

# GAMEMASTER

*When Mohamed El-Erian speaks the financial world listens. A pre-eminent economist, he has been named one of the world's Top 100 Global Thinkers four years in a row.*

"As stable as it may seem on the surface to some, the current configuration of the global economy and the financial system is getting harder to maintain," wrote Mohamed El-Erian in *The Only Game in Town*. "Below the façade of the unusual calm of the last few years, interrupted by relatively few bouts of instability since 2008 – 09, tensions are rising and the effectiveness of central banks is coming under stress, so much so as to raise serious questions about the durability of the current path that the global economy is on."

*The Only Game in Town*, El-Erian's second book, is an analysis of the decisions needed to avoid the next global economic and financial crisis. Described by *Time* as "the one economic book you must read now" when it was first published in 2016, it cemented El-Erian's reputation as one of the world's most influential economic thinkers.

As the *Financial Times* said, who better to write such an important treatise than "the man who captured the essence of the present era of low growth, low inflation and low investment returns" with his memorable concept of the "new normal".

The new normal was/is the manifestation of a "stagnant economy with an overlay of political polarisation and dysfunction".

However, El-Erian believes the world currently stands at a T-junction. Take the right turn and a world of inclusive growth and peace is possible. Take the wrong one and things will get considerably worse.

"One road out of the T-junction ahead involves a restoration of high-inclusive growth that creates jobs, reduces the risk of financial instability, and counters excessive inequality," wrote El-Erian in *The Only Game in Town*. >









Mohamed El-Erianin takes part in a panel discussion during a meeting of the International Monetary Fund and World Bank

“It is a path that also lowers political tensions, eases governance dysfunction, and holds the hope of defusing some of the world’s geopolitical threats. The other road is the one of even lower growth, persistently high unemployment, and still worsening inequality. It is a road that involves renewed global financial instability, fuels political extremism, and erodes social cohesion as well as integrity.”

As chief economic advisor at insurance giant Allianz, El-Erian is one of the world’s pre-eminent economists. Named one of *Foreign Policy*’s ‘Top 100 Global Thinkers’ for four years in a row, he has contributed considerably to the world’s understanding of finance and economics.

When El-Erian speaks the financial world listens. He served as chair of former President Barack Obama’s Global Development Council, is chair of Microsoft’s Investment Advisory Committee, and, alongside Sir Harvey McGrath, co-heads the capital campaign for the university and colleges of Cambridge.

With 1.8 million LinkedIn followers he is also a social media star and was recognised as one of the company’s top three ‘voices’ in 2016 and 2017. His Twitter following stands at 182,000 and he is also a *Financial Times* contributing editor and a *Bloomberg View* columnist.

Why is his opinion so popular? Probably because he has a history of cutting to the chase. He pulled Pimco out of Argentina before the country defaulted when he was the investment management firm’s CEO and co-chief investment officer, and predicted the European debt crisis.

His running commentary and analysis is invaluable, particularly in a time of deep uncertainty and 24-hour news, providing insight into global issues such as Brexit and the escalating trade tensions between the US and China.

Writing in *The Guardian* in July, El-Erian suggested that the trade skirmish between the US and China could open the door to a new era. “Many existing trade agreements would benefit from modernisation,” he wrote. “And most economists agree that the US has genuine trade grievances against China.

“But most economists also agree that competitive tariffs are a risky way to address these grievances. Because tariffs transmit stagflationary pressures (that is, they encourage simultaneous economic contraction and inflation), they risk undermining a global recovery that is already facing challenges. And they complicate long-overdue monetary policy normalisation, while increasing the likelihood of global financial instability. The resulting systemic cracks could jeopardise the entire rules-based multilateral trading system at a time when there is no good alternative.”

**“For the first time in a while, all of the world’s most systemically important engines of global expansion – including China, Europe, Japan and the US – have been shifting into higher gear”**

El-Erian’s journey from international civil servant to chief economic advisor and global thought leader is a fascinating one. Born in the US to an Egyptian father and French mother, he went to school in Egypt, France and the US before completing his under-graduate studies in economics at Cambridge University. He then moved to Oxford, where he obtained masters and doctorate degrees in economics before entering the public sector, working his way up to become deputy director at the International Monetary Fund in Washington DC.

Just before he turned 40 he joined the private sector for the first time, joining Salomon Smith Barney/Citibank as managing director and head of the emerging markets research team. From there he went on to join investment management firm Pimco, eventually becoming CEO and co-chief investment officer, with a short stint in-between as president and CEO of Harvard Management Company.

In total he worked for Pimco for 14 years, eventually stepping down in 2014 to achieve a better life/work balance. He once said that when his daughter was 13 she handed him a 22-item list of key moments in her life that he had missed – the kind of heartbreaker all parents dread.

Now he pursues “a diverse portfolio of activities”, amongst them writing, public speaking, thought leadership and philanthropy.

Can economies break out of the ‘new normal’ they find themselves in and into an era of growth? El-Erian believes so. Writing in the *Financial Times* in January, he said that a breakout was on the horizon.

“For the first time in a while, all of the world’s most systemically important engines of global expansion – including China, Europe, Japan and the US – have been shifting into higher gear,” he wrote. “Rather than being finance-driven, growth is being increasingly underpinned by fundamental economic forces. Within the process itself, a virtuous cycle between consumption, corporate investment and trade is gaining traction.

“Pro-growth policies (particularly in the US), ample liquidity (including on account of continued large asset purchases by the Bank of Japan and the European Central Bank) and, in Europe, an endogenous economic healing process have been the main contributors to the world’s improved economic prospects.” †