

Preface By The Author

THE publication of this book comes at a time when the world is grappling with problems that have far-reaching implications: **food crisis, spiraling fuel prices, and natural disasters of magnitude and frequency unheard of before.**

According to the World Bank, food prices have doubled in three years, sparking riots in Egypt and Haiti and in many African Nations. In the Philippines, an agricultural country and host of the International Rice Research Institute (IRRI) but ironically holds the distinction of being the world's biggest rice importer; queues for the government-imported and government-subsidized rice have grown longer each day. What are the offered solutions?

World Bank President Robert Zoellick called for the lifting of trade barriers that is said to contribute to food price inflation. As if speaking from the vacuum,



Zoellick said: *“We need an international call to remove export bans and restrictions. These controls encourage hoarding, drive up prices and hurt the poorest people around the world who are struggling to feed themselves.”*

Zoellick's formula is at best funny, especially in the light of the fact that Brazil, Vietnam, India, and Egypt have all imposed food export restrictions in order to feed their own people. Indeed, the issue is not only lack of trade, but more significantly lack of commodity to be traded. One culprit is the fact that lands that used to be planted with rice have been converted into golf courses, residential, commercial, and industrial areas; have been replaced with bananas, oil palm, and crops for biofuels. Add to the crop and land conversions the various havocs caused by the technologies behind Green Revolution in particular (and Modernization Paradigm in general) into the soil ecosystem, agro-ecosystem and the ecosystem as a whole and one can see the issue of food crisis in the right perspective.

United Nations Secretary General Ban Ki-moon, during the Food Security Summit in Rome, demanded a 50% increase in food production by 2030. Where to grow this food and what technologies to use in growing such should become major concerns. Doing things the usual way appears to be not an option anymore. The final report of the International Assessment of Agricultural Science and Technology for Development (IAASTD) says as much.

IAASTD report says that the business-as-usual scenario of industrial farming, input and energy intensiveness, and marginalization of small-scale farmers, is no longer tenable. While past emphasis on production and yields had brought some benefits, this was at the expense of the environment and social equity.



Moreover, there is recognition that excessive and rapid trade liberalization can have negative consequences for food security, poverty alleviation and the environment.

The second issue, ***spiraling oil prices***, has caused quite a stir. Oil price has already reached a record high, even as it threatens to reach as high as \$200 per barrel. The spectacular surges of the economies of China and India are listed among the culprits - something that may have shamed Walt W. Rostow and the advocates of his Stages of Growth. Indeed, what could have been the situation had not only China and India mustered the capacity to climb up the stages of growth by this time? It may be ironic, but a recession in the global economy might have been caused. Hence, instead of seeing the whole world climbs up the stages as what Rostow asserted as the only way to go, the reverse becomes true.

Of course, development technocrats say that the Organization of Petroleum Exporting Countries (OPEC) needs only to raise world production level, which has stalled at about 85 million barrels a day since 2005, to remedy the situation. But such a suggestion is at best suspect. Are there enough deposits left to be extracted? The theory of Peak Oil asserts that there is not enough left and the signals/proofs of such a reality are all around for those who know what to look for.

Granting, for the sake of argument, that there are enough deposits left to be extracted, the third issue - ***natural disasters of magnitude and frequency unheard of before*** - will be exacerbated when these new volumes of extracts get utilized. The world will then have to be ready to face environmental disasters like the ones that hit Myanmar, China, the United States of America, among other countries.



Scientists warned that climate change, caused by greenhouse gas emissions, could put millions of people - as it has already put millions of people - at risk by centuries end as rainfall patterns change and extreme weather events such as hurricanes increase.

Indeed, there should be no room left for doubt that humanity's excessive and unscrupulous use of fossil fuels, among other humanity's excesses, has put nature in the most precarious situation. Unfortunately for nature and for future generations, humanity is not ready yet to fully remedy the situation. The Kyoto Protocol is not strong and binding enough to make a significant dent to the problem. And there is no enough reason to hope that its successor, currently being hammered out, would radically leave the approach and target espoused by the Kyoto Protocol.

