Book Review: The Grip of Death

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We often wonder about the state of affairs of our world. We wonder how things have gone astray, how everything that could go wrong is going wrong. There is a long list of experts who repeatedly offer their expert advice on what has gone wrong. Why is the National Debt clock in New York running out of digits? Why can't we ever pay our debts? What is the size of the pound of flesh that Shylock desires?

One underlying theme of all the theories put forth has been that it is always the borrower's fault. The economy is not robust enough. The export sector is not in line with the international needs. Infrastructure projects are few. Management of services sector is reactive, etc. No doubt, there is an element of truth to all the above statements, however, saying that the current state of loan payment crises is entirely due to non-performing borrowers' economies, is not only unfair but also highly unlikely. The book "The Grip of Death" written by monetary reformist Michael Rowbotham and published by Jon Carpenter, 1998 although severely criticized, has developed a cult-like status with monetary reformist worldwide. Though the title is more suitable for a Hollywood flick, the reality that this book reveals is worthy of a blockbuster. The book speaks about the debt-based money system. It explains how a random piece of paper is given enormous value that rises with time due to interest. The book talks; how the debt of every country in the world have risen exponentially and yet we find no mention of the lenders of these loans. The author has shown that our current money supply is created almost entirely by the banks and other lending institutions. He candidly remarks that if you and I do this, we will surely go to jail for counterfeiting. However, this is not only allowed but also encouraged by the regulatory authorities. He opines that although the process of printing money may rest with the government, the process of creating money is not exclusive to the government.

In the United Kingdom, in 1997, Bank of England's statistics show that the total amount of money created by the Treasury on behalf of the UK government is a mere £25 billion in notes and coins. Compared to Banks and building societies which created the £655 billion (97% of all money to be used in the UK.) by lending it into existence in the form of mortgages, personal loans, and overdrafts. Consequently, notional money makes up almost the entire UK money stock. The same is true elsewhere. In the US, well over 90% of the money supply has been lent into existence.

Traditionally, banks are required to maintain certain liquidity and reserve/asset ratios. But, with time banks have developed ways to get round liquidity condition by investing in short-term government securities. The reserve/asset ratio means that a bank has to maintain a certain amount of reserve with the central bank in case borrowers want to withdraw large amount of money from the bank. This ratio has been replaced with capital adequacy ratio linking banks lending to their capital. In practice, however, Rowbotham shows that this helps perpetuate the problem of escalating debt and forced growth. Rowbotham contends that conventional banking theory and these supposed restraints allow economists to present the institutionalized usury of the system as something that operates under control. He then shows emphatically that these controls are inadequate.

Bankers maintain that their creation of money is a service to the borrowers who, as a result, never face shortage of funds. Another claim is that the banks lend out depositors money. He brushes both aside as myths and explains how bankers create money for themselves only. He says that bankers do this because as borrowers repay the loans which created the money initially, their payments are accounted as assets of the bank. He compares mortgages with the medieval concept of "debt pledge," where one borrowed and pledged his house to the lender until his death. He has compared mortgage deals as organized slavery. He writes that a slave is not the one who is treated badly, but one who has no control over his life's decisions. He has given astounding figures of the mortgage situation in the US and the UK. According to him, 37% of all UK residences (in terms of value) and 48% of all US residences are mortgaged.

He criticizes the monetary policy of raising of interest rates in response to rising inflation. Although such a policy reduces borrowing, it makes interest payment on existing loans heavier. This increases debt. Sometimes the situation can go so bad that businesses go bankrupt, homes repossessed, and millions of workers are laid off.

Rowbotham illustrates clearly the central role played by bank credit in economic life and how debt-based money is at the root of destructive economic trends. He shows why most people, businesses, and governments get so heavily into debt. Exploring the broad impact of debt, he shows the pronounced bias it creates toward unsustainable growth.

He studies the money system to prove the role of the financial system in current nature of modern growth. He shows that the forced economic growth is derived from intense competition for money, lack of purchasing power and near total wage dependency. He dismisses the conventional economic concept that growth is driven by aggregate demand of consumers. He thinks that the debt-based financial system is off-setting the benefits of technological development. He also thinks that savoir faire has been forced to focus on consumer-driven products instead of solving the problems of the planet.

The world is currently facing massive food shortages with the situation expected to worsen as there is no development in agriculture output making even the rejected Malthusian explanation a dream. He blames financial market for this lack of performance.

