



The Actuarial Profession  
making financial sense of the future®

Paul Mason

**Profit, people and planet  
A 50-year crisis?**

Sunday 4 November 2012

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@paulmasonnews

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The greatest economic system ever...

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FEUDALISM



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The greatest economic system ever...  
Sovereign default of Edward III

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1345



*EDWARD III.*

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**The greatest economic system ever...**  
**Collapse of Italian banking system**

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...meanwhile in Florence



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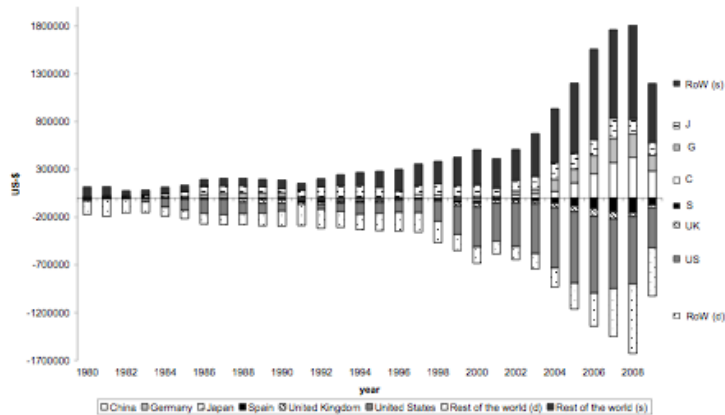
**PROFIT CRISIS**

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## Causes: Global imbalances Current account balances 1980-2009

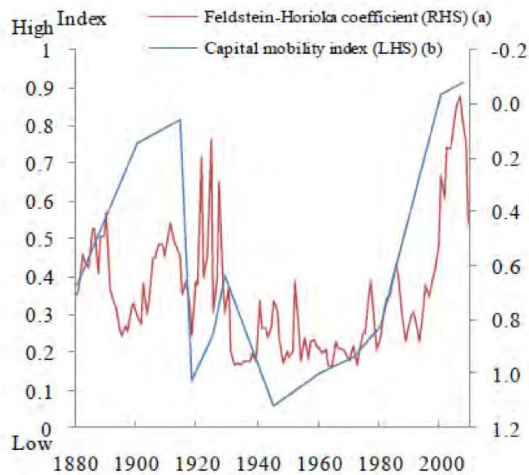
Figure 6a: Current account balances, 1980 – 2009, in millions US-\$



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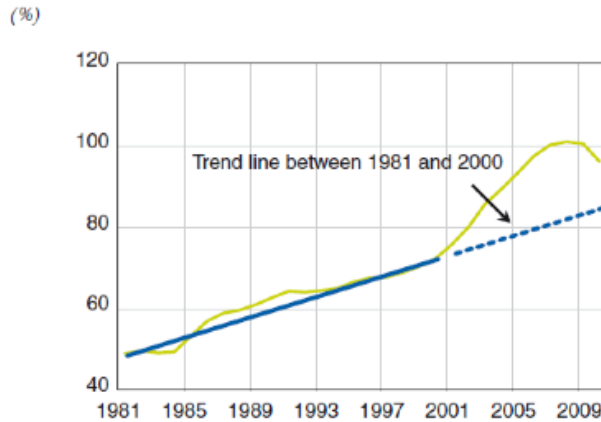
## Causes: Capital mobility Feldstein-Horioka Coefficient 1880-2009



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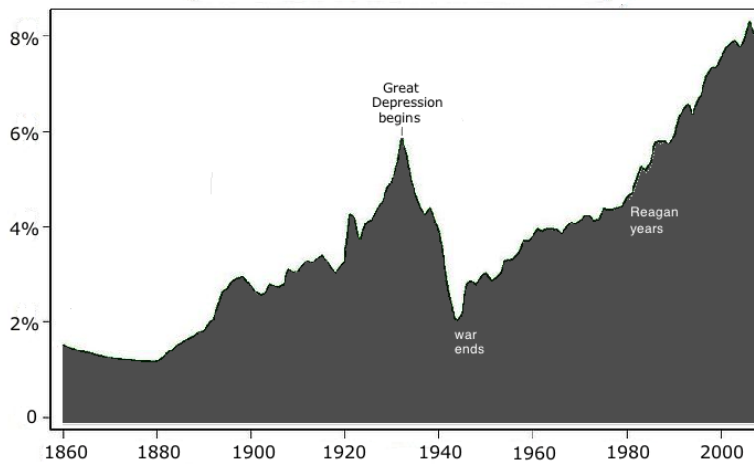
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## Causes: Credit bubble US household debt to GDP 1981-2009



Source: Federal Reserve, "Flow of Funds Accounts".

