Reflections on "Just" Economics
a day with Ann Pettifor

Michael Miller writes

Anne Pettifor helped us all understand the relationship between banks, money, credit, mortgages, consumption, world debt, climate change and more, and how the current neo-liberal economic orthodoxy is enabling the rich to grow rapidly richer whilst the poor are ground down even further, through her informative and entertaining lectures and her extensive answers to our questions at this day conference, attended by more than 100 people, from all over the country. Ann has an excellent pedigree having been one of the leading instigators of the Jubilee 2000 campaign to cancel $100 billion of debt owed by the world's 42 poorest countries, and having, in 2003, almost alone amongst economists, predicted the impending bursting of the credit bubble in a book she edited for the New Economics Foundation.

Brought up in South Africa, Ann graduated with a degree in politics and economics from the University of the Witwatersrand. After the conclusion of the Jubilee 2000 campaign she joined the New Economics Foundation in London where she headed up their research unit on global macro-economics. She subsequently set up Advocacy International, a UK-based consultancy that advises governments and international organisations, and serves as its executive director. Now a fellow of the New Economics Foundation, she is a Director of Policy Research in Macro-economics (PRIME), and also advises a group of British churches on their climate change campaign, Operation Noah. Her book, The Coming First World Debt Crisis, was published in 2006 and she is a co-author of the Green New Deal, published by the New Economics Foundation in July 2008, which sets out policies to deal with threats posed by the Credit Crunch, Peak Oil and Climate Change.

Despite these impressive high powered credentials her style was relaxed and informal, and rapidly engaged those attending, as evidenced by the throng around her at the coffee break, the wealth of questions generated and the lively small discussion groups, let alone the noisy chatter at the breaks! She started by showing us a copy of that day's Financial Times *How to Spend It* supplement with pages of advertisements for expensive watches at e.g. £8,000, and saying how she had known the earlier bubble was gong to burst as half page advertisements for yachts gradually became two page spreads; crazy spending on luxury items shows trends among the super-rich. She warned that another credit crunch is on its way as evidenced by rapidly growing property prices coupled with the re-emergence of 95% mortgages, but that this time it will be much worse because governments have had their fiscal resources drained.

We were given a rapid introduction to the history of money as a medium of exchange on belief or trust that it would be honoured—the word credit is derived from *credo* or *creditum*, i.e. "belief", the creation of credit; the uses of barter and exchange in face to face transactions where there might not be trust; the relationship of credit to value items such as gold; and the place of coins and notes—nowadays only 3% of UK transactions involve actual cash. At heart, "bank money is an intangible based on trust", i.e. our belief that balances and payments will be honoured, and how the creation of credit is a valuable and useful mechanism, provided it is used for productive purposes that have multiplier effects in creating employment and increasing spending or value. This creates a virtuous circle. However, credit can be used for, in its widest sense, "gambling", which creates no value, hence the need for regulation. Although credit can be created at the touch of a button in a bank , there are ultimate limits to the creation of credit—there is a “vast bubble of credit surrounding a finite planet”.

Assets and capital can be used usuriously to extract rents and interest beyond what it can gain when used productively. There is a difference between the “real world” where capital/credit is used to develop a business and where it is simply lent out exploitatively at high rates thus forcing borrowers to over-exploit their own resources of labour and land. Investment trusts and hedge funds are the new robber barons and hence the growing divergence between the ultra-rich capitalists and the “peasant class” of workers on ever lower wages. But 1945 to 1971 was a “golden age” when banks were regulated under a Keynsian model and growth in prosperity was shared by all. Since then regulation has been relaxed and this freedom has been exploited by banks leading, not only to scandals like LIBOR rigging, but to the rapid growth of unsecured loans and credit fuelled spending leading to the 2008 credit crunch. Ann also pointed out how easy credit fuels consumption which exacerbates energy use and hence global warming.

Sadly our present government is in the pocket of the financial institutions and is carrying out their agenda for them. The only solution is to educate people about the economic system and to vote in a government who will take steps to reintroduce an appropriate level of regulation, including a Tobin, or transaction tax, to slow the easy, but destabilising, “sloshing” of capital around the world as it seeks the highest returns.

I don’t know if I have done Ann justice in my summary, but it was certainly a stimulating and enjoyable day!