

# Over the wall ...

**Alan Maley invests some time reading about the mystery of global finance.**

The world of global economics, banking and finance is a mystery to most of us, full of arcane terminology – *leverage, derivatives, hedge funds, securitisation*, etc. Until recently, we stood in awe of those great minds who could navigate this world with ease and assurance. Alas, the last few years have disabused us of this illusion. We realise that these politicians and financial wizards are as far out of their depth as we are. They have no clue what to do when the going gets rough – except to cry for help from

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government. As the UK government's Business Secretary Vince Cable remarks, '*... no one fully understands what is happening or how the current drama will play out*'. These little emperors now have no clothes (though their personal bank balances remain intact), while the rest of us are losing our shirts. Alongside this largely bubble economy, however, there stalks the spectre of a real world of swiftly depleting resources and rapidly mounting problems with disposing of the pollution created by the monster of

unmitigated growth. The books reviewed here examine these twin issues from slightly different perspectives.

## **The Gods That Failed**

This book, written by two journalists, is a blistering indictment of the global financial system which started to collapse in 2008. The 12 gods of this system – *globalisation, communication, liberalisation, privatisation, competition, financialisation, speculation, recklessness, greed, oligarchy, excess and arrogance* – are analysed and polemicised in the succeeding chapters. As the authors point out: '*It is an axiom of the global order that there is never too much of anything; never too much growth, never too much speculation, never too high a salary, never too many flights, never too many cars, never too much trade.*' There is detailed analysis of cases such as the failure of the UK building society Northern Rock and the sub-prime mortgage debacle, and of the speculative instruments like derivatives, which enable financial wizards to maximise profit while passing the risk to others. And the solution? They cite Stiglitz: '*What is required is in some ways simple to describe: ... ceasing our current behaviour and doing exactly the opposite ... not spending money we don't have, increasing taxes on the rich, reducing corporate welfare, strengthening the safety net for*

*the less well off, and making greater investment in education, technology and infrastructure.*' But this is not so simple to achieve. In the final chapter, they argue for a 'New Populism' based on the policies of Roosevelt, old Labour and the European social democratic parties. This would entail imposing tighter controls on lending and credit, splitting retail from corporate finance, breaking large banks into smaller ones, strictly regulating all derivative products, instituting protection for top-class industrial companies, increasing taxes on hedge funds and private equity and deregulating small firms and the self-employed sector. What they don't question is the return to an economy driven by growth, something I, personally, believe to be unsustainable.

## **The Storm**

A similar criticism must be levelled at Vince Cable's *The Storm*. He makes a detailed and intellectually-challenging analysis of the current situation, covering issues such as the Northern Rock crash, the collapse of credit, peak oil, food and water shortage, the rise of new economies such as China and India, and the reactions to all of this. His final chapter, *The Future – a Road Map*, offers his solutions for the UK: cutting interest rates, government loans to big firms, the government spending its way out of recession, quantitative easing (ie

printing more money), nationalising banks, more regulation of the financial sector, separating retail from investment banking, etc. The book was published in 2009. Two years later, most of these 'solutions' have been tried and do not so far seem to be working. What is most concerning is his touching belief in the free-market system and his wish to get back to growth, and his almost contemptuous dismissal of any alternative view. He refers to anti-globalisation protesters as 'a ragbag of discontents' and sees 'political and economic liberalization ... as inexorable and positive forces'. He refers disparagingly to 'a reassertion of the "Limits to Growth" thinking that flowered briefly in the 1970s'. (In fact, most of the predictions made in the Club of Rome report have come true; see Meadows, Randers and Meadows.) Only on the last two pages of the book does he briefly mention climate change and the elimination of hunger, poverty and disease. This myopic concentration on global market-economy issues is deeply worrying, especially since Cable is now a government minister. The willingness to sacrifice the planet on the altar of growth, and the unwillingness to consider its effects, is suicidal. As Seabrook reminds us: 'If the creation of wealth itself destroys and wastes humanity, that wealth, however vast, will never suffice to repair the damage it has wrought.'

