

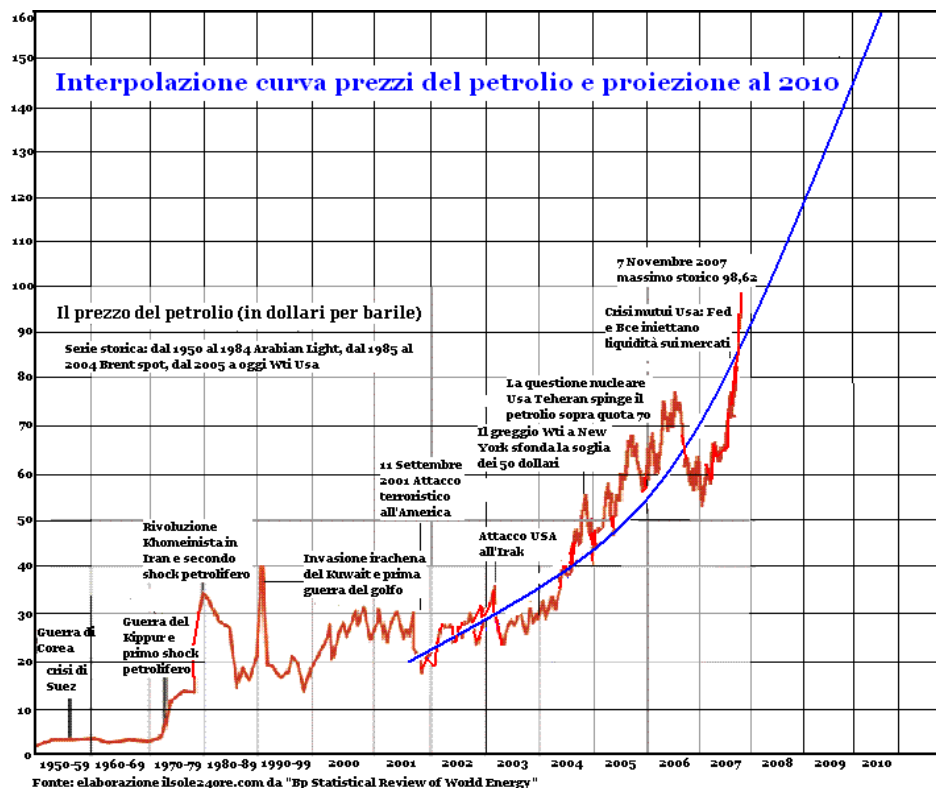
A deep ideological crisis

by A. Autino

(from the old Technologies of the Frontier website)

In late September 2008 Bear Sterns, Lehman Brothers and Merrill Lynch, the main business banks of U.S., have failed or were acquired by other groups. Goldman Sachs and Morgan Stanley, the remaining independent business banks, changed their nature, becoming "holding banks", or ordinary commercial banks, subject to the control of the FED.

My financial adviser admitted, candidly, that, a few weeks earlier, anyone who had predicted the failure of Lehman Brothers would have been called a raving lunatic. The total inability of experts in the field to make plausible predictions about their field of expertise should make us reflect, from philosophical and anthropological points of view, because it is quite illuminating, both on the nature of this crisis and on possible ways out. Usually all that analysts can do is to make projections based on the (spurious) assumption that the current trend will continue indefinitely. Another example consists of the forecast trends in oil prices, made at the end of 2007.



As we know now, after the current crisis, oil prices collapsed to \$ 50 per barrel!

The true nature of the crisis

Was it conceivable that the prices of fuel oil, and of food raw materials, could increase indefinitely, without producing dramatic changes - and given what is happening, we could say epoch-making changes - in the globalized economy?

Clearly such trends were not sustainable in the long term, and contributed to the crisis of confidence. How can markets develop, when travel and transport costs devour in advance any future profit? The growth leads to crisis, the crisis requires readjustment. If the global

economy was really (as economists say) a never ending story, with ups and downs, regardless of size and time factors, we could also believe, like "Chance the Gardener", in the unforgettable movie "Beyond the Garden" by Hal Ashby, starring Peter Sellers, that, after the winter, spring will come. But the fundamental cause of prices rises remains, and will continue to depress confidence.

The Car industry and civilian aeronautics have been driving economic development in the XX Century. Today such industries are mature, and it is now clear that it would be difficult to imagine a pure and simple repetition of the same paradigm for China, India and South America. For sure, in those countries, the market of cars and household appliances will develop, but with very different characteristics from those of the XX Century. Irrespective of the inconsistency of doctrines related to so-called global warming, by carbon dioxide (whose innocence has been now demonstrated), the intolerable effects of pollution, and the shortage of raw materials and energy of our planet, do not favour a new version of the Western model of development as it is, in emerging countries.

The trigger cause of the crisis was undoubtedly, as now analyzed and discussed by thousands of dismayed "experts" (breathlessly aiming to keep their chairs), the destructive gamble of the sub-prime loan markets. But a catalyst is not a cause. The root causes are deeper.

The sub-loans are nothing but a resale of loans, and credit granted on the expectation of future incomes.

Any resale of credits can stand as long as confidence persists that income will actually occur, and that the debts will be honoured. If confidence is missing, the whole credit chain will collapse like a house of cards. Therefore, the fundamental question is not, *"why the heck there were so many debts?"* But *"why trust is missing?"*. Obviously any criticism of so-called creative finance is more than legitimate, and so is any proposal of a higher level of ethics. But now we should note that, without trust, no ethics can exist. If trust is absent for a long time, civilization itself is in danger of reverting to the Stone Age, not just the economy. Confidence, however, is an elusive variable, because it entirely depends on emotional and psychological phenomena, both individual and collective. Such phenomena, as is clear from history, are not totally random nor bizarre. When they assume a critical mass, and even a global, dimension, they are based on sub-conscious perceptions, which are, however, real and inescapable.

