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CHAPTER 1

Foreword

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It is no secret that the world is in the grips of a difficult and perhaps protracted financial and economic downturn. For most of us, it is the first time we have observed a problem of this magnitude, especially one occurring on a global basis. Since September 2008, when the Lehman Brothers went under and AIG was bailed out by the US Treasury, I have traveled around the world several times talking to people in places as diverse as Bogota, Singapore, Paris, Moscow, Madrid, New York, Las Vegas, Dubai and Tel Aviv. And yet, while the countries and cultures I visited are very different, the level of knowledge expressed in each place was considerable. Nearly everyone, no matter where they might live, understands what is going on.

From my own analysis, I have observed that today's global economy is roughly 25 times larger than the economy of early 1930's, when the world entered the Great Depression. Per capita incomes in Europe and the United States are at least 10 times greater than they were in those dark days. Today's population is far larger and there are so many qualitative differences between the way we live today and the way people lived back then, that real comparisons are very difficult to make.

Such large increases in wealth –physical and financial– are providing policy makers around the world with more wherewithals to fight the world's problems than ever before. And, while Europe, Asia and the United States may differ by degrees about how to fix the world's problems, it is only by degrees. No one from any major country is advocating policies like those bellicose, "go it alone" policies of the 1930's. No one in a position of responsibility is arguing for the abandonment of the markets. Ideology, for the most part, is on the backburner.

What that means is that the world is facing its worst economic and financial calamity since the 1930's, in a spirit of cooperation. The world has not devolved into "camps," parties or hegemonies. Instead, policymakers have been able to deliberate in ways that would have been unheard of a generation or two ago.

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At the same time, everyone seems to recognize that the world's fate is now a collective one and that the livelihoods of factory workers in Shanghai, Prague, Stuttgart or Monterrey depend on the shopping habits of consumer in Los Angeles, Madrid, Tokyo, Mumbai and Oslo. We are all linked in ways that people discussed glibly under the epithet of globalization but now feel daily as they wonder about the strength of their pension funds, banks, and companies for which they work. People everywhere understand in ways that are irrefutable that this time we are all in it together.

But as we fight to correct the global economy, there is something even more powerful than today's cooperative approach and the world's increase in physical and financial wealth. We are facing this global "test" with more knowledge at hand than we have ever had before.

As futurist and scientist Ray Kurzweil argues, Moore's law, which says that the power of computer chips doubles each two years while the costs of computing halves, now applies to everything. It does so because of knowledge has been growing at an exponential rate. As a result, decisions are no longer made on the basis of a senior person's experience, but on the basis of facts and knowledge.

Policymakers struggling to fix the world's problems do so armed with more information and knowledge than at any time in history. If a policymaker from one country sits in a meeting and does not like the conclusions of a policymaker from another country, that policymaker has only to click on one smart device or another to check an assumption, verify data, test a conclusion or run a simulation.

Just compare today's wired and wirelessly enhanced economic and financial deliberations with those that took place during other periods of financial stress from 1907 to 1933. No matter how smart the people in the room might have been, they framed their arguments based on thousands of times less information than we have today.

The great John Maynard Keynes, with all his erudition, intelligence and insight, represented Britain at the end of World War I and II, with maybe 1/1,000,000 of the economic information that a high school student has access to today. And, while he no doubt had a brilliant mind, he didn't have computers or databases to assist him, let alone the ability to model a situation or use a mobile phone to call for help. Nor did he, nor any of his peers, have the ability to create, trade, move or invest money electronically —anywhere in the world— at the speed of light. It is no surprise, given today's circumstances that a number of economists have said that when the economic recovery begins it is likely to proceed far faster than ever before.

What all this means is that if we have to have a crises and human nature suggests we will have them from time to time, then this is the best time so far to have one.

The world has come together, it is richer than ever and people know more than at any time in history. With resources like that, it seems that having hope for the future is not based on naïve optimism, as it might have been in the past, but on a realistic appreciation of where the world is today.

Joel Kurtzman
Chairman of the Kurtzman Group and former editor-in-chief of *Harvard Business Review.*