BRAINWAVES REPORT BW/014

HOW TO AVERT THE NEXT FINANCIAL CRISIS
(and possibly the one after that)

TWO TYPES OF THINKING

I wish to make a distinction between two types of thinking which I shall call Category A and Category B. Category A thinking affirms the all-importance of *money* and its cognates. According to this the primary task of governments is to run something called 'the economy', which is a sort of engine in need of incessant monitoring on account of its ineradicable tendency to go off the rails. People are economic units. Enterprises and events of all kinds are to be assessed first and foremost in terms of their financial or economic implications - whether, Micawber-like, they make a profit or a loss, or what effect they have on 'the economy'. The pursuit of wealth then dominates one's life. To Category A thinkers all this is so obvious that it needs no defence. We could describe them not unjustly as *materialists*, in the light of the *Shorter Oxford Dictionary*'s[1] definition of materialism as

> A tendency to prefer material possessions and physical comfort to spiritual values; a way of life based on material interests.

Category B thinking affirms instead the importance of *people*. Whilst conceding that money is a fact of life, in this type of thinking it is nevertheless incidental. While it is not of itself evil, one can be *content* without possessing it in great quantities, like the ancient Hebrew who wrote, 'If riches increase, set not your heart upon them.'[2] Good personal relationships matter more. The primary concern of government is the welfare and happiness of its subjects. We could describe such thinkers as *humanists*, reflecting the same dictionary's definition of humanism as

> The quality of being human: devotion to human interests and welfare.

Category B thinking is therefore collaborative where Category A is competitive. A similar distinction was made by the person who pronounced that 'in the East they love people and use things,' while 'in the West they love things and use people.' That may perhaps be an over-rosy view of the Orient, but the identification of the two contrasting outlooks makes a fair point.

It is a matter of observation that among politicians, governments and authorities today, Category A thinking universally predominates. It is rare for Category B thinkers to achieve prominence. Nevertheless some outstanding ones do, such as the late Dr E. F. Schumacher, author of the iconic *Small is Beautiful: A Study of Economics as if People Mattered*, first published in 1973 - a book with a strong claim to be revisited today - and the originator of the concept of *intermediate technology*. Schumacher described Category A thinking as follows:

> Economics, which Lord Keynes hoped would settle down as a modest occupation similar to dentistry, suddenly becomes the most important subject of all. Economic policies absorb almost the entire attention of government, and at

[1] *Shorter Oxford Dictionary*, Fifth edition (Oxford: Oxford University Press, 2002).

[2] Psalm 62:10, KJV.

> the same time become ever more impotent. The simplest things, which only fifty years ago one could do without difficulty, cannot get done any more. The richer a society, the more impossible it becomes to do worthwhile things without immediate pay-off. Economics has become such a thraldom that it absorbs almost the whole of foreign policy. People say, 'Ah yes, we don't like to go with these people, but we depend on them economically so we must humour them.' It tends to absorb the whole of ethics and to take precedence over all other human considerations.[3]

There is only one real objection to Category A thinking: it has been tried and it doesn't work. That is the lesson manifest to all today from the banking collapse which as I write threatens (as does climate change) to engulf the whole world. Why does it not work? Because Category A thinking warps the judgement. For example, Bill Clinton famously won the 1992 US Presidential election on the catchphrase, 'It's the economy, stupid' - Category A thinking at its plainest. It was the same Bill Clinton who on 12 November 1999 signed the repeal of the Glass-Steagall Act of 1933 which had prevented the coupling of investment and commercial banking. In so doing, according to many commentators, he made possible the crisis of today. It is this warping of judgement that is my concern.

To this crisis two types of response are appearing. Category A thinkers, believing that we have a purely economic problem, propose a variety of purely economic solutions. Argument therefore rages about interest rates, fiscal stimulus, 'quantitative easing' and similar measures. To Category B thinkers, this is just more of the same. Something far, far more radical is needed. So we find headlines like

> New world order in banking necessary after abject failure of the present model. (Michael Lafferty, *The Times,* 24 February 2009)

> Goodbye Gucci. It's the age of co-op capitalism: From the wreckage of recession a new economic order is emerging, based on collaboration and the collective interest. (Noreena Hertz, *The Times*, 25 February 2009)

In the same vein was Lord Rees-Mogg's article in *The Times* of 27 October 2008, headed 'The banks must rediscover Victorian values. A mutual trust between customer and bank was once the foundation of our financial system - we need to get it back.' He concluded:

> The decline of moral responsibility has damaged Britain's banks; it is the real flaw behind the credit crisis. There will be new regulation of the world's banking system after the crisis. Governments cannot risk another crisis on this scale. The banks need to change their behaviour. They need to re-establish relations with their clients and value experience in their staff. They need to beware of American-style, high-risk, high-return, policies. British banking was based on protecting the client's interest as well as the bank's. Bankers should not be ashamed of their Victorian heritage.

