



## Adaptive systems and the EU

The theory of complex adaptive biological systems is a large and growing body of thought that can be applied to human behaviour. Its basic attraction is that it assumes collective (rather than individual) behaviour, and a non-rational (rather than purely rational) context for decision-making. People who are brought together by a common purpose can then be seen as belonging psychologically to a 'super-organism', subject to natural laws: this super-organism is held together by homogenised beliefs; its parts are expendable; it is self-perpetuating; it exchanges energy and information with the environment; and it participates in pecking order conflicts. The 'whole' will offer rewards of power, wealth and prestige to those who can help it move up the pecking order, and will – particularly under conditions of stress or conflict – enforce conformity on its 'parts' by the threat of exclusion. These characteristics are consolidated if the group is subject to limited competition.

Organisations such as the European Commission (EC) in the EU, and the NHS and BBC in the UK, are super-organisms. As such, they will automatically try to extract resources from the environment, will give generous incomes to their executives, and will routinely eject 'whistleblowers' when any malpractice is alleged. It has taken scandals over the budget in the EU, patient care in the NHS, and severance payments in the BBC to bring these simple facts to light. What is also consistent with the theory – and is also becoming obvious – is that the less intense the competition, the greater is the built-in motivation to *expand* and the lower is the internally-generated incentives to *evolve*

Nevertheless, when any organism faces a hostile environment, it has to adapt or it will die. Adaptation means a change in the way that the inner 'parts' interact with each other; death means the collapse of the 'whole'. On this model, the government bureaucracies of Europe are in serious trouble. The 2008-09 global financial crisis exposed a gross imbalance between the cost of such bureaucracies, and the revenues available to finance them. Less obviously, the crisis also exposed a fading of the impulse from the infotech revolution. The natural growth rate of incomes and employment – and the flow of tax revenues – is less than it was. On top of this, the idea that governments are both inefficient and self-serving is gaining traction. So, the environment for government bureaucracies has become hostile. If they don't adapt, they will face a catastrophe. This is what has happened to Detroit.

The idea that 'Nature' will increasingly take its course will be anathema to those who believe that collective behaviour can be controlled. Nevertheless, the *Helmsman* model indicates that all Western economies are entering a new era. In the past, an economic recovery in the first year or so of a new era has been disappointing and has been followed by an unexpectedly deep recession. This experience forces a general recognition that deep-structure changes are needed. In current circumstances, these changes necessarily include constraints on government spending. Nations that feel threatened by rising bond yields would tend automatically to become more frugal. But what of the EU, which is mainly financed by transfers from national governments? Its 'solution' to Europe's debt problems is to increase its own power through political, banking and fiscal integration. What is being missed, however, is that the illusion of benevolent government operating in a bountiful environment has been shattered. In fact, the Euro – which is the glue that is supposed to draw Europe together – is widely seen as being an economic disaster. Consequently, the extraordinarily undemocratic EC is becoming ever more obviously out of touch with the needs of EU nation states. Not surprisingly, therefore, southern European stock markets are still trading significantly below the boundaries – calculated as 38.2% retracements of their falls since 2007 – that define the difference between a contra-trend recovery despite negative fundamentals, and a genuine advance based on improving fundamentals. Greece, for example, stands at 820 against a boundary of 1,415, Italy at 15,600 against 24,568, and Spain at 7,943 against 9,777. Psychological 'wholes' are shrivelling as their 'parts' disconnect. The EC is an adaptive system, even if it doesn't know it.

**Tony Plummer**

## Commentary No. 260: 24th July 2013