



Plenary Session

World Economy: What happened?

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***Panelists will try to explain the World Economic situation and
the Role of Technology in the recovery process***

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Personal Experience

- **2005-2006:**

- *My next door neighbor sold his house for \$1.75M. He was asking \$1.2M.*
- *In 2005, I asked for a line-of-Credit of \$30K from my bank. They gave me LOC for \$150K!*
- *I received daily offers on my house (My house was not for Sale)*
- *My financial Advisor at AIG drove a beamer and a BMW SUV. I used to envy him -- I was, and still does, drive a Nissan Maxima 1995*
- *Salaries of CEOs of Large companies (Disney, ..etc.) is in the \$200M-\$350M. -- I used to ask Why? What does he do to justify all that! How can you spend a \$1Million*
- *I was approached by friends to partner in a venture (We will collect \$60K down payment for a condo, \$450K, We will sell it in a month for \$600K). They did. I did not.*
- *It cost me \$60 to fill my car's tank (Gas price was almost \$5.00 per gallon)*
- *I start using the word "Millions of Dollars" instead of "Thousands of Dollars"*
- *"Circuit City" was thriving – 350 stores in the US!*

Personal Experience

- ***2007-2008:***
 - ***There were at least 15 houses for sale in my neighborhood of 35 houses – No buyers!***
 - ***My pension savings dropped almost 60%***
 - ***My financial Advisor at Merrill Lynch quit with all his staff***
 - ***My financial Advisor at AIG quit***
 - ***My friends in the condo venture, defaulted The builder re-bought the condo for \$375K! The lost \$75K***
 - ***It cost me \$27 to fill my car's tank (Gas price is \$1.99 per gallon)***
 - ***I start using the word "Billions of Dollar" instead of "Millions of Dollars"***
 - ***Circuit City Liquated all its stores !***
 - ***I hear the word "Trillions of dollars" mentioned all the time these days (2009)***

What Happened?

- ***I tried to understand, what happened?***
- ***I asked every one that I know that claims he understands. I heard the following words/ Explanations/ Jargons/ Solutions***

Explanations:

- ***Secondary Mortgage/ Corruption/ Pyramid scheme/ Greed/ The war in Iraq***
- ***George Bush/ Madoff/ Sarkozy/***
- ***Globalization/ China/ What goes up comes down!/ The Bubble burst/ Normal Business cycle/ Deep hole/ Financial meltdown***
- ***It will get worst before it gets better/ Ponzi scheme/ Hedge funds/ economic Pearl Harbor***
- ***Terrorism/ fundamentalists/ Oil/ Refineries/ drugs***

Solutions:

- ***Bailout/ Stimulus Package/ / We will recover/ / Transparency and oversight/ reverse auctions/ Regulations/ Buffett/***

The Economists' Explanation

- ***Economic ups & downs are natural phenomena of the capitalist system (each 5-7 years)***
- ***When it stays within boundaries, it is healthy and when it exceeds normal boundaries it can result in upward or downward spirals (recession, depression, inflation, expansion, ..etc)***
- ***Governments use monetary policies (interest rates), spending, Taxes and other means to ensure that economy stays within the boundaries***
- ***During the Great depression of 1929, the us implement measures to ensure that this would not occur again (Insure bank deposits, loans has to be guaranteed, ..etc.)***
- ***Recently (2005-2008+), due to all kind of reasons (chief among them is the relaxation of regulations), the economy went in an uncontrollable upward spiral (typically that help the rich), to be followed by an economic downward spiral (hurt the mid-income and the poor).***
- ***Apparently, this downward spiral is too steep (short time) and too deep (too much) that it caused the current depression.***

My Explanation!

