne of coal dug up in China would include some element to account for the groundwater soured by the slurry. It would provide some recompense for the blight imposed on ancient landscapes. It would cover a payment for the miners

whose lives have been shortened by lung disease. And it would reflect the cost of the coal not being there for future generations.

When we exclude all these costs, as fast money does, when we simply regard them as "externalities", then part of the price our generation pays for its coal is being paid by someone else – our grandchildren, the healthcare system and the planet.

Fast money means that almost everything we buy is too cheap. It encourages

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us to destroy the rainforests, overfish our oceans, kill off species and let ancient glaciers disappear - all without any apparent cost. The causes of climate change are simply dismissed.

Fast money and the need for instant gratification makes us ignore everything we don't want to pay for now. Across the world, goods are being under-valued or thrown away because to make them reusable or price them properly would slow the fast money machine down.

And, while technology is often seen as the answer to these problems, especially by financiers and non-scientists, it is not. Technology may be able to fix some of our problems, but it cannot fix them all. It can help us use water more efficiently and create new forms of energy. We may be able to develop genetically modified foods to beat the worsening floods and droughts. Our innovativeness may also allow us to reverse the speed of planetary heating.

But when the tin, zinc, silver, copper and many other essential raw materials are gone – and that will be within a generation – no amount of clever thinking can replace them. Regenerating base metals is not about our ability to innovate, but the laws of chemistry.

Nor can technology solve the social problems fast money has wrought. It cannot narrow the gap between rich and poor, nor make the price we pay for everything fairer. It cannot take away the debts, the greed and the short-termism. It cannot tame the hunger for faster development that still propels most of the world's peoples, nor

manage their disappointments to come.

To fix our problems we need to slow money down again, even if the consequences for the fast-cats will be hard.

We need to return to the ideas of Adam Smith. He thought that the rich should be taxed more than the poor. He believed that we need to intervene in markets, to stop abuses. He also believed strongly in fairness and sustainability. His sort of economics was based on principles, not selfishness.

So we need to heavily penalise resource use, and especially heavily in the rich world. This will make everything more expensive, of course, but it will also stop us living on the cheap, being subsidised by the earth and our grandchildren. It will force us to live within our means.

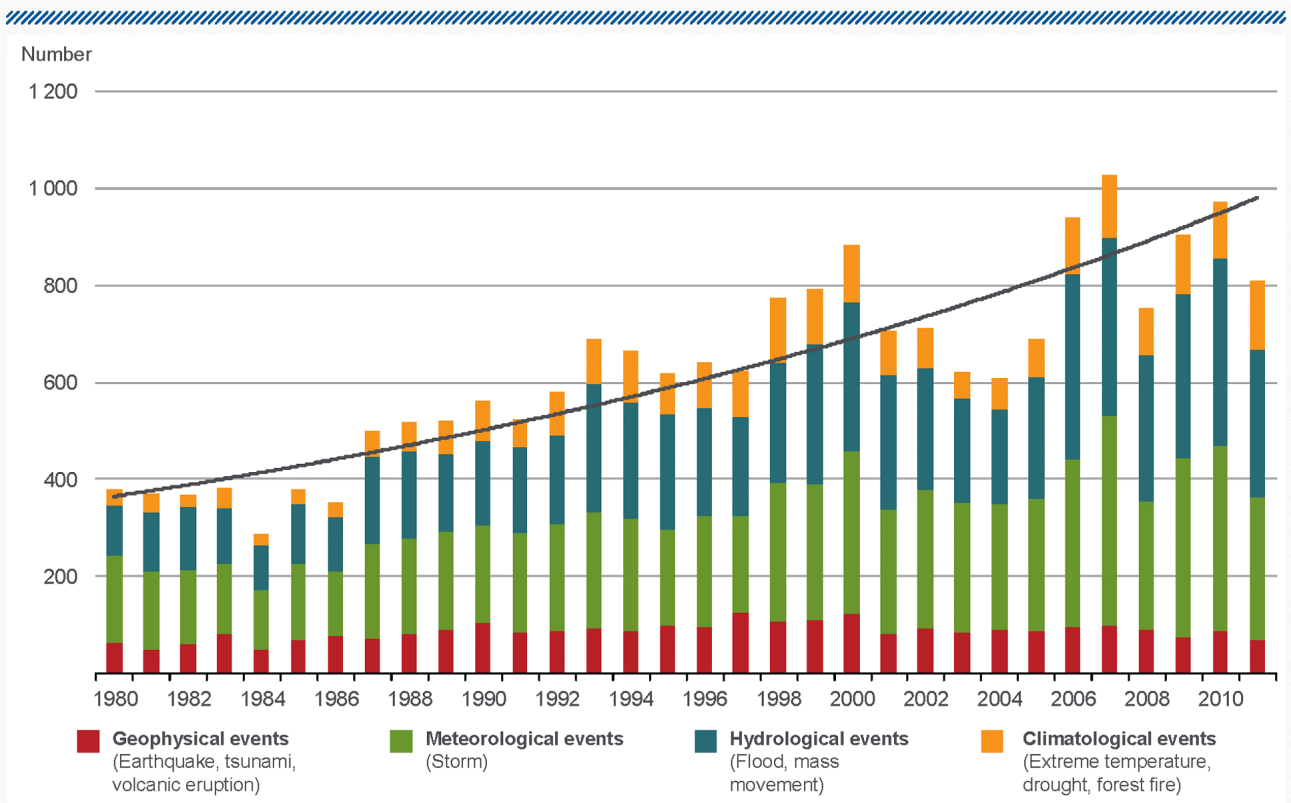
And, heretical as it may seem, we need to control markets, banks and businesses properly. Regulators need to ensure that any environmental damage is contained. They need to stop banks from manipulating markets for their own gain. And they need to see that economic growth is of benefit to us all.

The world of fast money let us think that the planet is there for us to consume, to change and exploit. It allowed us to ignore the damaging effects we have been having on our societies and the future. It made us focus only on growth, just so that a few rich people could get even richer.

It is time to slow money down again, and to think about principles, not just greed.

Natural catastrophes worldwide 1980 – 2011

Number of events with trend



About Graeme Maxton and The Insight Bureau

Graeme Maxton is an international freelance writer on the world economy and business challenges. Based in Vienna, he is a Fellow of the International Centre of The Club of Rome and is a frequent visitor to Asia and part time resident of Hong Kong. He is also the author of a hard-hitting book entitled "The End of Progress: how modern economics has failed us." He is a highly engaging speaker on the global business environment and the challenges and opportunities it presents. He was formerly a freelance correspondent for The Economist and was formerly the Director of Economist Corporate Network in Asia and chairman of its CEO programme in Hong Kong. www.insightbureau.com/GraemeMaxton.html

The Insight Bureau

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