This book argues that the three huge issues partly discussed above are natural consequences of Modernization Paradigm of Development. And following the logic of Albert Einstein, which says that we can't solve problems by using the same kind of thinking we used when we created them, the current approaches aimed at solving them cannot be trusted. A new frame of thinking must be at hand for it to become the wellspring of solutions to numerous problems that beset the society.

ABOVE paragraphs could well serve as preface of this book had it been published - as originally intentioned, hence the above piece was written - before 9/15/08 (September 15, 2008) or the fateful day when the world's worst recession in 70 years officially set in. That "once-in-a century type of event" has radically altered the landscape. Fuel prices for instance plummeted primarily



because consumption of the same dropped when numerous production lines stopped and consumption capacity of individuals significantly lowered. Also, demands for food dropped because the buying capacity of individuals got affected.

What precipitated that “once-in-a century type of event”? It is opined that it is the same Modernization Paradigm of Development, which also caused the **food crisis, spiraling fuel prices, and natural disasters of magnitude and frequency unheard of before. *The Economist*** put it well:

To be sure, the seeds of trouble had been sown years earlier, with the relaxation of lending standards in mortgages, corporate buyouts and much more, and with the enthusiasm for using borrowed money to enhance returns. The debts of American financial firms rose steadily from 39% to 111% of GDP in the 20 years to 2008 (2009, September 12, p. 66).

Surely, such lines by ***The Economist*** appropriately describe Modernization Paradigm of Development in action: insatiable quest for returns/profit, ultimate belief on the power of capital, and fierce competition. For some time, the formula works, making people believe that there is nothing wrong in the practice. Indeed, wealth is created and those who have the knack at business get rich.

But there always is time for reckoning. ***TIME*** observed:

But there always seems to be that one moment - the Wall Street crash of 1929, the fall of the Thai baht in 1997 - when long-simmering trends coalesce to cause a dramatic loss of confidence. For what has turned out to be the worst recession in 70 years, that moment came on September 15, 2008, when Lehman Brothers filed for bankruptcy and bankers around the world asked that most lethal of



questions for world financial stability: If a bank as well known as Lehman can fail, who is safe? And off we went, spiraling with head-swimming speed into recession (2009, September 14, p. 41).

Due to recession, ***The Economist*** (2009) observed that “many bankers have lost their jobs. Some skyscrapers in Manhattan and London's Canary Wharf have new signs on them. Famous firms like Merrill Lynch have been swallowed up; the reputations of others such as UBS and Citigroup have been mauled. Plenty of hedge funds have folded.”

The number of unemployed in America rose by 466,000 in August 2009, pushing the unemployment rate up from 9.4% to 9.7%. There were 7.4 Million more Americans out of work in August 2009 than were jobless in December 2007, when the country slid into recession, ***The Economist*** (2009) reported.

TIME (2009) reported that in the European Union, unemployment in the 16 countries that use the euro as their currency reached a 10-year high of 9.5% in July 2009, though the pace of increase slackened since earlier this year. Spain has been battered by the crunch - nearly 1 in 5 adults, and 38.4% of citizens under the age of 25, are jobless.

Situations in Africa, in Asia and in other parts of the world are not totally unlike today's situations in America and Europe. To paraphrase a notorious line, “when America and Europe sneeze, the rest of the world catches cold”. For instance, Rosario Bella Guzman, in her article titled Global recession, local crisis published in the Philippine Daily Inquirer (2008), wrote:

The Philippine economy will be affected by the global recession through its three aspects: It is significantly linked to the US economy and other foreign economies; it has basic



weaknesses and vulnerabilities; and it is a “client” of globalization.

The US economy will definitely slow down, which will reduce Philippine exports to the United States and cut down US investments in the country. The US slowdown will put strong downward pressure on all the economies it relates with, including Europe, Japan, China and other East Asian countries. The Philippines has varying degrees of economic dependence on these other countries - 90 percent of its total foreign trade and investment is with these countries - so there will be a cascading effect through various countries.

How is it to remedy the situation? That is, aside from affording large-scale bail-out that practically rewards the guilty while punishes the victims and leads to the “survival of the unfittest”.

