



GFC four years on – Can we handle the Truth?

Sai Ram brothers and sisters,

If anyone has been paying attention to the financial markets in the last couple of weeks, you would have noticed the stock prices going on a roller coaster ride. It has been almost three years since the start of the global financial crisis and despite the supposed brief recovery; its effects are still being felt in the USA, Europe and the rest of the world. What started off as a subprime mortgage crisis affecting major financial institutions, has now turned into a sovereign debt crisis, threatening a world recession. One of the Economists, a winner of the Bank of Sweden's Nobel Memorial Prize in the Economic Sciences, has declared that we are now in (or entering) a Third Depression.

Since the beginning of time, man has been on a quest to find peace and happiness. Without realising what he is searching for, he goes to large extents to acquire material wealth in the false belief that this will provide him with happiness. Instead he's faced with a crisis. Financial crisis is just another example.

As Sathya Sai Baba has said,

“Truth, righteousness, peace and love — these are the four pillars on which the mansion of happiness is built.

Conflicts and factions, violence and upheavals are caused by the neglect of human values in daily life.”

At the individual level, we are driven by consumerism. Conspicuous consumption has become the norm of the society. Everyone wants to own the most expensive car, the biggest house on the street and the latest electronic equipments. Leading up to the 21st century, the most common reason given for attending university had been to make a lot of money compared to excelling in a particular field or helping others. With the availability of easy credit and the attachment to western high standards of living have lead individuals to spend more than what their incomes can afford them. When the property prices were going up in the USA, individuals were taking out mortgages for the 100% of the prices of the properties

even when they knew they could not afford it. Financial institutions were lending money even when they knew the loans were subprime, and the properties were overpriced.

Aspiring to make vast amounts of profit in a very competitive market, Corporations are often under a lot of pressure to cut costs and generate extraordinary income at the expense of the welfare of their customers and staff. Every financial institution that failed during the crisis was found to have involved in some form of unethical activity. Corporate leaders were engaging in high risk activities with other people's money as the financial incentives for taking on those risks far outweighed the negative consequences of a failure. Most of the financial institutions in the USA and Europe were highly leveraged. And when the housing prices fell and the individuals started defaulting on their mortgages, the financial institutions started failing. When these financial institutions started to fail the governments were forced to bail them out.

As a result of this financial bailouts as well as excessive spending for political reasons, have left these governments three years later at the point of defaulting on their debts. The result is the turbulence in the financial markets we are seeing right now. There is a lot of panic around the world. Investors are driven by their fickle mind. We are seeing a lot of herding effect. People are blindly following one another without applying any judgement of their own. As the financial markets become more volatile, the economy will contract leading to lower investments and higher unemployment. Due to globalisation, the impact of one country's effects is being felt immediately by the rest of the world.

One of the consequences of the US housing market and the credit market collapses is the increase in global food prices. When the financial markets became volatile, investors started shifting their focus to commodities. When artificial demand for financial instruments backed by commodities rose, the food prices became unaffordable for ordinary individuals. There are around 1 billion people suffering from malnutrition around the world. So far, escalating food prices have pushed further 44 million people into a state of malnutrition this year. There are eleven million people in East Africa on the verge of death. According to the UN Food and Agriculture Organisation (FAO), we are already producing one and a half times the amount of food needed to provide everyone in the world with an adequate and nutritious diet, yet one in seven people is suffering from hunger.

There are 1.3 billion people in the developing countries living under \$US1 a day. There's greater inequality in the world. The rich is getting richer while the poor is getting poorer. Addressing the US sovereign debt crisis Warren Buffet has pointed out that while the middle class in the USA are taxed up to 25%, some of the investment managers with incomes over the one billion mark are being taxed at only 15%. Warren Buffet further adds:

"Our leaders have asked for 'shared sacrifice.' But when they did the asking, they spared me. I checked with my mega-rich friends to learn what pain they were expecting. They, too, were left untouched,"

"While the poor and middle class fight for us in Afghanistan, and while most Americans struggle to make ends meet, we mega-rich continue to get our extraordinary tax breaks."

Throughout the world, Political leaders are often motivated by self interests and winning votes at their next election. Government policies' focus is usually short term in nature and is generally specific to their local country. Political leaders are reluctant to introduce reform that are focussed on the sustainable long term global economy when they are unpopular and requires strong political will.

The US Government has increased its debt ceiling 102 times since its introduction in 1917. The US budget for the year 2012 for the defence and defence related expenses is over \$US1.0 trillion. In 2010 the amount spent on the invasion of Iraq and Afghanistan alone was over \$650 billion. Just recently, the US military was experimenting with a bomber that can travel anywhere in the world, drop a bomb and come back within one hour.

Now, is this the sort of economy that is going to bring us peace and happiness? Is this sustainable? Is this what we want to leave behind for our future generations? Let's look at what swami says:

"Whatever you seek in the external world is present within you. There is nothing outside that is not within."

Addressing the crowds at the Ethics and World Finance conference at Puttaparthi in August, 2009 swami compares us to an elephant that is unaware of its innate strength and submissively following the commands of the mahout. Without realising the innate strength and purity, Indians are imitating the western culture.

According to the Indian concept of goals in life, by fulfilling the purpose of life, man sustains the society. Of the four purposes in life, Righteousness, wealth, fulfilment of desires and enlightenment, righteousness comes first. It is only when the pursuit of wealth and fulfilment of desires is based on righteousness that man will have genuine happiness. If he pursues wealth and fulfilment of desires without regard to Righteousness, he will be plunged in misery.

In order to earn a good name swami talks about three principles. Love for God, Fear of Sin and morality in Society.

"When one leads a life governed by moral values, he achieves the most precious things including name, fame and prosperity. Material objects have their value, but *Dharma* is invaluable. No price can be set on it.

It is only when the individual is good that society will progress. When the society improves the nation will progress. The welfare of the individual, society and the nation is based on the observance of human values.

Now, imagine a world economy that is based on spiritual values where Individuals are driven to act by their inner conscience rather than emotions.

Individuals

Individuals are filled with inner peace and joy. They are passionate about what they do and they look forward to go to work every morning. They are highly creative, innovative and very productive and as a result earn enough income to satisfy their needs.

Corporations

Corporations work for the community and its betterment. They produce innovative goods and services that are beneficial and meet the needs of the society. They make responsible decisions and are conscious of the environment.

Government

Government spends enough on responsible infrastructure, health, education and social welfare projects. Political leaders are courageous enough to put aside their own political interests in the interest of what is best for the society. World leaders work collaboratively with each other towards a prosperous future world.

And the end result is a Society where:

There is a continuous moderate level of economic growth. Unemployment levels are almost zero. Environment is safe for children and pollution free. There is no inequality however, everyone still maintains their individuality. Individuals derive happiness from each other's success and they care about each other.

Swami says:

"What is the Dharma of man? A life of sacrifice on the basis of morality and integrity is the *Dharma* of man. "