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## Slaves to money and growth

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Since 2008 the people of Spain, of Europe, the United States, and increasingly the world, have been struggling to deal with a collapse which seems to have come out of nowhere. A few countries, like Australia, appear to have been spared. Yet the destructive energy of this collapse, like an underground volcanic explosion, sends out rivers of lava with a certitude that can melt through the structures on which all of us now exist.

The small group of individuals who have been warning where the policies of the past 40 years would lead watch with amazement as those who have produced the failure press on, with precisely the same policies, or variations on the same policies. They seem unable to learn.

I look back at what I wrote in my 1992 book *Voltaire's Bastards: The Dictatorship of Reason in the West* about the already catastrophic financial system and the globalist leadership's destructive attitudes towards public debt. Today there is nothing to change in that description. There they are, earnestly applying to their own Western-style democracies exactly the same moralistic punishing theories of debt repayment they applied to Africa 25 years ago. Those were the policies that destroyed so much of African wellbeing, caused deaths, brought on coups and civil wars.

Today I can only ask, when did saving a bank become more important than saving a country? When did our academic social scientists begin to believe that the source of legitimacy in a democracy was not the citizenry, but commercial contracts? Why save banks that hold mortgages? Why not give the money to the citizens who have mortgages? Clear the citizen's debt. They will then be free to spend. How did we come to accept the reintroduction of low-level Christian moralising into our attitudes towards the debts of citizens and states? Private sector debt, on the other hand, remains free of the old social mechanisms of guilt and proper behaviour. When did our capacity to count become so disconnected from reality that, for example, in May, the European statistics bureau could declare the continent to have escaped recession, even though Greece was in free-fall, Spain at 25 per cent unemployment and 50 per cent youth unemployment; and Portugal not far behind at between 30 and 45 per cent youth unemployment, with its economy in constant contraction in spite of a bailout and strict austerity measures? Sensible observers were talking of depression, while the established Western leadership was mildly encouraged by one statistic or another.

The depths of the disarray in today's public policy can be seen in the constant flipping back and forth between attempts to stimulate the economy - by which I assume they mean stimulating us to produce and consume - and the imposition of austerity upon us. Of course there are moments when we should spend more or less. But again, I can only ask: is there a single example in Western civilisation over the past 2500 years when a broad policy of austerity has pulled a civilisation out of crisis and set it on the road to wellbeing, prosperity or growth? No. There is no example. There is no evidence. Only ideological conviction - romanticism - coming out of a political-economic theory packed into an apparently inevitable force called globalisation.

In the midst of this confusion is that funny word: growth. *So long as there is growth we'll be all right. If Spain could just start growing again everything would be all right. If Greece could just ... If the United States ...* Which brings me back to my opening line. Crises usually strike when ideologies have been around too long and the elites that serve them have lost their ability for critical thought.

Instead of retreating inside a received wisdom, which has already revealed that it doesn't work, we could turn to some basic, helpful human qualities.

*Ethics*, for example, are a simple, practical reminder that the primary obligation of a civilisation is to its citizens' wellbeing, not to the protection of commercial contracts or the servicing of debts. The fact that most of these debts were incurred by the commercial sector and its financiers reinforces this point.

*Memory* is an essential tool of education. You can't deal with a crisis if you are in the hands of economists, managers and business elites who don't know the history of debt. They don't know the history of competition. Very few read anything of consequence. They are the briefing paper generation. Many are, in reality, functionally illiterate, except on very narrow topics. They don't know what has worked and not worked in their own society. In fact, they don't seem to understand the concept of either society or civilisation. They cut salaries, social programs and investments, and then are surprised, as in Portugal, that the economy shrinks. They wanted growth. They provoked the opposite.

*Intuition*. What did they suppose the Greeks or others would do if a theoretical solution was imposed on them; a solution which held out no hope for real people? I look around Europe and see ugly populism surging back as if the 1930s were alive again. Why? Because if the beneficiaries and leaders of mainstream democracies do not govern in a manner that works for the citizenry, the citizens will feel forced to use their unpleasant voice - that of fear and refusal. This return of populism, fear of immigrants, fear of the other, resurgence of negative nationalism; these are all responses to the failure of the inevitable ideology of globalism. Over the short term they may be bullied into voting to approve policies in which they don't believe and which will indeed do them harm. But these endorsements aren't even lukewarm. Voter turnout plummets and the level of frustration and anger rises.