The crisis of the closed world ideologies

The fall of the Berlin Wall triggered an analysis of the crisis of the collectivist ideology, the so-called real socialism. For almost twenty years, many analysts have endorsed the view that collectivist ideology dramatically failed due to pressure from its historic competitor, liberal ideology. According to such analysis, liberal ideology should have been victorious.

Today we will have to seriously analyze the causes of the failure of liberal ideology. Only a few nostalgic ones will now indulge in thinking that, thank to this failure, collectivist ideologies can gain popularity again. Serious people will notice that, for twenty years, many have been lulled into the consoling illusion that, of the two XX century ideologies, at least one was still *usable*, the liberal one. Today this illusion has been discredited, and major world powers endorse state aid plans for billions to the economy, generating new contradictions that will produce new harmful effects. The hardest thing for us to accept is that we are helping failed bankers and managers, who with their foolish greed contributed to this situation. We are on the threshold of what? A new statism? An iron pact between different bureaucracies, agreed on a stubborn determination to remain well

steady in their positions of dominance, and carrying on fleecing the duped citizens, according to different circumstances, as taxpayers or investors? In the midst of the storm, the captains try to set the course as straight as possible against the waves, and certainly do not want to discuss the route with the "*crew*".

What we should understand, however, immediately and without delay, is that we are facing a real ideological vacuum: the ideologies of the XX Century both failed, and we don't have another one. These ideologies failed due to causes which are deeper and, in a certain sense, older, than the apparent cause, namely the crisis of the financial system. It is not surprising that the whole world of financial experts didn't foresee the crisis, because they are far from perceiving the true root causes. In fact, the ideologies of the XX Century failed because both were based on utopias locked within the limits of our mother planet, and therefore totally unworkable. Our economy will never, in fact, ensure the trend of development needed to implement a free society (let alone any utopian civilization), inclusive and even passably secure as long as we work on the resources of one only planet. This perception, although armies of political experts will worry themselves exorcising it, is now very self-evident, and it is behind the crisis of confidence that has led to the collapse of financial markets.

What has been cast into crisis, in this autumn 2008, is the system of the closed world ideologies.

Not less than one year ago, we wrote "China and India, a clockwork development". It is no great satisfaction to have been prophets, to be honest! I would prefer by far to prophesy a finally majestic development, of which our civilization has a desperate and urgent need!

The ways out, and true wealth (a spot for confidence)

Big crises have at least one merit: they serve to remind us what really counts. In recent weeks a thousand billions of dollars, euros and pounds have been "burned" by stock exchanges. But what does it mean in practice? In past ages, before the electronic age, currency had worth, since it was coined in gold. But now, after all, we are only burning numbers, computer bits, based on the assessment of future profitability of securities, stocks, bonds. Did we burn people? Factories? The means of production and design? Are we losing the global network (now an indispensable work tool)? Not yet. Though, as history teaches us, when we allow pessimism and fear to prevail for too long, then disasters and holocausts actually occur, as mentioned by many prophets of doom.

As yet, our real wealth is intact: these are seven billion people, their intelligence, their ability to work, our technologies, more than enough to meet the challenges faced by human civilization! If we avoid panic, and we realize that the machine is not ruined, and the fuel is still in place, then we can resume the journey, with greater awareness of the stakes, and of the disastrous alternatives, if we were to fail.

The way out exists, and it is great. Humanity is now in the position of a community living in a small village, tightly closed and fenced by high walls, erected in the past for defensive reasons, and never questioned. In the village water and food are running out, and the leaders discuss and fight every day, to share the few left resources. Now, just two kilometers from the walls of the village a large river runs, rich in pure water and fish. On the rich soil of the river banks, there is all that the villagers need to grow abundant crops. But the taboo of the ancient walls is too strong, and the civilization of our small village is expected to decline irreversibly.

Beyond the metaphor, the river exists, and is just outside the Earth's gravitational well, the "wall" that surround our small village is cosmic. If we can just see this simple reality, we can definitely reach for space, through astronautics, space tourism, and industrialization of the geo-lunar system. The technologies exist. By a determined effort, the cost per kg. to orbit could drop by one order of magnitude in a short time. After wasting a lot of money in unnecessary taxes, wrong investments, it's time to bet a few bucks on the enterprise that can guarantee returns in double figures in decades and centuries to come.

Surely it would not be bad to have some additional warrant on our investments. However, we must not to *clip the wings of our creative Genius*. What if we established two different stock exchanges? An industrial one, for those willing to invest in structural development, and a financial one, for people who accept a higher risk. We also can not be too dogmatic, in our choices (I mean public vs. private): let's support the space agencies, and let's convince them to bet on astronautics with determination. If the general political orientation of the beginning phase will be on the statist side, a certain opportunism should be encouraged: what really matters is to open the high frontier, and not to assert the superiority of any old ideology! Let's support courageous private companies, investing in space tourism and in astronautics, as well! Let's go into space by Soyuz, by Shuttle (maybe re-engineered on an industrial production scale, albeit limited), even by the redesigned Apollo (read Orion), but let's go, and let's go quickly: we do not have much time!

[English language editing by Michael Martin-Smith]