Ben Okri, winner of the Booker Prize in 1991, was equally clear about this in his visionary article headed 'Our false oracles have failed. We need a new vision to live by. Huge financial success has hidden the moral bankruptcy in our civilisation. We must rediscover our lost values or perish' (*The Times*, 30 October 2008). He writes:

> The crisis affecting the economy is a crisis of our civilisation. The values that we hold dear are the very same that got us to this point. The meltdown in the economy is a harsh metaphor of the meltdown of some of our value systems. A house is on fire; we see flames coming through the windows on the second floor and we think that that is where the fire is raging. In fact it is raging elsewhere.

> For decades poets and artists have been crying in the wilderness about the wasteland, the debacle, the apocalypse.

[3] E. F. Schumacher, *Small is Beautiful: A Study of Economics as if People Mattered* (London: Abacus, 1974) p.57.

> But apparent economic triumph has deafened us to these warnings. Now it is necessary to look at this crisis as a symptom of things gone wrong in our culture....
>
> Success justifies greed, and greed justifies indifference to fellow human beings.

He concludes:

> We must transform ourselves or perish.

The writers I have quoted are unanimous in wanting to replace what I have called materialism by what I have called humanism. This would be a revolution indeed. But where are we to begin? The real problem, I suggest, is that almost everywhere, Category A thinkers are in charge, people whose primary thought structures and motivations are about economics, finance and money.

For instance the Royal Bank of Scotland for years paid an enormous combination of salary and bonuses to someone who in 2008/9 turned out to be, in the popular phrase, the 'world's worst banker', having in a series of rash decisions gambled away his company's assets. Investment bankers in their thousands chose to ignore the warning of Warren Buffett in 2003 that the highly complex derivatives in which they were dealing constituted time bombs and 'financial weapons of mass destruction'. Prominent financiers around the world succumbed to Bernard Madoff's astonishingly high returning Ponzi scam, years after independent investigators had detected its fraudulent basis. The England Wales Cricket Board got its hands severely burned from its involvement with the Texan billionaire Sir Allan Stanford who was later arrested for multi-billion dollar fraud. The list is a long one and has been often cited in the press. But the common feature is the high remuneration paid to those in high places whose misjudgements brought about so many widespread disasters. This is Category A thinking at work.

Perhaps the most striking example is the report of Patrick Hosking on the loss of £954 million by councils who invested in the Icelandic banks, where Kent County Council alone had deposited £49 million.

> In the case of the Icelandic banks, the warning signs were there for all to see. Anyone with an ounce of financial gumption could see that if something went wrong, Iceland, with a population smaller than Coventry's, was in no position to bale out its banks - puffed out giants with combined balance sheets six times the country's entire GDP.
>
> Even the sleepy, box-ticking credit rating agencies belatedly saw trouble before the final curtain. Yet even after savage ratings downgrades in September 2008, seven local councils were still unbelievably putting more money in - £33 million in the final few days to be exact.
>
> The Icelandic krona had been in freefall, the cost of buying insurance against Icelandic bank failure had rocketed, newspapers were full of stories about imminent collapse. Everything was at red for danger. Short of slapping council treasurers around the face with a wet cod, it's hard to see what more could have been done to wake them up to the potential risk.
>
> Why did they continue to put money in? 'There was no advice not to,' was Kent councillor [- -]'s abject explanation to MPs.[4]

I submit that Category A thinking is a form of collective madness which ultimately destroys the thinker and the thinker's environment. We are fortunate that in our day its true nature has become apparent,

[4] Patrick Hosking, 'Rewarding incompetence', *The Times*, 4 April 2009.

so that we are in a position to choose an alternative path.

