

CONFERENCE EISC

Speech for the 17th October 2011

Ladies and Gentlemen,
Thank you for giving me the floor.
Let me define what I think "SELF REGULATION" means :

Regulations can be created by anybody.
A person can create his own company and define his rules. Alone.
A contract is a number of regulations created by two or more entities or people.
We generally consider that regulations are made by public entities.
Governments make regulations that we call LAW.
The important aspect of regulations is that they have to be respected.
If they are not respected you will have a dispute or a punishment.
In today's World, governments or public entities cannot make regulations for everything or everybody.
In a "Country of law" (Etat de droit) public entities leave a lot of possibilities to the private entities or citizens to make regulations.
That is what democracies consider the confidence they have in the ability of the people to govern themselves in their private matters.
Confidence is the most important element when you do self regulation.
One should be able to trust the ones who are allowed to self regulate.
But today's World in crisis has lost a lot of that confidence, that trust.
That is why you hear the outcry from many to regulate again much more by public entities or governments.
In the 1980's you had the famous "deregulation" in the financial sector.
In the beginning, these deregulations brought much dynamic.
But at the same time it gave a lot of power to the more powerful.
That is probably one of the reasons globalisation came about.
The trust having been much lost you hear the cries for more regulations again.
When you have self regulation EQUITABILITY is very important.
The equitability not having been respected, the ones who got no advantage from self regulation are screaming for more state regulations.

That is the problem today.
The best example of self regulation is probably the concept of "the efficiency of the money".
This concept or theory of the efficiency of the money has been accepted since the beginning of the 1970's, especially 1980's.
You certainly know that "efficiency of the money" means that if you let the money go where it wants without regulations, it will be the most efficient way for the economy.
After the financial crisis of end 2007 and 2008 this theory has been challenged by some, not the least by Joseph Stiglitz, the economy Noble Prize.

I personally share this view.
I did write about it in an analysis I put on the internet many years ago.
The financial industry was very keen about this theory, because it gave it the means to do as it liked.

But then came the crisis and you could see that the financial industry had totally abused the freedom that this theory gave it.

As always one has to keep the right balance, the good measure.

It is like for a human body : to look best it needs to have balanced measures.

In architecture it is the "golden number".

The good rules have not been respected and now we all are in the midst of chaos.

October has been an important date for Russian history !

I mean the October Revolution of 1917 !

The period we go through is an important and dramatic moment for the World.

The World is in the middle of important changes that have already taken place and will continue to do. Let me continue with a provocative statement :

A paradox I would like to share with you :

To be able to keep their wealth, business, shareholders and private privileged people have to accept to own and earn a little bit less

To be able to do more profitable business and to increase the wealth of most privileged people, I state that the privileged people have to make a sacrifice :

to accept to own less by sharing their wealth with the ones who are not privileged.

As I am part of the privileged, that is not a leftist speech or proposal!!!

Rather a proposal for the survival of the means of privileged people !!!

That means to invest where the money is the most necessary and not where it brings the best returns.

It is my opinion that if the privileged people do that, they could make the economy grow for all people and have returns later.

When I said that privileged people have to accept to own less, it does not mean that they should loose their money, but rather reduce their returns.

Let me explain :

Self regulation has worked for some time because state regulation was too constraining for too long. But as it happens with children who's parents give them the freedom to do what they want, very often the children begin to exaggerate and abuse the liberty to act given to them.

We have been for some time in this situation.

The egotistic attitude has prevailed and has increased through globalisation.

Especially due to the financial actors in business.

Let me give you an example :

When the financial crisis of the sub prime happened in America and had consequences also in the rest of the World, the governments put into the system astronomical amounts of liquidity to save the banks.

The idea was for the banks to have again means to lend to companies.

But the banks did not inject the money into the basic economy, and instead a lot of real estate was bought, money was lent so as to have as quick a profit as possible. And

Speculation has been king. But the ones who needed the money most, so as to reinvigorate the general economy, did not get it.

That is where self regulation failed.

The governments should have created regulations to have the money going to where it would have stimulated the real and basic economy.

