

In June 2009, expert opinion seems to be split as to whether we are still in a ‘current economic climate’. We are either entering the first depression for eighty years or emerging from the first recession for eighteen. No one knows how long it will take to tell, or whether our master plan is any good or not.

But the stock market remains buoyant, with animal loving commentators debating whether we are in a new bull market, a bear market rally or a dead cat bounce. As Bloomberg said, “Less bad news is the new good news.”

Either way the last year has been remarkable. It is certainly the most wide-ranging global recession in history, with estimates of between 50 to 100 million jobs lost already. An estimated 30% of the factories in China have closed. 50% of Japanese exports have disappeared and maritime trade is drying up. We have the lowest Bank of England interest rates ever despite the fact that the national debt is likely to go well over 100% of GDP. But most telling of all is that M&S announced their worst profits since 2006.

Cartoonists are making the most of the financial crisis. The Cartoonist Matt has a waiter saying to a restaurant customer, “Your card is fine. I’ll just ring to check that your bank hasn’t expired.” The Financial Times has a Barrister claiming in court, “My client was not shoplifting. Just seeking to stimulate retail activity without the usual damaging credit implications.”

Less bad news is the new good news

But how did we get into this mess? It apparently started when some of our top bankers spotted a gap in market. It seemed that no one was lending money to people who could not afford to pay it back. They offered vast sums to intermediaries who enticed sub-

prime customers with promises that, “no one ever loses on property” and the oxymoron, “borrow more to clear your debts”. Lord Turner, Chairman of the FSA, said in February, “there has been a complete intellectual failure”. Tell us something we don’t already know. Many of the top economists were bought by the banks to assure them everything would work out fine. Presumably they are now being put quietly back into the universities. I think they deserve a refund.

The deregulated markets worked well, right until they didn’t work any longer. Meanwhile the clearing banks (the ones who keep your money safe) had cosied up to investment banks (the ones who invest it until it is all gone) with apparently unforeseeable consequences. Ultimately it put the ‘bank’ back into bankruptcy.

But there are problems in the public finances too. Ten years ago the UK Treasury set up the Tax Credit programme. Its poor administration overpaid tax credits by about £5bn, mainly to those on lower incomes. Just two short years ago it was thought that this level of incompetence was the preserve of the public sector. The Radio 4 Today programme asked what kind of private sector organisation would give away £5bn to disadvantaged families by mistake. We now know that that the answer is a bank.

The result of all this, as Stephen Green, CEO of HSBC brilliantly put it, “is not an ordinary recession.” But it is not unpredicted or unprecedented. There were numerous commentators, whistleblowers and reformed bankers who called out the risks clearly for over 15 years. Nassim Taleb wrote a book about it, George Soros made another billion out of it and the banker nicknamed Dr Doom got sacked for predicting it. Twice. It turned out that he forecast the 2000 and

2008 crashes too early to take full advantage of the prior booms – unforgivable in banking circles.

Bankers were not alone in thinking that it really was an “economic miracle”. The government managed to rack up stratospheric levels of tax *and* debt – a feat seemingly only possible during a major war or a post dot.com crash boom. Now it is up to Gordon Brown to lead us out of the mess we are in. But to be fair he is only trying to rescue us from the problems created by the previous Chancellor.

Cue also Barak Obama. His is a remarkable story, epitomising the American dream - the son of a Kenyan goat herder, born in Hawaii and raised in the shadow of discrimination. It is not immediately clear what a Kenyan goat herder was doing in Hawaii – presumably he was on a surfing holiday.

The Germans have adopted a different approach. There is a theory that the aristocracy take a longer-term view of development. They build castles for their great grandchildren and pass on titles from generation to generation. Theirs is a better perspective than a reliance on financial quarters or election terms. Accordingly they have appointed a new Economics Minister by the name of Karl Theodor Maria Nikolaus Johann Jacob Philipp Franz Joseph Sylvester Freiherr von und zu Guttenberg. We wish him well and hope that he will not take a generation to fix Germany’s broken economy.

Gordon Brown has a slightly more ambitious timescale, trying to resurrect the economy and his reputation by next May. We wish him well too as our future, and his, depend on it.

Part 1 - based on the introduction to the Transformation 09 conference, by J.Crawford, a Director of Touchpoint Change Consulting. James.Crawford@TouchpointChange.co.uk