



What a pickle!

LONG, LONG AGO, before there was Facebook, before baggy perpetually falling down trousers, before Excel formulas, in the days when TVs could only glimmer in black and white, and all telephones remained firmly wired to the wall, I had a job in an office calculating the different discounts that trade customers were entitled to on their fan belt purchases. For this purpose we were expected to use pinwheel calculators equipped with hand cranks, rotary drums, and sliding buttons for doing simple sums. They weren't elegant like abacuses, but apparently, in the right hands, they worked very well. Felix Dzerzhinsky, the Soviet Union's first secret policeman, developed one of these arithmometers in 1924 and had them manufactured throughout the Communist realm as another means of inflicting terror on unsuspecting office boys. I never fathomed them out, indeed, at the time I was only vaguely aware of what a percentage was; I didn't know how to arrive at one with pen and paper, and the Original-Odhner Model 27 pinwheel calculator imported all the way from Sweden only compounded my confusion. Desperate, I resorted to smuggling out bunches of dockets and asking my girlfriend to unravel the mystery – she was much smarter and had even heard of logarithms and algebra!

Since then I have gone on to master all kinds of contraptions, but the memory of being all at sea with machines and numbers has never left me. The mysterious character of expertise has over the years

gradually revealed itself. Recently, I enjoyed watching the workmen retiling my roof. The boss started the job, which was then completed by a nineteen-year-old apprentice – it was his first complete roof – he worked very slowly, slate by slate, taking account of size and tone, a careful patient young man. He knew what he was doing, it had to last, he took his time, and he was pleased with his work.

The pilot of US Airline's Flight 1549 had this kind of expertise in calmly knowing exactly what he needed to do and when to do it. When Captain Chesley B. Sullenberger and co-pilot Jeff Skiles, safely brought down their Airbus A320 with 155 passengers and three flight attendants onto the icy waters of the Hudson they knew what they were doing. So did the ferry boat captains, the rescue workers, the firemen, the police, and the officials of the Port Authority. Everyone knew what to do and did it.

Whether engaged in steady old-time crafts or making split-second decisions with computer-assisted machines you need to be an expert; you need to be someone who has given his or her undivided attention to learning the how, the where, and the why for; you need to be someone who has thoroughly grasped the mysteries of their art. Now this is all very well with practical tasks, I can hear you say, but what about fiercely complicated problems like running banks and hedge funds, selling short and selling long? Surely we can't expect people to know what they are doing and when to do it?

The answer is, apparently, yes, we can't. When things go wrong, everyone from fund managers to bank presidents are all at sea with machines and numbers. They can't do the calculations. They have to phone a friend, usually the finance minister, asking not for advice, but for a handout. This is just as well because although the finance minister is always good for a loan, he hasn't a clue what's going on either. He's rather like Jamal Malik, the slumdog millionaire, mystified by his experience, but he remembers things, and he's unaccountably optimistic.

On August 10, 2007, before you or I knew what “sub-prime” might mean, before most of us had even heard of hedge funds or the phrase “credit crunch”, even before the queues formed outside Northern Rock, the Federal Reserve hurriedly injected \$43 billion into the market. On the same day the European Central Bank put in €156bn and the Bank of Japan lashed out with a trillion yen. Since then, for the past sixteen months, as the banks have announced the disappearance of literally trillions of dollars, the state has bailed them out by buying hundreds of billions of bank debts, bonds and stock in the hope that this will keep capitalism afloat. As each new hole has appeared in the balance sheet the state has simply rushed to the rescue without knowing the why or the wherefore of the haemorrhage. Little expertise has been required. Of course, pundits have punditted and commentators have commented, but nobody seems to know what is going on. When interest rates reach zero, when the government has guaranteed most corporate debt, or even set up a state owned toxic bank to buy up all the bad debts, what then? As Peter Thal Larsen of the *Financial Times*, said last Saturday, “Nobody is willing to say for sure whether this will work. However, most observers agree that the only alternative is for governments to seize full control of their banks by nationalising them.”

People and companies borrowed against future earnings and future profits, when those future earnings and profits didn't live up to expectations they were unable to pay off the principal sums owed on the agreed date, or even worse, unable to pay the interest on their loans. The value of the loans held by the banks then fell and kept falling. Firms that cannot meet their commitments go bankrupt and the banks and those that own them make even greater losses as the shares and other assets of failed companies become more or less worthless.

It is this spiral that is baffling the experts: the economists and finance ministers. They talk of too much regulation, too little regulation, a lack of

corporate oversight, they talk of the need to let companies go to the wall, of the need to keep banks and car companies in business, of the need to maintain consumer demand – yet none of them seem to know how to do any of this. They are clearly baffled by the incipient collapse of capitalism. They watch, transfixed with horror, the gradual disintegration of the system's capacity to restore profitability. Without a whiff of revolution in the air, without a hint of trouble from the working class, without being “haunted by the spectre of communism”, the bourgeoisie are dismayed simply by the failure of the market.

They do not know what to do or how to do it. Companies and banks have got so big that they have been able to buck the market by using their size to hide their losses and stave off the final reckoning *until just about now*. The capitalists have violated the rules of their own system. Badly run companies, instead of being forced to mend their ways or being forced to close, have been shielded from market discipline by loans, creative accounting, and handouts. Big firms, big shops, big conglomerates, and their more or less insolvent customers have, been kept going by borrowing against future incomes, that only dreamers like Walter Mitty, could have expected to match their liabilities. Because the experts, and the entire political class, didn't spot this and sound the alarm, we are now all baffled – we are all at a loss as to what should be done. Now that really is a crisis.