

MY SAY: Innovators, imitators and idiots

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Article

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The current financial crisis can be explained by the involvement of three groups that begin with "i": namely, "the innovators", "the imitators" and "the idiots", I heard at a seminar recently. While one can reasonably guess who should be in the first two groups, it is not so easy to pinpoint who belongs to the third.

Going by a recent statement issued by former Federal Reserve chairman Alan Greenspan, whom some regard as one of the "innovators" (or even "the maestro"), there are ample indications as to who they are. In USA Today, he reportedly admitted that he trusted the banks and investment houses not to do stupid and destructive things, and was stunned when he found that was exactly what they were doing. Until the dust settles, the jury is still out on whether they are the real idiots!

What is sure, however, is that the "almighty market" has betrayed the trust of many, not only of Greenspan, whose trust in the "wisdom of the markets" to self-regulate their activities without any need of government oversight has now been completely shattered. Lately, he had even confessed to a US congressional committee that he was "shocked" and that his blind faith that financial institutions could or perhaps would be able to police themselves was "misplaced".

There is certainly a strong case to be made that the free markets as currently understood can no longer be left alone to their own devices while government regulators adopt a hands-off policy. This is particularly so when it is clear that it is the government that will eventually be picking up all the pieces when everything falls apart, of course with the help of taxpayers' money.

And this is just the beginning. To date, most are still at a loss over how to quickly and effectively move out of the turmoil, short of agreeing that the system itself must be urgently reviewed. This difficulty is amply reflected in the various labels used to describe the meltdown.

Some have dubbed it "The End of Prosperity" and others, "The Age of Irresponsibility," or "The Age of Overspending." For the more creative, it is "The Demise of Cowboy Capitalism," or simply "The Great Depression of the 21st Century." After all, those who survived the Great Depression of 1929 can recall the consumer panic that ensued when the banks turned turtle then. Now though, there are as yet no long food lines. While we can take comfort that we are spared the agony of 70 years ago thus far, there are those who are not as well off, what with the current food shortage.

Still others blame the crisis on consumers' addiction to spending money that they do not have. As a commentary in Chinese news agency Xinhua put it: "Americans love spending tomorrow's money on credit, preferring to eat the corn while it is still on the stalk."

The choice of metaphor highlights the value of traditional wisdom that belies the deeper issue of sustainability which has almost been totally neglected. If sustainability is at all raised, it is usually confined to the environment as though it were possible to delink the impact of wasteful spending or, for that matter, the prevailing financial crisis from the toll on the environment, no matter how indirect.

Any economic crisis will invariably affect the environment, since the poor, in particular, will be forced to work for their immediate food needs without giving much consideration to ecological consequences. In fact, this is already taking place.

In a sense, what we are experiencing today is no more than the outcome of the "Age of Unsustainable Development" predicated on unbridled greed, and fuelled by unethical practices. And if this is no doubt a malfunction of the market, it also means there's a flaw in the education system which is the result of the same market thinking.

More so today where the almighty market is also encroaching on academia with its ridiculous demand for tailor-made products (read: students) to suit its needs, regardless of the inherent flaws therein.

To quote Jeffrey Garten, then dean at the Yale School of Management and the Juan Trippe professor: "I am frequently asked by people outside the university... whether business schools were doing enough to instill the right values in their students. My answer is... 'not nearly far enough'."

And in a BusinessWeek article "B-Schools: Only a C+ in Ethics", commenting on the former chief financial officer of Enron, Garten said: "That kind of character must be developed much earlier than the typical age of a B-school student about 27."

In short, much like Greenspan's naivete when he completely trusted the markets, the same naivete (idiocy?)

must now be questioned when it extends to the classrooms as well. Perhaps this is where we should begin to look for a long-term solution to the idiotic episode of "cowboy capitalism." ?

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