- ***USA is not the same as it used to be:***
 - *The population*
 - *Too much population influx affecting the core fiber of the US (no familiarity with the system, work conduct, language, ..etc)*
 - *Drugs/ Guns/ Extremisms*
 - *Too much consumption: overload, debt, anxiety, and waste*
 - *Too much luxury: affluenza*
 - *The workforce in the US is not like what it used to be:*
 - *Too much white collar workers (Too much wall-street), less and less Blue collar workers*
 - *Lack of professionalism*
 - *Too much greed/ No accountability*
 - *The US system*
 - *9/11 and the need to react + Series of Natural disasters*
 - *Relaxation of the rules and regulations*
 - *No checks and Balances*
 - *Too much military*
 - *Insecurity*
- ***The world is no more like it used to be:***
 - *Information are available free*
 - *Efficient, cheap communication systems*
 - *No boundaries for the know-how*
 - *Computers availability*
 - *Emergence of Hard working countries*
 - *China, India, and others*
 - *Conflicts of cultures*
 - *Us is no more admired around the world as it used to be*
 - *Extremism*
 - *Sensitivity to certain issues*

The outcome: New world , The US regulators/ Economists are practicing incompatible remedies and/or economic policies

Technology to the Rescue

Quotes and Moves

- *Historically, the recovery from Economic depression was due to increased demand due to Technological breakthroughs and Innovations [The “war machine”, “computer”, the “.com”, the “Internet”, “Communication systems”, ..]*
- *"Technology has led us out of the last three recessions," said George Colony, founder and chief executive officer of [Forrester Research](#), a high-tech research firm in Cambridge. "It's obvious that the new economy - whatever we're going to emerge into - is going to be built by the innovation that will emerge during this recession."*
- *[I.B.M.](#)'s chief executive, [Samuel J. Palmisano](#), is proposing a technology-fueled economic recovery plan that calls for public and private investment in more efficient systems for utility grids, traffic management, food distribution, water conservation and health care.*
- *The Administration realized the importance of technology: CEOs from the nation's leading technology companies, in a meeting with President Obama on Wednesday, came out strongly in support of the economic recovery package moving through Congress and called for policies that make the United States the most attractive destination for businesses, workers and capital.*

Technology to the rescue!

Quotes and Moves

- *“While our economy is struggling, America possesses the strengths that we will need to lead a global recovery and create a more prosperous and secure future,” said TCC Chairman, Mike Splinter, President and CEO of Applied Materials. “That is why it’s essential that Congress invest in the digital infrastructure in broadband, health care and energy to create near-term jobs that will shape our economy for the next generation.”*
- *“It was a privilege to be part of a dialogue with President Obama regarding the importance of investing in our nation's technology infrastructure,” said Steve Appleton, Micron Chairman and CEO. “America's technology industry has traditionally been a key component of our nation's economic success and further investments in technology will help drive our economic recovery.”*



Supporting slides

Financial Meltdown

Definitions

- **Recession:** mass unemployment and economic stagnation
- **Economic Depression:** periods marked by a substantial and sustained shortfall of the ability to purchase goods relative to the amount that could be produced using current resources and technology
- Often, in Canada and the United States, the word "depression" is used interchangeably with "recession", often to simply indicate a deeper or more serious recession. Though there is no widely accepted definition for an economic depression, there are two rules of thumb. One is a decline in real GDP exceeding 10%, and the other is a recession lasting 3 or more years.
- The **Great Depression** was a worldwide economic downturn starting in most places in 1929 and ending at different times in the 1930s

Recent Recessions

According to economists, since 1854, the U.S. has encountered 32 cycles of expansions and contractions, with an average of 17 months of contraction and 38 months of expansion. However, since 1980 there have been only eight periods of negative economic growth over one fiscal quarter or more, and four periods considered recessions:

January-July 1980 and July 1981-November 1982: 2 years total

July 1990-March 1991: 8 months

March 2001-November 2001: 8 months

December 2007-current: 15 months as of March 2009

From 1991 to 2000, the U.S. experienced 37 quarters of economic expansion, the longest period of expansion on record