

Transparency and Wealth Creation

by Aidan Ward *

What we call 'the economy' has at its core the need for corporations to sell goods and services by stimulating demand. What we call 'the market' is a way of allocating price and resource among more or less 'competitive' goods and services. It is this economy that is serviced by financial services of various kinds: the purpose of those financial services is, superficially, to make it possible for consumers to purchase goods and services and thus keep everyone satisfied and in employment. This is (disingenuously) described as giving consumers what they want, but in fact leaves them with a chronically, structurally, unsatisfied desire for those goods and services. Political systems are built on this 'fundamental': it's the economy, stupid. This is a surrogate world in Beer's sense, but one that actively demands that we live in it.

I want to look at this phenomenon first from a human perspective and then from the perspective of regulation.

This system of stimulating demand bypasses all that is most human about us. Much of our purchasing has the characteristics of addiction, illness rather than health. We come to rely on mass culture to tell us what we want, what we need and bizarrely who we are, to the point of dependence. However, the most human part of us is nourished ultimately by an internal sense of ourselves and what path we must tread to become more ourselves, and the system of stimulating demand from us replaces that internal reference point with something more manageable and controllable by others. Instead of becoming more and more what we owe it to ourselves to be, we become more or less compliant and conforming to a system that has no interest in what is special about us. This is a vital insight because using our sense of our own uniqueness to engage with the real needs of others and what they are born to become is the ultimate root of the real economy: one that we seem concerned to conceal and deny.

We are told that the financial system depends on confidence, and this is overwhelmingly *our* confidence in *them*. So long as we keep buying the stuff we are sold 'the economy' is stable: the obverse of which is that bubbles would not burst if what we are buying is not largely dispensable and superfluous. Who wants to live in a bubble? We are not used to paying attention to our unique needs, but it is my differences from you that mean there is always a trade where what you can do for me and what I can do for you enriches us both. And where everyone believes they want the same music, the same food, the same holiday we are all open to exploitation by that very token. Where we express our real identities, then the

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economy will itself be real, and where we are sheep we will be herded and ‘the economy’ will reflect whoever is dominating our herd mind.

I would even say that we engage, shamefully and in secret, with financial services to fulfil our needs instead of engaging with other people and hence with the real economy. There is a seductive short-cut, exploited to the hilt in financial advertising, which proposes that it is money that we need, not productive exchange. This very private and Faustian deal isolates us from our fellow citizens and from the challenges that belong to life. The financial system relies heavily on this deal, to the extent that financial literacy and the growth of the real economy are threatening to the system.

From the perspective of regulation of financial services, we need to know what the drivers are: we need to know what forces we are trying to regulate. If it is conceived to be a good thing for corporations to sell stuff by any means they can, and considered pragmatic that people can borrow money to buy, then the system is based squarely on that chronically, structurally, unsatisfied desire. Attempting to regulate a system where desire is structurally pitted against its regulation explains why political intervention has been so feeble and inconsequential. But the most important thing to notice is that regulation doesn’t help make available the real root of the real economy noted above, in fact it conceals it further. Being told there is no money to borrow to buy what you think you want can only stimulate desire.

What we have seen in the current difficulties is that the growth of ‘the economy’ in money terms disguises the growth of the real economy almost to the point where they are out of synchronisation. The cheap money years fuel the illusion and our addictions. This is the size of the problem with regulation: we blind ourselves with the numbers and the “facts”. And we are offered a choice: recreate the illusion of the surrogate world or deal with the disillusion of finding out about the real economy.

Now let’s combine those perspectives

We can see what the problem is by looking at the issue of care. The rhetoric of regulation of financial services is of Treating Customers Fairly and Principles Based Regulation. It is about caring for customers. What this means in practice is an entire culture out of touch with any notion of feeling or empathy for customers, with a rigid set of rules designed to prevent staff taking pity on customers in difficult circumstances. It also means a senior management culture where there is such a strong assumption that customer service is something front line staff do that the notion of duty or care to customers is never discussed. Care becomes a process and procedure construct. But Financial Services cannot really be a special case where cultural effects do not operate. Any area of human endeavour that turns its back on mutual care will be savaged by a return of the repressed that is simply not seen, let alone understood. The hubris that we have seen, and the way that politicians are even now being played back into submission, shows a phenomenal lack of awareness on all sides.

The whole world seems amazed that selling dodgy mortgages can bring down the world financial system, but why? The culpabliss error in believing that bad debt can be shared as risk across the whole financial system with no losers is crass and was just about universal: so why wouldn't the whole system fail?

What about classical market theory?

When Adam Smith wrote of markets and invisible hands he took for granted right relations between people, and his theory, though thoroughly misused and debased, depends on this assumption. What we need now is to understand what constitutes right relations between people on which economic mechanisms can be built. And only then will we be able to see what a financial system that met our needs might look like. We lost the plot in letting financial institutions define our world outside political control. But we lost the possibility of effective regulation further back than that. To use overwhelming money, power and influence to persuade people to eat food that will undermine their health is wrong many times over and at many levels. And we allow our sure knowledge of its wrongness to be defeated by a totally spurious economic rationality that compounds our problems many-fold.

