

# Money for nothing

There is always debate and some grandstanding when it comes to expressing a view about future economic circumstances. **PETER PONTIKIS** examines the latest tea-leaves on this subject.

**T**he opinions of Roger Bootle should not be taken lightly. He is a special adviser to the British House of Commons Treasury committee, consultant to some of the world's largest banks and fund managers, author of the *The Death of Inflation* and a former member of the Chancellor's panel of independent economic advisers – one of the so-called 'wise men'. With such a distinguished background, one naturally defers to higher authority and of course also expects a high standard.

His latest book, *Money for Nothing*, follows on from his previous work that seeks to bridge the gap between his grave observations of the recent economic and corporate excesses of the dotcom bubble and subsequent global stock bear market, and his clear and diverse visions into the economy of the future.

He fears the Japanese 15-plus year experience with deflation is a harbinger of the future economy of the West as a combination of falling populations, unfunded pension liabilities and financial de-leveraging of stock and real estate markets, leading to a downward spiral of prices, a process which could accelerate as both New and Old economies of the globe grapple, arbitrage and seek to adjust to the consequences of the 3 billion new consumers (and producers) entering into the global economy.

No protectionist, the author is an

avowed proponent of the benefits of globalisation and comes up with innovative visions of the intangible (i.e. services) economy to come, some of which already have occurred. He also believes that there are limits to market solutions, and that good institutions and social capital are fundamental to the success of the development process.

His deflationary thesis was written at the nadir of global yields in June 2003, giving it the feel of being already dated. Accepting this, one cannot help but wish to have had an appendix to explain the 140-point (sustained) jump in G-7+ yield curves in the months that followed. I fear the "deflation" story of 2003 will be, like some aspects of this book, the social representation of financial markets attitudes at the end of the 2000-2003 stock market declines. Quaint and passé.

Having said that, it is not lacking in relevance by any means, and the book is still a good read. It is clearly written and easily accessible to the non-specialist economist and reader. This is the book's strength, in that it brings to life concepts and phenomena that are normally only ambiguously portrayed in our mass media.

One does not have to agree with all his views. For instance, it is hard to accept the central deflation thesis, when currently the styled "manufacturer to the world" (i.e. China) is itself experiencing 5% inflation rates (not to mention the

stubbornly high US services inflation), and his belief that the yen should be devalued is certainly non-mainstream! Bootle's book nonetheless does expand our horizons of concern (and opportunity), and is a good starting point for both lay person and non-specialist manager wanting to observe the larger socio-economic trends and dangers in play.

His final chapters and promises of a brighter future are sober and reasonable, but he tempers them with the ironic reality that increased absolute prosperity of itself is no guarantee of happiness to the already satiated; that in the nature of humanity, "relative" wealth is often the motivator of our actions. The solution to that conundrum is a concern for the philosophers rather than economists – not so much how to generate wealth, but how to spend it.

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Roger Bootle: *Money for Nothing Real Wealth, Financial Fantasies and the Economy of the Future.* Nicholas Brealey Publishing, London, 2003.