

# Futurist Feather forecasts financial fall

Frank Feather is Editor of Debt Watch, past Editor of Global Digest and Global Future, is featured regularly on CKO, and was President of the 1980 Global Conference on Futures here in Toronto. He is also President of Global Management Bureau. Feather was recently interviewed by Excalibur's Graham Thompson.

**Q.** The most interesting thing I got out of your talk the way you related the development of technologies over the last century to global economic booms and bursts and then you related that to the world debt crisis today.

**A.** I think there is good reason to think that it (the debt crisis) occurs in cycles—boom and busts—based on general economic activity. And that general economic activity is based on technology and technological innovation.

So what seems to happen is that new technologies come in burst, or clusters. At least, significant technologies seem to all come at once. And if you look back over the last 100 or 150 years, this has been the case.

We moved from an agricultural society to an industrial society, and that industrial society was modernized again with production lines, and the automobile industry started up.

Now we have a whole bunch of new technologies—electronics, computers, space, genetics, and nuclear energy instead of old-fashioned energy.

Some technologies get updated. A new type of technology comes in that's brand new. But what seems to happen then is that these technologies create high levels of productivity and efficiency which generate economic wealth. In addition, they create new business opportunities, which create economic activity.

So all new industries open up as did the automobile production line, cheap energy, the computer industry and so on.

So we get into economic boom times for awhile, there's lots of investment and everything's go, go, go. And this last for a period of 20 years or so. And we expect these good times to keep on going, and we're very optimistic so we keep on investing and so on.

But it seems that what happens is the technologies on which the economic activity is based mature in much the same way as a product life cycle. Yet, they contribute less—you get diminishing returns I suppose—in terms of their economic contribution.

**Q.** And then the industries built on these technologies mature and...

**A.** They mature and start running into economic difficulties because they have old technologies and so on.

The next wave of technologies which is coming in, it seems, is not yet strong enough to pick up the economy and keep it going on the same growth path. So you seem to get this downturn for another 20 years before the new technologies kick in and send the economy back into a boom again.

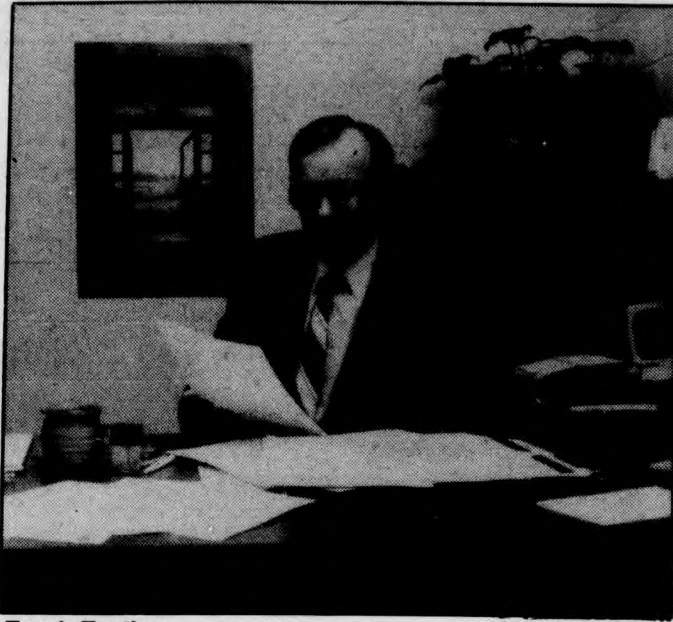
If this theory is valid it seems to follow about every 50 years. And we're in one of those periods now where we have a lot of maturing technologies, and the new technologies based on electronics, computers and other things are not yet strong enough to pick the economy up and keep it going.

As well, we have shifts internationally that are going on. So the old manufacturing industries we have, as well as being hit by maturing technologies, are also losing their competitive edge because both those old technologies and newer ones are being picked up by developing countries and they're very competitive and taking away their market share. So there is a lot of restructuring going on that is disrupting the economy.

Also during the boom period the old industries tend to overinvest, on credit, on the basis that the good times are going to continue. We also tend to overinvest in the old technologies instead of switching to the newer ones because we're really not sure what they are yet.

**Q.** Is that what Canada is doing?

**A.** We are going through this process of what's maybe called industrial nostalgia, where we're saying, let's renovate



Frank Feather

GRAHAM THOMPSON

and modernize the factories—which you can do, in some instances, through robots and so on. but many of those robot production lines won't necessarily be competitive in the world economy 10 years from now because the other economies still have access to cheap natural resources to fabricate their products from, and cheap energy and cheap labor, which are still required even though you have got automated systems.

