

Beat: Business

LORD ADAIR TURNER - A Radical Analysis On What Modern Financial Systems Create

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USPA NEWS - Jonathan Adair Turner is a British Businessman, Academic and was Chairman of the 'Financial Services Authority' until its abolition in March 2013. He is the former Chairman of the 'Pensions Commission' and the 'Committee on Climate Change,' as well as the former Director-General of the...

Jonathan Adair Turner is a British Businessman, Academic and was Chairman of the 'Financial Services Authority' until its abolition in March 2013. He is the former Chairman of the 'Pensions Commission' and the 'Committee on Climate Change,' as well as the former Director-General of the 'Confederation of British Industry'... He is a vocal advocate of the so-called 'Helicopter money' idea whereby Central Banks would finance directly Government Spending or Cash Distribution to Citizens.

In April 2013, it was announced that Lord Adair Turner would be joining George Soros' economic Think Tank as a senior Research Fellow in its London offices. From that, he wrote a book 'Between Debt and the Devil : Money, Credit, and Fixing Global Finance' (Princeton University Press, 2015). 'Reprendre le contrôle de la dette - Pour une réforme radicale du système financier' is the FRENCH Version (published by Les Editions de l'Atelier Editions). A Press Conference for the release was given at Institut Louis Bachelier in Palais Brongniard (Paris), on April 13, 2017.

Lord Adair Turner has combined careers in Business, Public Policy and Academia and is Chairman of the Governing Body of the 'Institute for New Economic Thinking ' since April 2015. He is also a Senior Fellow at the Centre for Financial Studies in Frankfurt and a member of the Advisory Council at the People's Bank of China School of Finance, Tsinghua University (Beijing).... What he is concerned about is the level of Public and Private Debt in the Global Economy, which is higher than ever and continually growing.

Some of the world's major religions have proscribed or stigmatised usury. And modern economic thinkers have denounced leverage just as sternly as the ancients.... What's novel in Lord Adair Turner's Book is not the proposition that Debt can be dangerous, but that Debt is what Modern Financial Systems naturally create and always to excess. Policymakers have been wasting time in recent years trying to get Banks to lend more to drive growth and to coax the private sector into borrowing and spending again.

His goal is some kind of clear, if radical. It covers the idea that we need to think about how we have a Financial System which truly serves the needs of the Real Economy. And we need to think about how we distinguish the core and vital parts of Finance from those that we don't need and created (still create) instability.

Debt carries a curious ambivalence : on the one hand, it is an investment in a business, a home or a career, a source of prosperity; on the other, it carries the moral danger of "living beyond one's means".

What does justice mean in a Society shaped by Debt ? Does it mean the repayment of debt, increasing the wealth and power of Creditors? Can repayment of Debt return us toward a just Society ? Or is the overall increase of Debt unlimited, with its control over life ever more pervasive ? Does Social Justice require the forgiveness of unpayable Debts ?...When the Credit Default Crisis broke in 2008, it included all three types of loans : Consumer, Corporate and Public. Financialization had yielded large new profits and the expansion of the Financial Sector relative to all the other sectors of Capitalist Economies around the world. It had also yielded their global collapse.

Bailouts, bail-ins and a wide variety of other monetary (and some fiscal) policies have been tried to 'manage' the crash and its consequences with, at best, mixed results to date. Where some 'recovery' has occurred it largely bypassed huge portions of the population. Global finance thus profited in multiple ways from the globalization it promoted. Yet it also over-reached, took excessive risks, and eventually imploded. Its survival became dependent on state intervention and support.... As a result, Financial Industries are now stronger but also weaker, thereby perpetuating finance's intrinsic contradictory nature.

Lord Adair Turner says that sooner or later the Market will wake up like in JAPAN, for example. That soon there won't be a single Japanese Government Bond that isn't owned by either the Bank of Japan or the Japanese Social Security Fund, so sooner or later the market is going to wake up to the fact that this liability doesn't really exist if it's all owed to various wings of the Japanese Government. The Japanese People face 250% Debt to GDP. That they better get used to the idea that there will be higher taxes in future. In which case, not surprisingly, the Japanese People and Companies say, well I'd better save some money. So it keeps the Economy depressed

The solution would be to give Authority to the Bank of Japan's Monetary Policy Committee to say that some of this debt should be written off and replaced on the Bank of Japan's Balance Sheet by a perpetual non-interest Bearing Bond.

Lord Adair Turner seems to be far more concerned about Europe and in particular the Eurozone, which is suffering from a major economic problem with a lack of Demand in some areas arising with unresolved and potentially unresolvable Debt burdens. He says that we know that Greece is going to have to write off more of the Debt, but the one he is watching over time is Italy. He is not sure that Italian Debt is sustainable other than by a mechanism by which ECB buys the Italian government Debt....

Anyway, with this Book newly published, Lord Adair Turner challenges the belief that we need Credit Growth to fuel Economic Growth, and that rising debt is okay as long as Inflation remains low. In fact, most Credit is not needed for Economic Growth""but it drives Real Estate Booms and busts and leads to Financial Crisis and Depression....

Source : Press Conference given on April 13, 2017 at Institut Louis Bachelier (Palais Brongniard in PARIS) for the release of the French Version of 'Between Debt and the Devil : Money, Credit and Fixing Global Finance'.

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