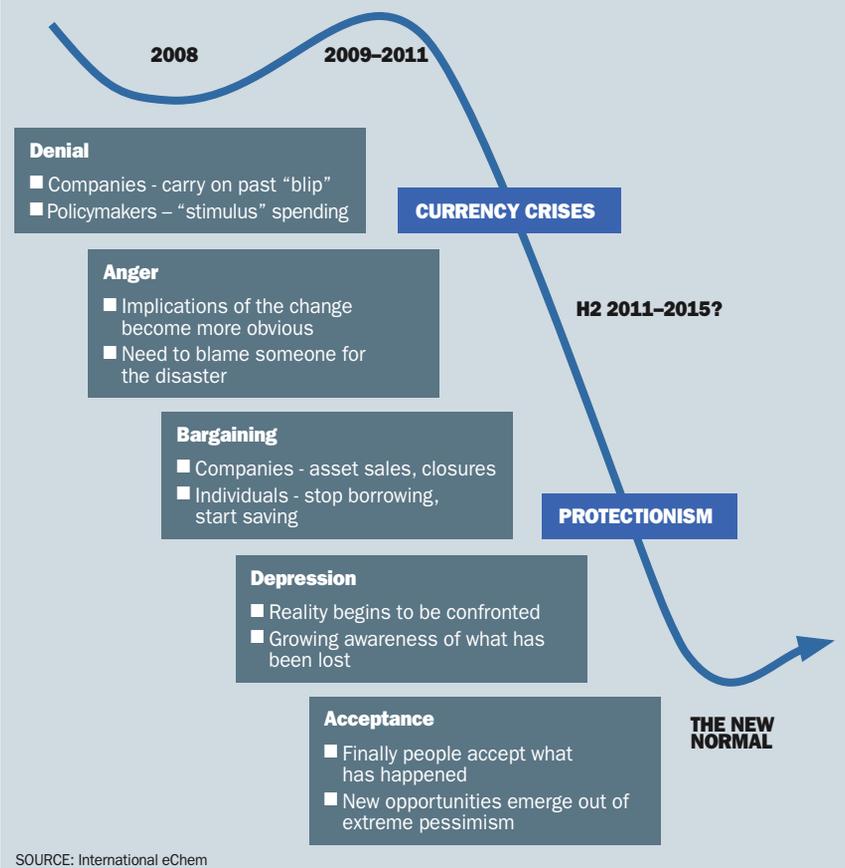


ELISABETH KUBLER ROSS' PARADIGM OF LOSS MODEL



makers. But the problem is that the Baby Boomers' transition into retirement means demand is not there any more to fuel the kind of growth we saw in the 1982-2007 SuperCycle.

In some countries, we are already seeing the first signs of the next stage - Anger. In turn, this is causing investors to take fright, as they worry their loans may not be repaid. This is happening now in the eurozone, where interest rates in Greece reached 30-40% before it defaulted. Countries such as Spain and Italy are dangerously close to the 7% level that makes repayment almost impossible.

Creativity will begin to flourish once again. New opportunities will emerge and people will reorient themselves

Working through these first two stages will probably take a long time. The Bargaining stage is still to come. Old Normal companies will have run out of road in their cost-cutting efforts, and may find themselves forced to make asset sales on a distressed basis in a market where there are few buyers.

Understandably, therefore, if the parallel with Kübler Ross' work holds true, what will follow is Depression. This will be derived from a sense of hopelessness at the scale and difficulty of the tasks ahead. It is at this point, as in the 1930s, that we risk seeing a return to protectionism.

Only after all this time will we approach the end of our journey and reach Acceptance, where individuals, companies and countries start working together again in a search for solutions. This will allow creativity to really flourish and encourage confidence to return. New opportunities will then emerge as we arrive in the New Normal. ■

THE NEW NORMAL

Chapter 12 of *Boom, Gloom and the New Normal - How Western Baby Boomers are Changing Global Chemical Demand Patterns, Again* is now available free to download at icis.com/NewNormalBook. It is co-authored by Paul Hodges, chairman of International eChem, and John Richardson, director, ICIS training Asia, who both blog for ICIS at icis.com/blog



needs of society and be successful, which we also discuss. But what is also needed is the support of policymakers. Unemployment is a major problem across the Western world. It has the potential to create repeated waves of social unrest that could bring governments down and wreck economic growth. If skills atrophy, and people lose the energy to learn new skills, it will become much harder to make the products and services of the future.

STRONG SOCIAL POLICY IS NECESSARY

Good social policy is therefore needed, as without a healthy society there cannot be a healthy economy. For example, increased investment in education is required to create the skills necessary to make the products of the future. This will involve partnerships between governments, both central and local, and industry in order to provide the right type of education and retraining programs.

Many developing countries have social policies that emphasize job creation over short-term profitability. But they face their own challenges. A key part of the New Normal journey will be the realization that the financial market's view of emerging markets is over-simplified and often wrong: their rise

cannot inevitably replace lost demand in the West. In the case of China, additional challenges exist. These include the battle against economic reform by those who have done well out of the existing growth model, such as the state-owned enterprises.

China's economic model, which has prioritized exports and infrastructure over domestic consumption, needs major reform. India's continued economic rise is also far from guaranteed, as a result of corruption and stalled reform. Hopefully, the right politicians will come along to resolve these issues.

DON'T UNDERESTIMATE EMOTION

And then there is the emotional reaction to the changes now underway that could completely change the course of events. We look at this through the insights of Elisabeth Kübler-Ross, the Swiss-American psychiatrist, who identified five stages of grief while working with terminally ill patients, as detailed in the chart.

Today, many companies and governments remain in the Denial stage. They think that we can carry on past this "blip" in the old model of growth through fiscal stimulus or tax cuts.

"If we can just get the Western consumer to start buying again" is the argument of policy-