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#04 BACK TO WHICH FUTURE?
First the crash. Then the anxiety. Now signs of hope. But are we heading for the "new normal" or more of the same old? And which way lies the future?

Russia's women in step with a global trend to more education

Allianz 
Global Investors

MICRO

A look at China and Australia reveals the cause and very real effect policy decisions can have.

MACRO

Investment opportunities arise as the world invests in new or revamps existing technologies.

META

Why the rise and fall of civilizations is one cycle worth breaking.

WARNING: INNOVATION MAY PRODUCE UNEXPECTED SIDE EFFECTS

The Giannino Bassetti Foundation wants entrepreneurs to think about the possible risks that come with their new discoveries.

Entrepreneurial activities are looked at through a different set of eyes by your foundation. Rather than focusing on practical results, you invite debate on the cause and effect of these advancements. Could you please describe how you define innovation?

Bassetti: Well, it is not invention or discovery. For many people, invention may be their definition, but not for the Bassetti Foundation. For us, invention is only a scientific act that in itself does not provide the ability to transform lifestyles. This is an important difference. For us, innovation is implementation of a discovery.

As such it depends on power. For us, innovation forges new links between knowledge and power and brings into existence previously unknown objects, relations or situations. Innovation is not novelty but something that was previously considered improbable – not impossible, but improbable – now made real. It is therefore a social process that permeates politics and institutions.

PIERO BASSETTI



Born in Milan in 1928, Bassetti is president of both the Giannino Bassetti Foundation and of Globus et Locus, an association of European institutions devoted to research, policy support, networking and advocacy on globalization and its local-level effect. A distinguished author known in Italy for political essays and economic studies, he was also a parliament member from 1976 to 1982 and president of the Union of Italian Chambers of Commerce (Unioncamere) from 1983 to 1992.

Can you provide a brief example of innovation as opposed to invention?


The contraceptive pill was an innovation because of its societal and demographic effects. Antilock brakes are another example. They were developed in the 1930s and remained an invention until the '60s. It was only in the 1970s that the invention transformed into an innovation when it was slowly introduced into mass production. It took some 40 years for that idea, that invention, to be realized as an innovation. But, when finally implemented, it had a significant impact on car design and multivehicle accidents. There are many other examples of innovation, including aging.

Aging as an innovation? That is far removed from what most people would understand of aging.

I mean innovation in bio- and nanotechnology will probably in a short time introduce relevant changes in the length, quality and performance of life. Viagra is a realized example. But medical advances could soon treat Parkinson's and other diseases, which will improve the quality of the aging period. In this sense aging is an innovation.

For example, it is conceivable people could soon live to 130 years. That will have enormous consequences for society not only socially and economically, but also in anthropological and physiological terms.

Do you want to live to 130?

Ask any group of people, particularly the old, that question and the responses are extremely interesting. Some do, some don't. I personally do not want to live to 130. I am 80 now, and really wonder what would be the validity of lengthening my life to 130. I assume at some point there would be a trade-off in the quality of life that would make living unattractive. 

Aging is a bitter pill for many. Yet, recent medical advances are allowing us to live fuller lives longer – and altering our global society. Are we ready for even more “progress”?

So you don't see innovation as being intrinsically "good?"

All the discourse on innovation is based on there being as much innovation as possible, that innovation is good. Yet, one of the questions now arising from innovation is scarcity. Innovation is opening up opportunities that we may be unable to pay for – even in wealthy Western countries. This wasn't the case in the past. Sixty years ago health costs in the United States, for example, were 3–7% of GDP. Now they are 16% and likely to go to 20%. This opens up distribution issues. We could soon reach situations, in this case medical, where innovation becomes too costly as they will be denying resources to other critical areas, such as education.

You may say that up until now our actions have moved faster than our thoughts. This has to change. Yet, whenever you suggest caution on innovation because of these types of issues, when you urge people to consider all possible consequences before acting, you can become unpopular.

So scarcity forces us to make decisions and, ideally, these decisions should be responsible. Is this what the Bassetti Foundation means when it talks about "responsible innovation?" What exactly is the responsible part?

When we started we assumed everyone knew what innovation meant, so therefore responsible innovation would also be understandable. That is, innovation applied responsibly. This is not the case any more – the concept of responsibility has become rather dynamic. We find more and more that the notion of responsibility is embedded in ethical issues.

