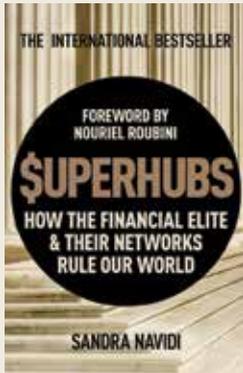


What exactly is accomplished at Davos?



Superhubs: How the Financial Elite and their Networks Rule Our World

Author: Sandra Navidi

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Superhubs is the rather inelegant but appropriate name that macroeconomic consultant Sandra Navidi gives the few, extremely wealthy, extremely connected financial elites of the world who “pull the levers of the financial system.” In her book, *Superhubs: How the Financial Elite and their Networks Rule Our World*, Navidi gives a balanced and surprisingly human look at the somewhat mysterious and feared financial network that controls, more than any other force, the present and future of the world.

Early in the first chapter, readers quickly understand that *Superhubs* will not be some dry, professorial text on macroeconomics and globalisation. Instead, Navidi describes a recent journey to the World Economic Forum at Davos, the annual gathering of financial, governmental and academic titans. On the way to the conference centre on the first day, she writes, “I crossed paths with Bill Gates, who gave me a friendly nod; IMF chief Christine Lagarde, who said hello; and private equity billionaire Steve Schwarzman, with whom I exchanged pleasantries.” At the coat check, “where

I replaced my messy boots with elegant dress shoes,” Navidi writes that she ran into former U.S. Secretary of the Treasury Larry Summers and Nobel Laureate Robert Shiller. “Although I have attended the WEF several years in a row,” she writes, “I am still regularly amazed that every financial titan ... seems to have materialised simultaneously in front of me.”

It is probably unclear to most lay people, however, what exactly is accomplished at Davos. “With dozens of Nobel laureates and hundreds of the world’s most esteemed academics and industry leaders, the intellectual firepower is nothing short of breath taking,” Navidi explains. “Although I can rarely pinpoint at the time what exactly I have taken away from the meetings, I feel that shortly thereafter the information and ideas form a bigger picture, a better understanding and a clearer sense of what lies ahead.”

What lies ahead, according to Navidi, is troubling. Navidi uses network science, which builds on mathematics to explain the behaviour of networks, to reveal the strengths and weaknesses of the powerful financial network that spans the globe. As Navidi explains, network science presents networks as “nodes” connected to each other by

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pathways called “links.” According to the “law of preferential attachment,” she writes, “all nodes prefer to attach to other nodes with the most connections, because a greater number of connections increase the chances of individual survival. The best-connected nodes at the centre of networks are called ‘superhubs,’” the term she wisely borrows to describe the best-connected individuals in the world of finance. As in theoretical network science, the world’s financial network continues to become more and more interconnected and homogenous.

However, at some point, network science fails us, Navidi writes. The reason is that most networks, she writes, “are adaptive and self-correcting, so when they become too lopsided, circuit-breaking feedback loops kick in, restabilising the system.” Unfortunately, the feedback loops of the global financial system never kick in, according to Navidi, because “to protect their vested interests, superhubs have successfully resisted change. The resulting systemic fragility manifests itself in increasing opportunity, income, and wealth gaps and social corrosion.” She then concludes that “if the system does not self-correct and balance itself out, it will eventually become so lopsided that it will likely collapse.”

Before starting her own macroeconomic consulting firm, the accomplished German-born Navidi was an investment banker, is licensed to practice law in both Germany and America, and most recently worked for renowned economist Nouriel Roubini. In *Superhubs*, she describes the financial elite with a narrative flair and sense of humour while not neglecting the seriousness of the threat that the lopsided system represents. Her chapter on the revolving door between politics and finance, which begins with a section called “psychological kidnapping,” is both one disturbing chapter in this fascinating and revealing best-seller. ■