Book Reviews by Ian Robertson

ODLUM BROWN
Investing for Generations

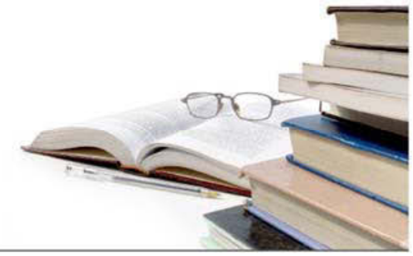
Ian Robertson, CFA, MBA, MA – Vice President, Director, Portfolio Manager | T 604 844 5424 | Toll Free 1 888 886 3586 | irobertson@odlumbrown.com
Odlum Brown Limited | Suite 1100 – 250 Howe Street | Vancouver, BC V6C 3S9 | Member-Canadian Investor Protection Fund

Title: ***The End Of Growth***

Author: **Jeff Rubin**

Publisher: **Random House (2012)**

Reviewed: **May 2012**



Rating:
★★★★
Out of 5 Stars

Former CIBC World Markets Chief Economist, Jeff Rubin has followed up his debut bestseller "Why Your World Is About To Get A Whole Lot Smaller" with a solid, similarly themed book. Like most best-selling economists, Rubin weaves together facts, economic theory and his own views to tell a compelling story, though his story is quite different than others.'

Rubin begins with the basics, including a brief overview of fiscal and monetary policy, monetarists and Keynesians, and economic growth. That out of the way, he then tells us that today's economic (i.e. deficit financing and easy money) policies are counterproductive because they will lead to soaring debts and rising inflation. With apologies to Rogoff and Reinhart, this time it really is different: the end of cheap oil is behind us; economic growth will stop; and in a static economy, only one half of the debt-to-GDP ratio will be going up -- the wrong half. When growth comes to a standstill, persuading creditors to keep financing government deficits will become a hard sell. Government policies and current lifestyles predicated on economic growth fueled by cheap oil are misdirected and outdated, respectively, and will be forced to change.

Digressing from his central premise a bit, Rubin notes that in countries where another round of bailouts would mean taxpayers become de facto owners of banks, outright nationalization could be the end result. In separate asides, but surprising for a former banker, Rubin agrees that putting investment bankers on civil service salaries might actually bring about the types of reforms needed in the financial services industry, and that if financial institutions are now too big to fail, the solution seems simple: make them smaller.

Back to Rubin's central theme, with higher energy prices we in the West should get used to smaller homes, less conspicuous consumption, less driving, and more job sharing. Compounding this natural response to higher energy costs is the increasing wealth in developing countries (where all remaining economic growth is coming from), which is increasing their appetite for energy intensive protein (largely beef), automobiles, and other modern conveniences, and fueling even higher global energy prices. In some developing countries increasing food costs (due to energy costs) are outpacing economies' abilities to generate wealth and causing social unrest such as the recent Arab Spring uprisings.

As befits a book concerned with energy scarcity, Rubin outlines the energy options available to nations, including relevant history and current geopolitical context, and delves into broader environmental issues, including the population and sustainability theories of Malthus and, more recently scientists/authors Paul Ehrlich and James Lovelock. He notes the drawbacks to cap and trade emissions policies and to the Kyoto protocol, delves into how realistic projections for future energy use really are, and ultimately (and optimistically) concludes that economics (diminishing oil use as prices climb) will take care of most of the global warming issue.

The book is well edited with few typographical errors, though one in particular made me smile - on page 68 Rubin refers to cheap "bobbles" shipped from China to developed country markets, which brought to mind the popular bobble head figures, though he likely meant to use the homonym "baubles."

Despite its many strengths, there is a central flaw in the book. Rubin's central premise is the link between oil and growth, but he offers no hard data to show cause and effect, or even for that matter, correlation. It's just stated as fact. In discussing a decades old wager between Ehrlich and economist Julian Simon, Rubin acknowledges that Ehrlich's 1960s projection of widespread famine and resource scarcity in the face of increasing population lost out to Simon's prediction of adaptability, innovation and declining resource prices. Rubin's book assumes the very adaptability and innovation that proved Ehrlich wrong are now at their limits, and that growth will cease - a very, very tall assumption.

As the former chief economist for a major bank, Rubin is used to delivering both detailed analyses to sophisticated captains of industry and mass market messages to the bank's' rank and file customers. This book is aimed squarely at the mass market. It deserves the undoubtedly wide readership it will garner, though unfortunately what makes the book so accessible - its lack of hard data - is also its major weakness. A thought provoking, optimistic, and very readable book.