GLOBAL FINANCE LOST IN CYBERSPACE!

By Hazel Henderson © 2011
For InterPress Service

The robot rabbit of finance – high-speed trading, cloud computing – has outrun the tortoise of government oversight and control. For years, I have documented how often science and technology leap ahead of politicians and bureaucrats. Usually, citizens and their groups sound the alarm – because they feel the impacts first: job losses, pollution, identity theft, ponzi schemes and worthless investment advice.

The latest runaway technologies are those now driving the cyberspace communications revolution: the internet, high-frequency trading, money-laundering, offshore finance in the global casino, loss of privacy, corporate-controlled personal data on Facebook or on servers now in the clouds. Some examples:

• The New York Stock Exchange handles one third of the world's stock trading (22 billion messages a day), while over 60% of all transactions are computerized and high-frequency trading allows for thousands of trades per second. This led to the "flash crash" of May 2010 where stocks of listed companies like Accenture fell from $40 a share to pennies in a few minutes – only to recover later. US regulator the SEC complained they were out-gunned, out-spent and out-smarted in this new computerized, technological arms race.

• In 2011, the cable company Hibernia Atlantic spends $300 million on a new transatlantic cable to shave 6 milliseconds off the current 65 millisecond transmission time between New York and London. G20 “sherpas” and UK bank regulators Adair Turner and Andrew Haldane question the social value of this trading activity. Needless to say, retail investors are fleeing these financial casinos.

• At the Oct. 20th ESG-Europe meeting of socially concerned institutional investors in Amsterdam, October, Mervyn King, chair of the Global Reporting Initiative, saw the financial crises as related to a lack of transparency and disclosure and that "the two greatest challenges of the 21st century are sustainability and financial stability." This confirms the view of the Ethical Markets' Transforming Finance statement that all the new computerized communications tools – the internet- and satellite-created platforms funded by taxpayers and on which casino finance rests – are being horrendously mis-used.

• The over 500 institutional investors at UNEP-FI's Tipping Point Roundtable in Washington, DC, voiced many of the same worries. Co-chair Paul Clements-Hunt warned that "the disconnect between grassroots economic realities and financial markets erodes the trust that binds us together." Co-chair Barbara Krumsieck, CEO of Calvert Investments, added, "economic policies must move in a direction that balance the needs of all stakeholders." The UN-backed Principles for Responsible Investing (to which Ethical Markets is a signatory member) set a higher ethical bar, but many see a lack of sanctions, vetting and enforcement. Its new chair, Wolfgang Engshuber, said UN-PRI was looking to influence policy and determined to move beyond a "talking shop."

• While government regulators fall further behind, new evidence of the concentration of corporate and financial power was finally mapped by complexity systems analysts at the Zurich-based Swiss Federal Institute of Technology, leaders in the field of technology assessment. They revealed a core of 43,000 transnational corporations, all tightly interlinked, with 147 (i.e., less than 1%) controlling 40% of the global wealth network. This study closely tracks with the 2011 Global Wealth published by Credit Suisse. These findings, echoed by Nicholas Shaxson in Treasure Islands, exploring offshore finance in tax havens and the 2011 World Bank report The Puppet Masters on how corporate structures hid financial manipulation and stolen assets.
Once again, citizens and their CSOs are ahead of governments and academia in forcing reforms: Occupy Wall Street is worldwide and the most visible, with others: Global Witness, Tax Justice, Global Financial Integrity, New Rules for Global Finance, to name a few. Business guru Don Tapscott, author of Macrowikinomics and endorser of Ethical Markets’ Green Transition Scoreboard®, quotes an Occupy Wall Street sign: “This is not a recession. It's a robbery!” He calls for Three Principles for a New Wall Street, viewing the irresponsible behavior of bankers and financiers as unacceptable. Tapscott, in calling for integrity and transparency, also calls, as Ethical Markets’ Transforming Finance does, for recognition that finance is part of the global commons. Ronald Deibert, director of the Canada Centre for Global Security Studies, looks beyond financiers’ misuse of internet and communications platforms to the new dangers of the totally unregulated commercial companies now controlling private data and uploading the contents of their servers and systems into the “clouds” of cyberspace. Mark Bowden in Worm warns of cyber-warfare. Once again, the robot rabbit has outrun the tortoise of public oversight and government regulation.

Will we humans be able to regain control over our technological inventions – or will these offspring of human minds dominate us as in science fiction dystopias? Daniel Kahneman brings us up to date in his Thinking Fast and Slow. Kahneman and the late Adam Tversky, co-founders of behavioral and decision-making research, demolished the core assumption in economics that we humans are rational decision-makers. An embarrassed Nobel committee acknowledged psychologist Kahneman with the Bank of Sweden Prize in Economics.

Macroeconomics methods are now threadbare and daily sinking into disrepute. Mainstream economics' orthodoxy still disempowers us by claiming that markets come from God's "invisible hand" – rather than human ingenuity. Mathematicians John Geanakoplos of Yale and Doyne Farmer of the Santa Fe Institute research confirms economists' blindness. They call for lowering discount rates used by short-term focused economists which ignore future events. I and many other ecologists and systems analysts have pointed out for decades how discount rates short-change future generations (Real Economies and the Illusions of Abstraction).

Can we learn to master our tools? The jury is still out!

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