Many innovations are often made solely on the basis of profit. Profit is integral to innovation, but it should not be the only consideration. At the heart of innovation, by implementing the improbable, we find mystery about what it entails and that means innovation cannot be easily defined as "good" or "bad." Yet, the macro implications of the innovations that we are now introducing demand that we reflect on possible



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uncertainties and risks before the innovation is introduced. This is what constitutes responsible behavior.

And innovation is also found in the finance industry.

Yes! The financial crisis is a typical case of an irresponsible innovation. The introduction of collateralized debt obligations was a major innovation introduced in an irresponsible manner. Once the consequences rolled through the subprime sector,

through the entire finance sector and into the world economy, we can see the macro implications of irresponsible innovation.

I think the costs are now \$4 trillion and counting. The outcomes of innovation can be very powerful when they affect collective behavior.

The global scale of the crisis has taken everyone by surprise. Is there a sense that we are losing control of innovation?

In the past, in a sense, it was possible to predict the outcomes of innovation. For example, the changes that the mechanical innovations of the 19th and 20th centuries were likely to bring could be largely predicted. Even the consequences of dropping the atomic bomb were known – the destruction of a city, although no one understood the effects of radiation.

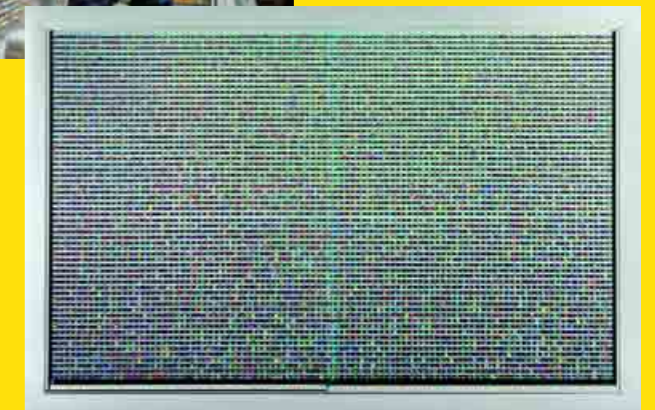
I think the novelty of our epoch is that innovation is crossing borders to where the unknown is really unknown. In terms of nanotechnology, we have no idea what the ramifications may be. The same is true of

BASSETTI FOUNDATION

The Bassetti Foundation commemorates the memory and achievements of Giannino Bassetti (1893–1980), an Italian entrepreneur whose business success was embedded in strong moral beliefs. The Foundation encourages discourse on innovation and its historic impact and promotes an awareness of its implications for humanity in the modern age. www.fondazionebassetti.org



The societal impact of new drugs is vast. Medications such as Viagra and oral contraceptives have changed the way we live. What new frontiers will be reached in the years ahead and, more importantly, is the world ready? Perhaps proof of the power of pharmacology is the popularity of UK artist Damien Hirst's work. His piece *Looking Forward to a Complete Suppression of Pain* (top) is on display at the Museum Brandhorst in Munich, Germany.



neuroscience, particularly when you touch upon matters such as human consciousness.

Recently we have become concerned with robo-ethics, particularly the creation of autonomous intelligent predators with a license to kill humans. In such fields, there is a sense that we are losing control of the processes of innovation.

So, where do we find standards for ethical behavior in terms of responsible innovation in the future?

I think firstly that innovation itself must receive a change of status. People need to grapple more seriously with it and its implications in all its dimensions. In the past, there was a common understanding of ethics, of what was good and bad. This was grounded in what was held to be "natural." Yet, innovation is opening up possibilities for us to interfere with nature,

and this creates a crisis within ethics that needs to be discussed and resolved. Certainly philosophy can provide a guide for standards of ethical behavior in a society that has forgotten absolutes such as good, bad or what can perhaps be described as "God."

Yet, the innovations we are introducing imply a need to go beyond standards or rules. I believe we need to research and develop a methodology concerning responsible innovation.

You make innovation sound dangerous.

In many senses it is. We are getting to the point where we cannot imagine the global consequences of our innovations. So, when you consider such matters, you arrive at the questions, should we stop or should we go on? I favor going on with innovation, but in urging that, I often feel absolutely irresponsible. _____