THE CULTURE SHIFT

How then are we to implement the massive culture change for which writers like those quoted on pp.2-3 have been calling? I suggest that very deep down in contemporary thinking lies a falsehood which comes close to underlying the entire problem. It is this. *Large salaries are necessary in order attract the greatest talent*. This dogma has underlined business thinking and practice for decades. It is repeated as the final defence of the culture of high bonuses among the banking fraternity ('If we don't pay them enough they'll go somewhere else.') But in our day it has been tested to destruction. It is time to abandon it.

If the wrong people are in charge, how do we put the right people in charge? Let us consider how we would appoint a new Chief Executive for a hospital trust. Conventional - Category A - thinking has it that if you want 'the best' you must advertise an exceedingly high salary. This is what we need to challenge. A high salary will attract a lot of applicants who are keen to earn high salaries. None of them can be guaranteed in advance to possess the kind of *wisdom* needed to run a hospital. There is a strong risk that their judgements will be skewed by excessive attention to considerations of, for instance, cost-effectiveness. And so we hear how, in order to save money, hospital cleaning is contracted out to firms who have no personal dedication to hospital ethos but cost less than full time hospital staff. Corners are then cut, hygiene is sacrificed and before too long we have an MRSA epidemic.[5]

The paradox is this. If our decision criteria are primarily economic, our chances of overall - or even just economic - success are very small. If our criteria are human, we stand a chance of succeeding on the economic front as well. As R. H. Tawney put it, 'If, however, economic ambitions are good servants, they are bad masters.'[6]

Let us learn from C. Northcote Parkinson's hilarious essay, 'The Short List'. He is discussing how to advertise a job.

> Only a little thought is needed to convince us that the perfect advertisement would attract only one reply and that from the right man. Let us begin with an extreme example:
>
> > *Wanted:* Acrobat capable of crossing a slack wire 200 feet above raging furnace. Twice nightly, three times on Saturday. Salary offered £25 per week. No pension and no compensation in the event of injury. Apply in person at Wildcat Circus between the hours of 9 a.m. and 10 a.m.
>
> The wording of this may not be perfect but the aim should be so to balance the inducement in salary against the possible risks involved that only a single applicant will appear. It is needless to ask for details of qualifications and experience. No one unskilled on the slack wire would find the offer attractive. It is needless to insist that candidates should be physically fit, sober, and free from fits of dizziness. They know that. It is just as needless to stipulate that those nervous of heights need not apply. They won't. The skill of the advertiser consists in adjusting the salary to the danger. An offer of £1,000 per week might produce a dozen applicants. An offer of £15 might produce none. Somewhere between those two figures lies the exact sum to specify, *the minimum figure to attract anyone actually*

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5 I cannot claim to be totally detached at this point. A beloved cousin of mine lost her husband to an MRSA infection acquired shortly before he was to be discharged from hospital - a genuine case of, 'the operation was successful but the patient died.'

6 R. H. Tawney, *Religion and the Rise of Capitalism*, quoted at the start of E. F. Schumacher, *Small is Beautiful.*

> *capable of doing the job*. If there is more than one applicant, the figure has been placed a trifle too high.[7]

Parkinson was never wittier than when he was very close to the truth. Carl Mortished ('Abolish MPs' pay. Politics is not a career', *The Times*, 28 March 2009) makes a similar point:

> People work for many reasons, cash not always being the principal motive even for those in profit-making enterprises. In setting pay, the first task is to understand what manner of worker is wanted....
>
> Big incentives will only attract the wrong candidate. What we want in a CEO of an established company is a trustee of great assets, not a gambler, aching to roll the dice one more time.

We need to ask first of all just what kind of person we wish to attract. In our case, we need someone who is passionate about the job of running hospitals - so passionate that they need no excessive financial inducement (these used to be called, matrons). By definition, they will be Category B thinkers whose primary criterion will be the welfare of all those, both staff and patients, in their charge. They will be fully aware that they are running a hospital and not a business, and will choose their priorities and their subordinates accordingly.

So the question which the appointing board will have to answer will be not, how much can we afford to spend in order to get the most self-inflated talent in a competitive market, but, *how low a salary can we offer* which will eliminate applications from Category A thinkers whose primary interest is in their remuneration, while still attracting the dedicated Category B leader that we want? It may well be that one half or one third of present day salaries will be low enough to put off the undesirables but high enough to provide the appointee with a reasonable standard of living with which he or she may be *content*.[8]

Once the right person has been put in place at the top, the same ethos will permeate throughout the hospital. When other senior posts fall vacant, they will be filled in the same way. Category A thinkers who want higher salaries than we are prepared to offer will not apply. In time the entire hospital will be run on Category B, humanist lines (in the sense defined). The savings on salaries at the upper echelons can then be allocated to new equipment as required, or used to raise the living standards of nurses and other, lower paid, ancillary staff. The result will be a well-functioning, hygienic, contented, happy hospital as well as - I dare predict - economically cost-effective.