## Causes: Financialisation Finance industry share of US GDP (1860-2007)



Data source: Leonard N. Stern School of Business at New York University -- Thomas Philippon, 2008

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## Crisis of a model

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- Global savings glut
- Excess consumption fuelled by credit in West
- Sudden disappearance of “national” pools of capital
- Massive expansion of trade imbalances
- Massive expansion of currency trade, derivatives
- “Financialisation” of everyday life

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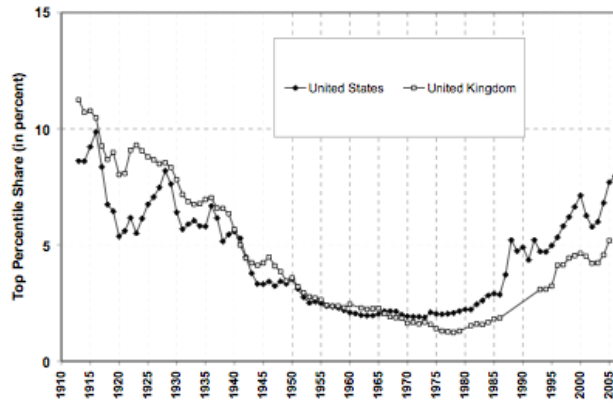
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# PEOPLE CRISIS

## Inequality

### Top 0.1% share of national income

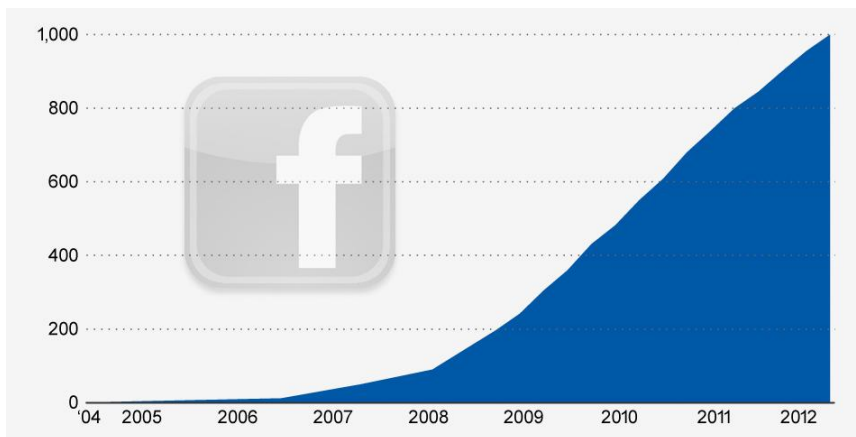
Top 0.1% share in national income: UK and US, 1910-2007



Source: Atkinson/Piketty/Saez (2010b)

## Communications

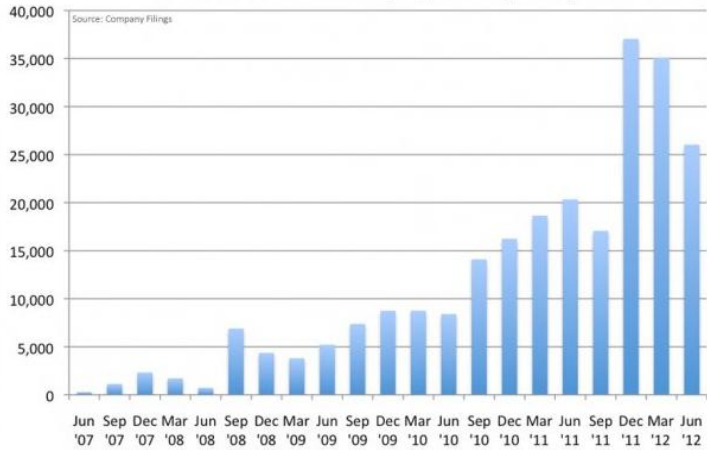
### Monthly active users of Facebook (2004-2012)



## Communications

### iPhone unit sales

iPhone Unit Sales By Quarter (000s)



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## Memetic revolts

### 99% meme



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## Memetic revolts

### Spread of oppositional ideas



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## Memetic revolts

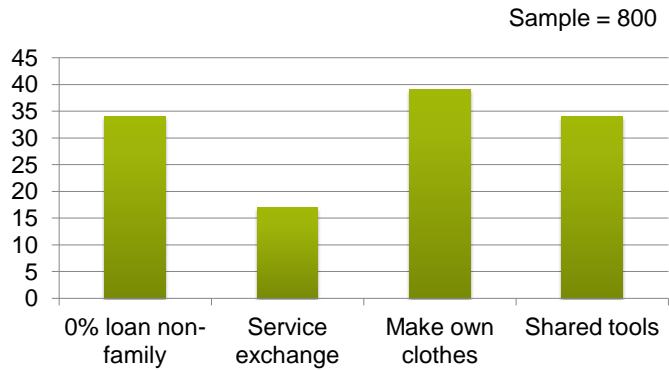
### “The people demand the fall of the regime”

