

THE GREAT RE-BALANCING ACT

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A History Of The Next Ten Years

What is re-balancing about?

Recent events have seen the development of a number of substantial imbalances within the economy and society.

An imbalance arises when the automatic adjustment mechanisms within the economy and society fail to self-correct, allowing too much of one factor or too little of another to develop.

Imbalances matter because they are not sustainable in the long term. They take time to develop and they take time to unwind.

The costs of unwinding the imbalances are not borne equally and fairly by everyone in society.

The imbalances are both visible and invisible. We worry about the visible imbalances, but the invisible ones might be more serious.



Visible Imbalances

The more pressing visible imbalances are:

1. Global savings and global consumption. (The US vs. China imbalance)
2. Global trade flows and global financial flows. (The Germany vs. Greece imbalance)
3. Household savings and household debt. (The 'Paradox of Thrift' imbalance)
4. The household wealth imbalance. (The Boomers vs. Xers imbalance)



Invisible Imbalances

The invisible imbalances that we are ignoring at our peril are:

1. The pricing of externalities to address climate change and incipient scarcities. (The social cost vs. market cost imbalance).
2. The question of sectoral productivity (1). (The service sector vs. manufacturing sector imbalance).
3. The question of sectoral productivity (2). (The public sector vs. private sector imbalance).
4. The issue of global poverty. (The imbalance between global needs and global resources).



What does this tell us?

We face a number of major problems that need to be faced over the next ten years.

At present, we are addressing the visible imbalances whilst neglecting the invisible imbalances.

In order to achieve a sustainable future, we need to resolve all of the imbalances.

If we resolve the visible imbalances in this decade, as is possible, then the invisible imbalances will be the pressing issues of the next decade.

This is the basis of the 'Age of Scarcity' that we believe that we are heading towards.