If this way of making appointments were transposed into other fields such as education, politics, local government and banking itself, the transformation which is so eagerly sought today will come about. Category B thinkers will find their way to the top.

Note that the revolution being here proposed is not the traditional Marxist one involving the replacement of one social class by another. It is a transformation based upon the way in which people *think*.

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[7] C. Northcote Parkinson, 'The Short List', from *Parkinson's Law, or The Pursuit of Progress* (Harmondsworth: Penguin, 1965) pp.28-9 (emphasis added in the penultimate sentence).

[8] Of course there has to be a reasonable minimum rate on offer as we have no desire to restrict applications to those who can afford to work unpaid.

THE HOUSING MARKET

Another way in which Category A thinking shows its detachment from reality lies in the recent behaviour of the UK housing market. The scene was set in the 1960s when thinking about housing underwent a major change from Category B to Category A. Under Category B, a house was above all a home. The housing market existed to keep us dry when it rained. Prices were relatively stable, gently keeping pace with earnings. So the ratio of house prices to average earnings remained fairly consistent at around 3.5.

Thus the housing market was traditionally a very different animal from the stock market, which is inherently a place of investment where values need to rise in the long term *ahead of inflation* if it is to attract capital to support business. In real terms a healthy housing market is *stable*; whereas a healthy stock market *rises*, albeit gently. This crucial distinction is often lost on the commentators of today.

Then at some time Category A thinking took over and a house became as much as anything an investment, a way of making money. And soon, around 1970, the scene was set for the market to go beserk, showing a strong sensitivity to economic conditions. Peaks and troughs became more pronounced than had been experienced for many a decade. Thus the peak of 1990 was soon followed by a decline in house prices that put hundreds of thousands of families into negative equity.

In parallel with the change in perception as regards houses came one about the nature of building societies. Just as retail banks had sought to turn themselves into engines of investment, so building societies - which began life as mutual organisations for helping people to buy houses - sought to turn themselves into banks. The common factor was the attempt to make huge profits out of debt. So - incredibly - mortgages were agreed at up to 125% of the value of the property. Conversely, there were those who exaggerated their income in order to obtain mortgages they could not afford.

When an unprecedented rise began in 1997, there was for years a strong consensus among politicians, economists and commentators that

(1) The price rises would go on for ever, and
(2) This was a good idea.

Rising house prices were seen as a way of financing old age without having to save for a pension. Household savings ratios therefore fell from 11% in 1992 to 2% in 2008.[9] First time buyers, on the other hand, found it impossible to get on to the property ladder. As Chris Hammett put it in *The Times*,

> The idea that rising house prices are a good thing has been etched in the British national psyche since 1970. Existing owners build up equity in their home, giving them a feeling of growing prosperity. Stable or steadily rising house prices also generate certainty in the market. As a result, we have come to regard housing as a sound investment and better than pensions or the stock market.
>
> There are two problems with this rose-tinted view. First, house prices do not rise in a straight line....The second problem occurs when prices rise so fast that the house price/earnings ratio goes ballistic. This is what has happened in the last decade and the result is a massive affordability problem....What this means is that first time buyers are priced

[9] Source: www.statistics.gov.uk/STATBASE item NRJS.

out of the market.[10]

'Whom the gods would destroy, they first make mad.' What goes up, must come down.[11] Against the consensus a few lone voices such as Roger Bootle of Capital Economics stood out, predicting the end of the housing bubble years before it happened. The Liberal Democrat economist Vince Cable made his name by repeatedly speaking out against the accompanying mountain of public and private debt long before the crash of 2008.

And then when the US sub-prime mortgage market began to collapse in 2007, the delusion was exposed. The housing market tumbled, first in the US, and then by toxic infection in the UK, where the debt-fuelled economy hit disaster. Then the whole world except for Cable and a few other wise souls professed to be surprised. At the time of writing (the 2009 G20 summit in London) it is not known how long recovery will take, nor how strong it will be.