As for *Imagination*, it is not the privileged domain of the arts. Good financial policy is an expression of imagination. Throughout history great financiers and great ministers of finance have usually also been great consumers of culture, intellectuals, men of imagination. I think of Solon in Athens 2600 years ago, of Sully at the side of Henry IV in 1600, of Siegmund Warburg after World War II, of Jean Monet rebuilding Europe. As they would explain: you must imagine your way out of an economic cul de sac, just as a good general imagines his way out of a military stalemate. Bad generals stick to trench warfare.

Of course it may be worthwhile progress if Europe agrees to centralise its financial structures. After all, there is only one currency. However, there is no victory in fiddling with the way new debts are handled. That is simply about shifting responsibility for local political purposes; ensuring that the new unmanageable debts appear on someone else's books. For example, Europe's, not Spain's. Clever politics, but it has nothing to do with solving the problem.

In any case, this is where we are today, caught between the trenches of stimulus and austerity, between barrages and assaults of bonds and loans, all in the name of the holy grail of growth.

Our idea of growth is half a century out of date. We can't produce solid growth because we don't need it. Why? Because developed economies in particular have been in a production surplus since the 1970s. The old capitalist/socialist model of mass production is out of date because it worked. It is true that we do not distribute goods fairly. Nevertheless, we produce too many. We should have celebrated the success of mass production - scarcity defeated at last! - and focused hard on fairer distribution, then moved on to new ideas. Other forms of production. Other concepts of consumption. We must move on to ideas of social and economic wellbeing not dependent on growing consumption.

Instead of using our imagination to reinvent ourselves - and our economy - given this new reality of overproduction, we ploughed on, slipping from saturated growth to the false escape hatch of financial speculation and down the spiral of tenuous service employment. And along with this we dragged the impossible dream of permanently growing trade and consumption.

So here we are, in a crisis which our leaders - whether they be managerial, economic, academic or political - can't bring themselves to fully admit or examine.

A few countries, like Australia and Canada, are doing better than the others thanks to the raw materials under our feet. That makes us lucky, not smart. And sooner or later commodity dependent economies are themselves dependent on the health of economies that use those commodities.

Back to the question of mortgages and the financial bubble. You could solve the mortgage crisis in several ways. Pay off the mortgages, which would clear up the citizen's debt, free them to spend and borrow, and refinance the banks at

the same time. Alternatively, you could cancel the mortgages, as if paid, which would free up the citizens, clear out the sick banks and severely discipline the others. After all, the citizenry would have money so there would be a need for banking, which could be reconstituted under strict rules, separating deposit banks from merchant banks, wherever they had been permitted to combine these two fields. Or you could undertake some mixture of the two. Just for the sake of argument, let's say that the right balance was to pay off half, and cancel half. Again the citizens would be freed up, the solid banks saved but disciplined, the inflationary bubble removed.

There has never been so much money in existence. For 40 years we have been continually multiplying the amount of cash compared to real goods. It has been an era of unprecedented financial inflation. Not money to finance production, but money to finance money.

History is clear. When faced by unsustainable debts, the fools, the weak, the degenerate civilisations become obsessed by what they owe. They convince themselves that money is real, not an agreed-upon convention. They become its slave. And they destroy themselves. Successful civilisations make these impossible debts disappear - clearly, intentionally, massively. In this way they protect what needs to be protected, such as the savings of real people and their pensions. They clear the decks and the result is raw, new human energy to deal with society's needs. History is filled with examples of this being done on purpose. It is also filled with the carcasses of those who refused to face reality and so caused their societies to commit suicide.

Canadian author and essayist John Ralston Saul will deliver his talk "It's Broke: How Do We Fix It?" at the Sydney Opera House on August 26.

*This story was found at: <http://www.smh.com.au/federal-politics/society-and-culture/slaves-to-money-and-growth-20120817-24dxs.html>*