Pope Benedict XVI, in his July 6 Encyclical, called for global economic reform. He echoed: *“Financiers must rediscover the genuinely ethical foundation of their activity”*.

Allan Greenspan, former USA Federal Reserve Chair, and one of those tagged as “25 Persons To Blame For The Financial Crisis” because he was instrumental in bringing in super-low interest rates in the early 2000s that in turn caused the mortgage crisis- argued that the problems that caused the economic crisis are bound to recur. He intoned: *“Unless somebody can find a way to change human nature, we will have more crises”*.

Has humanity heeded the calls of Pope Benedict XVI and Greenspan? Apparently not. ***Newsweek*** reported:

A few Wall Street giants, led by none other than JPMorgan, are back to making serious money and paying million dollar bonuses. Meanwhile, every month, hundreds of thousands of ordinary Americans face foreclosure or unemployment because of a crisis caused by ... a few Wall Street giants. And



what makes the losers in this crisis really mad is the fact that there's now one law for the small debtors and another for big ones. If you lose your job and fall behind on your \$1,500 monthly mortgage payment, no one's going to bail you out. But Citigroup can lose \$27.7 billion (as it did last year) and count on the federal government to hand it \$45 billion...

...The compensation issue, by the way, is a red herring. Politicians like to focus on bankers' bonuses, because everyone can be shocked by the fact that Loyd Blankfein, the Goldman CEO, gets paid 2,000 times what Joe the Plumber gets. But that is a symptom, not a cause, of the deep-rooted problem. The TBTFs (too big to fail) are able to pay crazy money because they reap all the rewards of risk-taking without the cost: the risk of going bust. Ask yourself, how did Goldman make those handsome second quarter profits of \$3.4 billion? Yes, by leveraging up and taking in more risk (2009, September 21, pp. 32 - 35).

So where are we going then? Surely, to future crises, which when combined with other problems such as climate change, can have more debilitating effects.

Indeed, it is unfortunate that policy-makers cannot see the fact that the problem is not simply technical that only requires a simple technical solution. Examine the points raised by U.S. Treasury Secretary Tim Geithner when **TIME** (2009) asked him this question: **How does this plan (i.e. the new financial rules and regulations to be introduced by Obama administration - RTL) attack the crisis, and would it have prevented the crisis had it been in place?**

A major problem that led to the crisis was that financial institutions - especially the largest, most complex and important ones - weren't held to a high enough standard. In boom times, that problem was not visible, but those firms turned out not to have the capital and liquidity cushions they need in times of true stress. Our plan fixes that too. There are a whole range of areas - from consumer protection to the establishment of a coordinating council of regulators where our plan puts in place measures that would have



made it more unlikely for things to get as far out of hand as they did in this recent crisis. And we do it in a way that will allow us to get the upside of market-driven innovation while protecting against the downside risk of market excesses (TIME Online Edition, June 29, 2009).

When further pressed of this question, **what is your response to those who say the plan does not go far enough in protecting consumers**, Geithner had this to say:

We would create a single regulatory agency, a Consumer Financial Protection Agency. This agency will have only one mission - to protect consumers - and have the authority and accountability to make sure that consumer-protection regulations are written fairly and enforced vigorously. Consumer protection will have an independent seat at the table in our financial regulatory system. By consolidating accountability in one place, we will reduce gaps in federal supervision and enforcement, drive greater clarity in the information consumers receive around products they are sold, set higher standards for those who sell those products and promote consistent regulation across the system (Ibid).

For sure, such new rules and regulations can have positive impacts. But at best, they can only address the symptoms, not the ultimate cause of the problem. With the ultimate cause left unaddressed, devastating crises shall be recurrent.

THIS book attempts to decipher the ultimate cause of financial, environmental, social and other crises that beset the society. With the hope that it can contribute to the building of a humane and sustainable society, this book is humbly offered. And I am offering this with great sense of urgency. As I am writing this piece, the National Capital Region of the Philippines is ravaged by a

devastating typhoon, probably one of those earlier referred to as **natural disasters of magnitude and frequency unheard of before.**

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September 27, 2009