It is the third world that suffers most from the financial Shylocks. He points at constant export-warfare among countries to cater to a global export market. This has resulted in creating "alien products" that cater to the needs of consumers of no country in particular and are a bitter reality of "beggar-thy-neighbor" export drives.

Rowbotham after creating this doomsday scenario proposes that the solution is not as elusive as one may believe after reading his book. He talks about Lincoln's monetary policy as a possible solution. He proposes a step-by-step approach towards reform instead of a knee-jerk revolutionary one. The book is a must-read for anyone who wishes to understand the global economic crisis from a different perspective.

Management Gurus
and Management Fashions

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Since the 1980's, popular management thinkers or management gurus have prompted a number of performance improvement programs or management fashions that have greatly influenced both the conduct of organizational life and the preoccupations of academic researchers.

The book " Management Gurus and Management Fashions" written by Brad Jackson and published by Routledge, 2001 has clearly demonstrated that it is predominantly the rhetoric that makes the management guru. This book is an essential read for all those who are interested in explaining the growth of the guru industry. Questions such as why gurus never live up to their promises, and why management fashions are so short lived, will also gain a lot of insight from Dr Jackson.

According to Prof. Ernest Bormann, University of Minnesota, Brad Jackson has written a stunning book. It finally makes sense out of the enigma of management gurus, who continue to flourish despite considerable evidence that their visions are flawed and the application of their advice ineffective. This book is a must for all managers who have shared the fantasy of a guru's rhetorical vision or are tempted to share it.

Brad Jackson explores these management fashions through the lens of theory of human communication known as Fantasy Theme Analysis (FTA), which is embedded in the more general Symbolic Convergence Theory (SCT). SCT explores how differing interpretations of symbols by different individuals or groups tend to converge when communication takes place between those individuals or groups. FTA is a structured method of rhetorical analysis derived from the work of Robert Bales (1970) on small group interaction. The 'fantasy' in FTA has nothing to do with normal sense of the word which would evoke ideas of Baron Munchaussen or Walter Mitty, but means 'the creative and imaginative interpretation of events that fulfils a psychological need'. Why FTA might be appropriate to the study of management fashions, and how it is carried out are the subject of the third chapter of the book, which entails a very helpful account of the methods and the theoretical framework. Brad Jackson identifies three basic approaches to explain management gurus and management fashions:

a) The rational approach advocated by Michael Hammer and Dr James Champy (the re-engineering movement- you have to do this because it is the only thing to do) in which competitive pressures force managers to focus on the three themes - the 'Preservation of Self', the 'Redemption of Self', and the 'Representation of Self'. These provide the managers with new roles and role models that, the gurus argue. They should be playing in order to survive but also fully to realize their selves within the newly reengineered organization. Brad Jackson proves that performing reengineering in practice has, however, proven to be neither as compelling nor as simple as was implied. Managers have encountered considerable problems and obstacles in translating the rhetorical vision into day-to-day reality.

b) The structural approach, popularized by Stephen Covey (the effective movement- the righteous approach appropriate for a devout Mormon) in which economic, political, and cultural currents intersect to open and close opportunity space for consultants to fill. Covey has distinguished himself from the other gurus and consultants by his highly centralized and hierarchical organizational modus operandi and by the scale and ambition of the marketing apparatus he has assembled. He has successfully bridged the business and personal growth markets by disseminating a pragmatic, seemingly universal, relative message that promises something for everybody but fundamentally does little to change the status quo.

c) The institutional or the collaborative approach led by Peter Senge (the learning organization-You have to do this because it is a good thing to do ; the 'social master ' analogue of Senge) in which organizational decision makers must rely on best practice to navigate uncertainty, creating biases towards isomorphism and self-cascades of adoption and abandonment.

Brad Jackson's theoretical innovation is to argue that the dynamics that underlie the career trajectories of a Michael Hammer, Stephen Covey or Peter Senge are very different from the processes that explain the adoption and abandonment of re-engineering or effectiveness or organizational learning. The appeal of gurus is quite distinct from that of hot business practices. This point alone make the book important and worth assigning to students of business and is likely to force reconsideration of theories of fashionable innovation.

Brad Jackson notes that knowing how gurus and management fashions function is no guide to what the next may be and he also notes that recent fashion such as knowledge management and e-business, owe their prominence not to a single guru but to the activities of the international consultancies, such as Price Waterhouse and Accenture. Perhaps the age of guru is past?