No one expressed the real problem more succinctly than Chief Rabbi Sir Jonathan Sacks. Lamenting the loss of the moral sense in business that took place between the 1960s and the 1980s, he writes:

> The result was that we began to lose our understanding of the vital distinction between the value of things and their price. The key example - at the heart of the entire financial collapse - was housing. The value of a house is that it is a home. It's a shelter, a haven, personal space in an impersonal world. For many, it's where we sustain a marriage and build a family. It's where love finds its local habitation and name.
>
> At a point in time, some began to think of houses not as homes but as capital investments. They began to borrow more and spend more. Building Societies duly obliged.
>
> House prices kept on rising. Their attraction as investments grew, and so the cycle fed itself: ever higher prices and borrowing lost all connection with average incomes and sustainability. Those who just wanted a home had no choice but to join the game, at great expense and risk. The speculators were convinced they had become richer, but in real terms they hadn't. The value of housing had changed not an iota, because value is not the same as price.[12]

I doubt if Category B thinking on the subject has ever been better expressed. In a similar vein Ross Clark commented,

> High house prices are killing the economy....We have gone from being the workshop of the world to being the estate agents' office of the world, seeming to believe we can make ourselves rich by selling houses to each other.[13]

As to how the damage can be undone, we could do worse than consider the twenty proposals put forward by Andrew Simms in his paper 'From the Ashes of the Crash', published by the (very Category B) New Economics Foundation (nef).[14] nef says of itself:

> nef is an independent think-and-do tank that inspires and demonstrates economic well-being.

[10] Chris Hammett, 'Great! House prices are collapsing: Market correction essential' (*The Times*, 28 January 2008).

[11] One recalls Gordon Brown's apparently genuine belief that he had personally abolished the 'boom and bust' business cycle. Governments do not make the laws of economics.

[12] Chief Rabbi Sir Jonathan Sacks, 'Morals: the one thing markets don't make. No amount of regulation will restore our sense of honour and shame. Economics needs ethics' (*The Times*, 21 March 2009).

[13] Ross Clark, 'Home is where the disaster is' (*The Times*, 23 November 2008).

[14] Andrew Simms, *From the Ashes of the Crash: 20 first steps from new economics to rebuild a better economy* (London: nef, October 2008). The paper can be downloaded from the nef website www.neweconomics.org .

> We aim to improve quality of life by promoting innovative solutions that challenge mainstream thinking on economic, environmental and social issues. We work in partnership and put people and the planet first.

The nef is in no doubt that GDP-centred Category A thinking has failed us. They cite damningly the confession of Alan Greenspan, former Chairman of the US Federal Reserve, made belatedly on 23 October 2008:

> I discovered a flaw in the model that I perceived is the critical functioning structure that defines how the world works. (p.3)

I note particularly their plea (p.12) for a moratorium on credit-crisis-related house repossessions.

To this non-economist it seems that interest rates, being the sole adjustable tool of monetary control, are somewhat overloaded. There will be times when the needs of one sector - say, industry - will conflict in their claims on the interest rate from those of another such as housing (recall what was said earlier about the stock market and the housing market being very different animals). This is rather like trying to solve a single equation when there are two unknowns. We need another dimension.

As I explained in an earlier paper, 'Real and Virtual Money', under the 'cash ratio' system of credit control which operated in Britain between 1945 and 1971, such a tool was available.[15] According to this, the London clearing banks were obliged to ensure that the ratio of cash which they held to account deposits never fell below 8%. The removal of this constraint by the Heath government in September 1971 as part of the unfortunate 'dash for growth' led to a banking crisis, and a crisis of inflation that took years to conquer. Whilst I understand that the cash ratio itself would no longer be applicable, there seems to me to be a strong need to an alternative limit on what may be lent - say in terms of capital held by the lender - which may be tuned by government in a way that the cash ratio could have been but in practice never was. It should be possible to modify existing economic models in order to see how such a pair of tools could be used together in order to promote stability.

WHITHER UTOPIA?

In our present Category A-dominated society the pursuit of wealth is paramount but money itself is worth less and less. This phenomenon is known as inflation and a specific target of 2.5% per annum inflation was imposed on the Bank of England by Gordon Brown when Chancellor in 1997.[16] This Category A philosophy has brought us mountainous debt both public and private, the culture of excessive bankers' bonuses quite undeterred by the serial failures of their institutions, the credit crunch, the collapsing housing bubble and what is widely held to be the greatest worldwide economic disaster in centuries. In addition, the relentless pursuit of growth is rapidly destroying the planet. In short, it has *failed*.