**Q.** Is Ronald Reagan part of this industrial nostalgia?

**A.** Sure. 'We can restore the prosperity and value systems of yesterday,' is what he promises people, and it is appealing to people. 'Hey, the good times can come back again.' But the good times can only come back again if you move forward, not if you go back.

There's got to be a restructuring, realignment and rationalization going on, and we've got to reinvest in whatever the basis of the new economy is, and that's going to be the new technologies. It also means, because we are now in the reality of the total global marketplace with specialized markets in the developed countries, that you have to find specialized areas where you can compete internationally. So it makes the whole process very difficult.

Not only do you have to identify the winning technologies you've got to find a market for what you're going to produce with those technologies afterwards.

**Q.** Is Brian Mulroney and the federal government—and Canadian corporations—moving in the right direction when it comes to the use of newer technologies?

**A.** Well, the private sector—the corporations—are ahead of the governments in most countries in terms of what's really happening.

Multinational corporations have been going international for years and they realize this is where the growth is. Not only do we have a saturated market in North America and Europe but it's highly competitive, not only domestically but with foreign companies coming in with cheaper products.

So they've had to go internationally and set up plants overseas, and many of them are achieving 60 to 70 percent of their profits internationally.

I would say that Mulroney is not in the same industrial—nostalgia—camp as Reagan is. I think he is, perhaps, more progressive, but still not forward-looking enough in terms of where this country should be going. I don't see any vision.

Where's the industrial strategy for this country? There's no industrial policy. Where does the employment policy tie into this in terms of what skills are required from the education system, whether it's higher education or vocational skills from community colleges and so on? There's no coordination there. What's the federal responsibility and the provincial responsibility? Those things need to be addressed.

But Mulroney's got problems in that he's struck with the deficit that has been inherited. He's also stuck with the fact that Canada economically is largely dependent on the United States economy. Sixty percent of our trade is across the border to the south.

Really we have one economy in North America. Canada is part of the North American economy. Politically we're independent, but economically we're not independent at all. And as his hands are tied in many ways because he doesn't have a lot of flexibility in terms of what he can do with his own economic policy because of the financial situation domestically. Plus, he's subject to the vagaries of the US interest rate policy, exchange rate policy, bond issue policy and so on.

**Q.** You said during your talk that politicians don't really understand the information economy. Well, who's going to provide the leadership to move in these new directions?

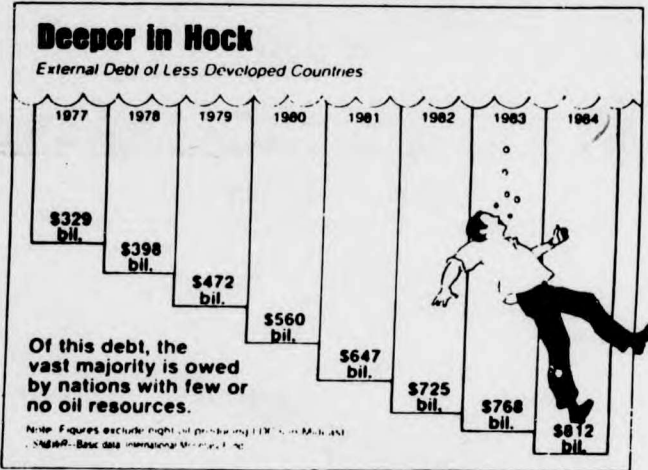
**A.** I don't know, maybe the futurists will provide some leadership. There's very little work being done to try and understand what is the information economy—there's a few academics that have, but not many.

Someone like a Keynes comes along only once in a while with a new breakthrough in terms of an idea and a new way of perceiving things. This is what we're waiting for, not only for this thing to be formulated—it's been formulated by several people—but to become increasingly accepted.

A new innovation or an idea takes a long time to be accepted. It's just that people tend to believe that the old way of doing things is the one that works. This resistance to change is ignorance of the reality of what's going on.

So we've got to generally raise awareness through discussion and dialogue in terms of what is the real basis of the new economy. More and more people will see the light and become aware and change will occur.

**Q.** You mentioned during your discussion that accountants and economists can't really come to grips with information as an economic good, and labor and skill. So is there



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great institutional skills that have to occur before we can move into this new economy?

**A.** We tend to say, 'Okay, here's economic theory, developed by Keynes and whoever else. These are the theories that are going to work.' Only when a new idea comes along does that theory change.

Again, it's a problem of inertia that people keep teaching this same theory, which is essentially obsolete; it's a theory based on the industrial age. We're now out of the industrial age—we're in the post-industrial age, based on information.

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