But of course the speed of events were such that there was not enough time to do that. Now the system is out of control !

Because the money injected was not used in the intended way or at least NOT in the most efficient way for the whole economy, by creating jobs and having creativity supported.

An idea would be to “send” the money directly to each individual or household, or even each company. Like it is done for buying food, I mean the checks sent to more than 40 million people in the USA.!!!

At the same time the World has been for almost 20 years at the end of a major cycle.

You probably all know the Kondratiev cycles : the cycles that define the end of a long prosperous period with a complete change.

A period where what seemed to work so well turns into a nightmare.

Chaos follows in all areas of the economy and political changes take place.

We stand now in the middle of such a period.

In my opinion that phase started with the CRASH of 1987.

When the crash happened in 1987, the governments did the same :

They injected a lot of money into the system to save it.

What followed was a bubble in the real estate, artworks, etc...

Because the money was not taken out of the financial system.

One did not call it QE1 or QE2 or 3 !

The tough recession of the 1990's followed and lasted until 1995.

Then came the crash of 2000, called the “Internet bubble”.

Again the money injected to save the system was not taken out.

The years following looked as if that way of doing worked.

Then came the crisis of 2007-2008, the one we are in now !

But after these crashes the CONFIDENCE in the system has been LOST.

The money again goes into real estate or artworks, gold, rear things.

And because the confidence has been lost, the normal people are now in the process of saving as they have never done before.

So the money injected is, in a way, not in circulation.

The governments can continue to inject money, but if the people continue saving, which is a very natural, normal reaction, we are in a vicious circle that will be hard to undo and bring DEPRESSION. If that lasts long enough the money constantly injected will finally create INFLATION, and that is a great danger for the World.

The World today has 1% of the people owning 99% of the goods of the World.

That is a total disequilibrium that has been lasting for some time.

Such an unbalanced World cannot continue without imploding and destroying the structures on which it was built.

But the worst of that situation is the fact that 99% of the people get poorer and the 1% get richer, That is the seed for upheavals or revolutions.

John F. Kennedy once said : “If you cannot have peaceful evolution, you will have bloody revolutions”.

All revolutions in history have been based on the misery of a majority that has been exploited by a minority. It seems obvious that the state cannot do and finance everything.

Simply because every year the needs increase but not the revenues.

The effort has to be made by the 1% of the privileged to increase the level of living of the 99% of the non-privileged.

Not just by being taxed on their revenues more heavily but also by investing part of their wealth in the necessary areas so as to increase the level of living of the non-privileged. By doing this the privileged should be able to continue keeping their wealth. Otherwise they might see the revolutions taking all.

Let me explain my idea :

The wealth of the privileged of the World stands between 100 and 200 trillion dollars or euros. 100 to 200 thousands billions of dollars or euros !!! These are statistics made by very well known companies that are part of the privileged world.

The statistics of 100 trillion was done in 2004. Then it went up by a big percentage. During the crisis it went down. Now nobody really knows where the numbers stand.

It is very difficult to have good statistics in today's time of crisis and with the developing countries not yet able to give transparent statistics.

About 25% of this wealth is in liquidities left to the banks to invest as they wish.

The banks invest of course where they get the best return for their clients. But not where it is the most necessary.

Some of these investments are made in companies whose products are fashionable but not always so necessary. If one would take part of that liquidity, lets say 30%, one would be able to have at the disposal for that plan between 8 and 15 trillion \$.

These amounts would be invested through private organisations into the most necessary areas in the world. It would mean for the privileged to invest between 5 and 10% of their fortunes.

It is not the end of the World !!!

With the investment of these liquidities the system would have money at its disposal that is ALREADY IN THE MONETARY SYSTEM ! There would NOT be creation of NEW MONEY !

It would mean to shift, as I said earlier, money from certain industries into other industries or projects that are much more necessary.

Let me make an example : just an example easy to grasp my idea :

It would be like taking money out of candy industries.

One could imagine a candy industry that produces all the time new flavours of candies. Do you think that is really necessary ?...