If we ask, where do we go instead, the answer, do the exact opposite, does at least merit consideration. This will be a Category B-dominated society in which money is increasingly incidental

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[15] Martin Mosse, 'Real and Virtual Money: How to Avoid Financial Meltdown', BRAINWAVES Report BW/002 (2001), pp.6ff.

[16] This is not negligible. Something which costs £1 today will after a century of inflation at this rate cost £11.81, and after two centuries, £139.56. Keynes' celebrated disclaimer, 'In the long run we're all dead' comes across as hopelessly irresponsible. We shall have descendants, who will be our judges.

but itself worth - at least up to a point - more. That is to say, the money that you have will do more for you, so you will need less of it and will be less dependent on it. We are talking about a progressive deflation to eradicate the effects of the final abandonment of the gold standard by Richard Nixon in 1971 which I have discussed elsewhere.[17]

The word *deflation* causes terror among economists, invoking a world of depression and the mass unemployment of the 1930s. But need it? This will only be the case if we cling to Category A precepts and behaviour. In a Category B environment, this is where life begins. And here we move on from economics to metaphysics. I would refer the reader to the book *Man and Nature* by Seyyed Hossein Nasr.[18] Nasr is a Sufi who holds that the world went wrong when the West abandoned its metaphysics at the Renaissance, and that it is imperative for the survival of the planet that we recover it, and with it our true relation to nature. As to how we may do so, the same Dr E. F. Schumacher who so accurately diagnosed our economic problem in *Small is Beautiful* gave us also a rare prescription for the recovery of metaphysics in a later book, *A Guide for the Perplexed*.[19] Here he explains very lucidly how modern man can rediscover a rational, ordered framework of thought.[20]

Could such a prescription ever work? First, let us recall that we are not starting from a pinnacle of success but from the pit of a failed and discredited philosophy which is currently destroying both the world's economy and its ecology. Indeed, what Category A thinking regards as normal life has led us into disaster. Something of the kind was always bound to happen. In my aforementioned paper 'Real and Virtual Money', written in 2001, I proposed two 'Resolutions' for restoring 'good' economic behaviour, warning,

> Failure to grasp the nettle however will deprive us of any hope of returning to an economy which is by its very nature immune to endemic inflation; and will condemn us to live in perpetual and increasing fear of national or global meltdown, from which we will have then no trustworthy defence and no obvious means of recovery.[21]

Government followed the reverse of my Resolutions. It would appear that I did not overstate my case.

Second, we need seriously to reconsider our views as to what constitutes reality and unreality. Category A, after all, which has held the stage for so long, has now been unmasked as an imposter. As to the alternatives, we could do worse than consult Plato's *Republic*, one of the best guides to the art of thinking ever written.[22] In his Myth of the Cave (Book VII 513e-521b) Plato makes some very trenchant points about the common reversal of reality and unreality. Beyond that, his vision of a society governed by trained *thinkers* has no little merit in comparison with our own.

Consider the widely reported experience, both public and private, that 'we do not have as much money as we need.' The Category A thinker concludes that we must get more money; the Category B thinker, that we must need less. Hunter Davies puts it like this:

> One of the simplest, most sensible books on money was written by Samuel Smiles in 1875. He called it *Thrift*. Great

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[17] Martin Mosse, 'Real and Virtual Money', p.7ff.

[18] Seyyed Hossein Nasr, *Man and Nature: The Spiritual Crisis of Modern Man* (Chicago, IL: ABC International Group, 1997).

[19] E. F. Schumacher, *A Guide for the Perplexed* (London: Jonathan Cape, 1977).

[20] See the summary in the Explorations section of this website.

[21] Martin Mosse, 'Real and Virtual Money', p.16.

[22] See the review in the Explorations section of this website.