## Eaarth

In *Eaarth*, Bill McKibben reminds us that it may well already be too late. Its apocalyptic vision is not, sadly, a work of the creative imagination. It is all too real. While the economists and politicians continue to focus on the chimera of global growth, this book spells out in stark terms where we are heading. It focuses on 'building the kind of communities and economies that can withstand what's coming'. The first two chapters lay out the problems: climate change, global warming, depleting fossil fuels – and the effects on glaciers, disappearing rain forests, loss of marine life, extreme destructive weather, lakes drying out, drought, etc. McKibben claims that 'we're running Genesis backward, de-creating'. The earth we thought we knew is gone: all we can do is prepare for life on what is left, and it will be tough. He argues that another burst of expansion will simply accelerate ecological and economic collapse. The best we can do is to slow down and 'manage our descent'. And we have to do this in the face of powerful

voices such as that of Larry Summers, Obama's chief economic adviser: 'There are no limits to the carrying capacity of earth that are likely to bind any time in the foreseeable future. There isn't a risk of an apocalypse due to global warming or anything else. The idea that we should put limits to growth because of some natural limit is a profound error.' This is so crass it is scarcely credible.

In the second two chapters, McKibben examines possible survival strategies: slowing down, making smaller, aiming for maintenance not growth, localising production especially agriculture, fostering bio- and agri-diversity, localising renewable energy generation, etc. (For those interested in the precise details of how this might be done, see David MacKay's proposals in *Sustainable Energy – Without the Hot Air*.)

## Prosperity Without Growth

Tim Jackson's book takes these ideas forward, combining economic, ecological and social perspectives. The book focuses on the questions: 'What can prosperity possibly look like in a finite world, with limited resources and a population expected to exceed nine billion people within decades? Do we have a decent vision for such a world? Is this vision credible in the face of the available evidence about ecological limits? How do we go about turning vision into reality?'


The book then closely analyses the factors involved, many of which overlap with those in the books above. Jackson's suggested solutions come under three headings: *Fixing the limits* – reducing emissions, fostering green solutions; *Fixing the economic model* – structural transition to low-carbon, labour-intensive activities, financial and fiscal prudence; *Changing the social logic* – reducing working hours, tackling structural inequality, measuring capabilities for flourishing (life expectancy, participation in education and the community, etc), strengthening social capital and diminishing the culture of consumerism (eg by media regulation). It is the author's focus on the social factors which gives this book its unique quality. Like Fritz Schumacher, his attention is focused on re-defining what we mean by prosperity in terms other than GDP.



These are worrying books, but the global reality warrants worry! As teachers, we

surely have a responsibility for developing critical awareness in our students, as well as teaching them language. In fact, the two things can be powerfully combined, as some recent coursebooks have shown.

I close with a quote from Cormac McCarthy's *The Road*, a bleak vision of a possible future if we do nothing:

*'On the far side of the river valley the road passed through a stark black burn. Charred and limbless trees stretching away on every side. Ash moving over the road and the sagging hands of black wire strung from the blackened light poles whining thinly in the wind. A burned house in a clearing and beyond that a stretch of meadowlands stark and grey ... Farther along were billboards advertising motels. Everything was as it once had been save faded and weathered.'* 

Cable, V *The Storm: The World Economic Crisis and What it Means* Atlantic Books 2009

Elliott, L and Atkinson, D *The Gods that Failed: How blind faith in markets has cost us our future* The Bodley Head 2008

Jackson, T *Prosperity Without Growth: Economics for a Finite Planet* Earthscan 2009

McCarthy, C *The Road* Picador 2006

McKibben, B *Eaarth: making a life on a tough new planet* St Martins Griffin 2010

### See also:

MacKay, D J C *Sustainable Energy – Without the Hot Air* UIT 2008 (free download at [www.withouthotair.com](http://www.withouthotair.com))

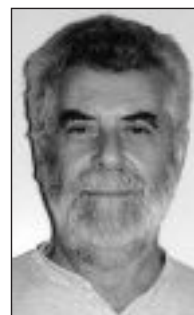
Meadows, D, Randers, J and Meadows, D *Limits to Growth: The 30-Year Update* Chelsea Green 2004

Sandel, M BBC Reith Lectures ([www.bbc.co.uk/worldservice/specialreports/2009/06/090612.shtml](http://www.bbc.co.uk/worldservice/specialreports/2009/06/090612.shtml)) 2009

Schumacher, E F *Small is Beautiful: a study of economics as if people mattered* Vintage 1973

Seabrook, J *The Race for Riches* Marshall Pickering 1988

Stiglitz, J *Globalisation and its Discontents* Penguin 2002



Alan Maley has worked in the area of ELT for over 40 years in Yugoslavia, Ghana, Italy, France, China, India, the UK, Singapore and Thailand. Since 2003 he has been a freelance writer and consultant. He has published over 30 books and numerous articles, and was, until recently, Series Editor of the *Oxford Resource Books for Teachers*.

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