الشعب يريد إسقاط النظام  
 al-nizām isqāṭ yurīd ash-sha‘ab  
 regime the of downfall the want people The

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## Non-capitalist economic practice % of Catalans participating 2012

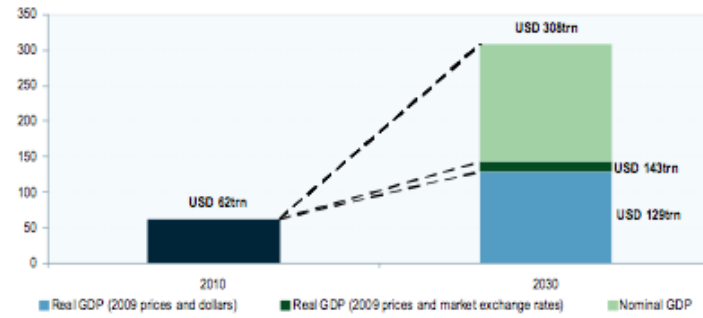


Source: Castells M, et al "Aftermath: The cultures of the economic crisis" Oxford 2012 p232

# PLANET CRISIS

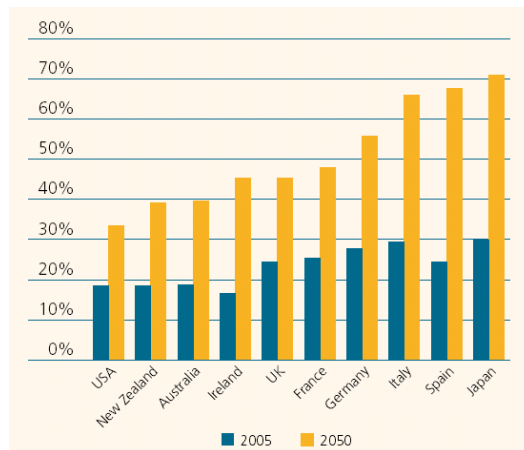
## World Economy to double 2010-2030

Chart 2: Scale and perspective – size of the world economy today and in 2030  
USD trn



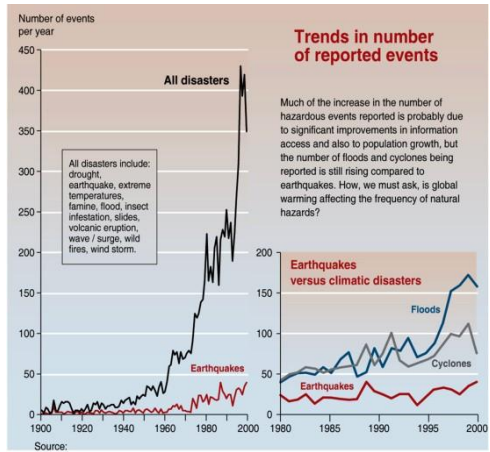
Sources: IMF, Standard Chartered Research

## Ageing population to double Dependency ratios 2005 vs 2050



# Climate change

## Reporting of natural disasters



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# FUTURE CRISIS

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## The Base Case”

### What everybody assumes will happen

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- Massive increase in Asian middle class
- “Normalisation” of China, India, Russia etc
  - They spend, innovate, consume, democratise
- Rebalancing of consumption vs production across globe
- Intellectual centre of gravity moves to emerging world
- Globalisation increases – through multilateral treaty
- No new hegemonic power
  - But multilateralism holds

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## Threats and scenarios

### Short term

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- South-Europe depression
- USA fiscal crisis
- Chinese hard landing + political instability

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## Threats and scenarios

### To the global balance

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- China rebalances; global slowdown
- USA becomes energy self-sufficient
- European Union fragments
- Competitive exit routes:
  - Trade
  - Currency
  - Resources
  - National pools of capital
  - Financial repression
  - Post-QE value destruction

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## Threats and scenarios

### Political and social

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- High dependency ratio cracks social solidarity
- Post-1985 generation rejects “politics of the given”
  - Greece: Syriza 30%
  - Greece: Golden Dawn 14%
- Reverse “shock doctrine”:
  - States fail to cope with natural disasters
  - And the contingent migration

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## JM Keynes

### Economic Consequences of the Peace

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“Very few of us realize with conviction the **intensely unusual, unstable, complicated, unreliable, temporary nature of the economic organization** by which Western Europe has lived for the last half century.

We assume some of the most peculiar and temporary of our late advantages as **natural, permanent, and to be depended on**, and we lay our plans accordingly.

On this sandy and false foundation we scheme for social improvement and dress our political platforms.”

*Keynes, Economic Consequences of the Peace, 1919*



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## Questions & Thoughts

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