May be would could take portable phones as an example... No ?

Let me continue :

Not forgetting that a great number of people need higher salaries to live.

If it is NOT done through private organisations the state will have no other choice but to tax.

Every state is worried that the money will go into countries that tax less.

Although the World has a global economy it does not have a global and same tax system.

This should not be considered to be charity but investing in the rebalancing of the World.

The World needs a Marshall plan to come out of its actual dramatic downward spiral.

The Marshall plan worked after World War II.

Now it is to the private economy to implement this Marshall plan.

We are in times where in every area the speed of events, whether it is in the economy, in politics, in the social environment is exponential.

Except, may be for some political leaders today, who seem to be in a contrarian mood, an exponentiality that goes down in the ground...

EXPONENTIALITY IS ONE THE BIG CHANGE IN OUR TIME.
THAT IS WHY "the SYSTEM" HAS TO ACT QUICKLY, NOW !!!

One last remark I would like to make :

You are holding your conference in a town, Geneva, that is part of the "Canton Geneva", one of the States of Switzerland, that has the most democratic regulations that you can find anywhere. The authorities decide to do something.

But the people, if they disagree can challenge that decision through a procedure where all the people of this "canton", or state, will have to vote.

This procedure can be decided by a group of citizens, or a political party, or an association. Almost just anybody.

If enough people, there are quotas necessary of course, disagree with the authorities's decision, the authorities's decision will be cancelled.

So many a decision takes a lot of time to be implemented.

Contrary to many countries, projects take a lot of time to come to life.

One can say that it is good to have all these rights.

But they also make loose a lot of time. So projects advance slowly.

The question is : is it better to have time and many rights, or less rights and advance more quickly ?

This is one aspect of democratic regulations that have to be taken into account in today's World.

AND, PLEASE, REMEMBER THAT WE ARE IN THE TIME OF EXPONENTIALITY.

Before ending this presentation, let me wonder for a moment in a more philosophical area. Let us say a paradox.

I said before that everything has become exponential.

It is the curve that goes up almost vertically. But, as we all know, nothing goes up, or down may be, or may be forward, forever. The time, the time that we have to live and do things, is the only thing that is the same for rich and poor.

The difference is the way we are able to use it. To enjoy it.

The rich can decide to allow himself a lot of good time, rest, pleasure.

But even the privileged, so as to continue to be in the game, has to accept the velocity of communication or production. Otherwise he will loose to somebody else.

Whereas the poor has to do as much work as he is able to do to survive. The rest, the pleasure is much more rear for him.

I wonder if this acceleration in every area might not end one day. Because this acceleration, exponentially, is creating a lot of stress. May be the mind and even the body in modern times will adapt. May be not.

May be everybody, the privileged and the non privileged, will all get tired of having to be on alert all the time.

And, so, we might do things in a more slow way, but with more care and with more quality. We might then look at TIME as being so precious, that everybody will want to go slow. So as to enjoy more OUR LIFE.

ONE LAST THING is what I have named a very long time ago :
The "Theory of the Converging and Exponential Parallels".

About 35 years ago, when reading the newspapers, I felt that every year there was a subject that was dominating the news in general.

Although the papers were talking about everything, there was always a major subject that was drawing the attention in the headlines.

One year, or for a certain time, it was for a while the political aspect of the World, then it was the economy, then the religion, the technology, etc...

As if the problems of the World were moving like on parallels.

One day I remembered that in school, we were taught that parallels never join, except in the infinity.

Then I thought that if one day, in the future, all "problems" would be simultaneous, there would be a MAJOR PROBLEM.

We would find ourselves at the juncture of ALL PROBLEMS at the same time.
I was having in mind the "Kondratiev cycle".

And year after year, I saw events in all areas accelerating.

I thought that if ALL PROBLEMS IN THE FUTURE WOULD BE A MAJOR PROBLEM AT THE SAME TIME, it could only become CHAOS.

I think that we are, NOW, at this very moment.
NOW, the PRIVILEGED have to take the driver's seat !

Thank you very much for your attention.

PIERRE HAFNER