We are sold to with an absolutely standard simple technique. The real sell is below our conscious awareness, usually lifestyle or sex. The fig leaf is a rational excuse that we can use to kid ourselves that we haven't been duped. This is another culpabliss error that infects the entire western world. Much economics operates likewise. There is the underlying and unconscious wish, for instance that markets equate to freedom, and there is the rational justification of equations and pseudoscience that we are only too willing to accept. We can confirm that none of this is real by seeing how tightly economic orthodoxy is policed in financial institutions.

The basic tenet of right relations between people is openness and honesty. If we believe in real economics, we believe that because my needs are not the same as your needs, then as Adam Smith said there is always something you can do for me and something I can do for you. This is not the way to get rich, it is the proven route to fulfilment. What it is based on is my being able to communicate my real needs to allow your imagination and creativity to come into play, and vice versa you communicating clearly your needs to me. Because our society is desperately unbalanced towards a belief that I can find out what I need by just thinking about it (as distinct from being in touch with my deeper self), in general it is easier for me to persuade you of what you need rather than rely on your self-understanding. That constitutes the seed from which right relations between people can be lost. We can observe the degree of transparency in economic transactions, how clearly the needs are stated and how obviously they are fulfilled, and draw conclusions about the level of maturity of relationships on which it is based. (And in case you think that the obsessively contractual public sector achieve maturity in this respect, think again: what is specified is in my experience never what is wanted or needed.) There is after all nothing else.

We have seen the enemy and it is us

What we see when we look at the financial services sector is a projection of some very primitive wishes. Because we are not aware of the source of our economic behaviour, it seems to be out there where people take advantage of us, not in here where we need to get back in touch with our sense of ourselves and our path. Just look at some of what we see:

- Sophisticated Ponzi schemes for the sophisticated wealthy
- Laundering money to hide its origin
- Serious investment in on-line poker games
- Guaranteed, risk free, interest bearing deposit accounts
- The proliferation of insurance and hedging instruments which are not understood
- Unfunded pension schemes

Rather than see these as areas that need tighter regulation to protect the innocent, look at them as indicators of the infantile expectations that we have (and are unaware of) of what financial services can do. We choose to believe that owning money entitles us to “interest”, for instance, whereas research seems to show that it is better if money is seen to decay with age. Or we desperately want to get the poor off our conscience by believing there is something wrong with the people who do not get paid for what they do (Galbraith).

An outline of a way forwards

Unfortunately, bad money drives out good. Where we need to concentrate our efforts is in liberating the real economy from the suffocating influence of its childish and venal surrogate. We should establish transparent systems that generate real wealth and make sure that they do not get trashed by the power of bad money from the profits of structurally unsatisfied desire. Real wealth is of course the things that promote health, happiness and an appreciation for human nature: to understand ourselves and to understand our deeper needs is much the same thing. Don't let the hospital tell you what health is and don't let a banker tell you what assets are. Real wealth is much more intrinsic to a society than the individualised version of wealth which seems to be an attempt to store assets. It is obvious that you can only have real wealth by understanding what you need to ask for from others and what you need to work with others to provide or protect. With a little more insight you will be able to see that most of the things that we most lack can't be bought with money. Think for instance of a vibrant life for our elderly relatives: society could easily provide this if we didn't have a bad money economy.

What would a financial system look like that served the real economy? Well it would have multiple simultaneous currencies because the world is not flat and in any economic decision we must balance a multitude of factors: each transaction will need

to send several signals. It would promote visibility: my consolidated position would be always displayed to me and I would not be able to make transactions that fool myself. And not only would my individual position be clear but the household position and the local economic situation would be made plain. Like social networking sites you would naturally want to understand the people and communities you were working with and for, as much as those who were working with and for you. Since economic life is fundamental to society, all citizens and minors would be connected to the (electronic) financial system.

Conclusions

There is far more wrong with the financial system than we have yet realised. What we are seeing is a set of symptoms of a disease that has affected the fundamentals of the system. And as a society we don't even know what those fundamentals are. Please ask yourself the implications of not identifying what is wrong with the surrogate world that is our 'economy' and not making public the predictable consequences of the decisions people in financial institutions are still taking.

The financial system is anchored in the wrong place in our social and economic systems and is unregulatable in its current position. Our present system hides things that should be visible to all. And it drains the life away from the real economy that we no longer know how to pay attention to.

It is impossible to be a responsible citizen in today's society with the financial systems we have to work with. All the things we want people to take full responsibility for are casually and fatally undermined by things completely outside any citizen's control.

Our best use for the current financial system is to be read as a screen on which the ills of individuals and society are projected for all to see. The childish wish-fulfilment, the venality and the inability to care in any human way are written there for all to see our own reflection.

It is not hard to specify the fundamentals of right relations between people on which a real economy has to be based. It is hard to avoid the power of our present-day barons and their destructive greed. It is up to us because no-one will reform the system for us. What is at stake is our lives.