> title. No messing around: 150,000 words of sensible, uplifting prose - as useful today as it ever was....He offers some good observations about practising thrift and he recommends four rules:
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> - Spend less than you earn
> - Pay ready money and never run into debt
> - Never anticipate uncertain profits by spending them before they are secured
> - Keep a regular account of all that you earn.[23]

HAPPINESS: THE ALTERNATIVE TO GROWTH

What can metaphysics do for us? Once more Sir Jonathan Sacks gives us a valuable pointer. In an article titled 'Sunday shopping has not made us better or happier', he writes:

> The financial meltdown was caused, at least in part, by people spending money they did not have to buy things they did not need to find a happiness that does not last.[24]

That word 'happiness' is the key. We have forgotten how to be happy. Consider the words of that great humanist and scholar Thomas Jefferson that became the bedrock of the American Declaration of Independence:

> We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain inalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.

Today's Category A politicians have rewritten this as if to end, '...Life, Liberty and the pursuit of Economic Growth.' All too late we are realising that not only is unlimited growth not possible from finite resources, but the very pursuit of growth is leading inexorably towards the destruction of the planet. Thus the Stern Review taught that climate change was the the greatest and widest-ranging market failure ever seen.[25] We were better off with happiness.

In Britain, which lacks a formal written constitution, responsibility for the happiness of the people was traditionally thought of as resting in the Crown. As my Grandfather, Captain H. T. Mosse, said rather charmingly of King Edward VII,

> I saw him in London once when I happened to be there - he passed in a carriage with a policeman in front of him on horseback and he went about and you read about what he was doing. He used to go to Europe and do things and keep us alive and keep everybody in the countries happy.[26]

It would appear that this tradition of Category B thinking survives in the Royal Line even now, which perhaps lies at the root of the tensions frequently reported between HRH Prince Charles and the political establishment today.

Before dismissing the idea, readers may wish to consider what those who have made a study of happiness in our generation at some personal cost have to say about it. Two books instantly spring to mind:

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23 Hunter Davies, 'Short of money? Try a bit of homely advice'. *The Times*, 24 April 2009. It is not clear that Keynes won his case in his attack on thrift. True, money *hoarded* does no one any good. But money saved in a bank becomes available for loans, whose scarcity is among the foremost of our economic problems today.

24 *The Times*, 25 April 2009.

25 *The Stern Review on the Economics of Climate Change*, Lord Stern of Brentford, 30 October 2006.

26 *Richard Arthur Rupert Fanshawe Talks to his Father-in-law Captain Harry Tylden Mosse, RN (Grandfather Mosse), 1972-3.*

> *The Art of Happiness: A Handbook for Living*, by HH Dalai Lama and Howard C. Cutler (London: Hodder and Stoughton, 1998), and
>
> *Finding Happiness: Monastic Steps for a Fulfilling Life*, by Abbot Christopher Jamison (London: Weidenfeld & Nicolson, 2008).

We can take encouragement also from Henry David Thoreau, whose personal discovery of the transformation of life which becomes possible when one consistently follows one's ideals I have quoted elsewhere.[27] I would strongly commend it to the reader.

As to how such a personal transformation might come about, and on what principles, I would suggest starting off with the principle of delaying gratification, defined by M. Scott Peck in a modern classic, as

> a process of scheduling the pain and pleasure of life in such way as to enhance the pleasure by meeting and experiencing the pain first and getting it over with. It is the only decent way to live.[28]

In our context this means, defer whatever rewards, payments and recognition are due to you for as long as you can. Do what you can for others for as low a charge as you can afford. If you can afford not to charge at all, do so. If you have something you don't need but someone else can use, experience the joy of giving it. Free your house of unwanted clutter. Let a flow of generosity run through your home. That in respect of goods this is a wholly practical and viable *modus vivendi* has now been amply demonstrated by the Freecycle scheme for the transfer of goods without charge, which every month saves many tons of material from being sent to landfill sites all over the country. At the same time it strengthens the fibres of society. Young couples starting out are furnishing their homes, item by item, without cost. You will begin to discover that quite a lot in life, including contentment, can be achieved without reference to money at all. Thus a Category B thinker will be born. It has been well said, 'It is more blessed to give than to receive.'[29] Herein lies the future.

Martin Mosse,
April 2009.

[27] Henry David Thoreau, in the passage I have called, 'A Hermit Discovers the Kingdom', from his book *Walden* (Boston, Massachussetts: Beacon, 2004), p.303.

[28] M. Scott Peck, *The Road Less Travelled* (London: Century, 1987), p.19.

[29] Jesus of Nazareth, quoted by Paul of Tarsus (see the historian Luke at Acts 20:35).