

Contribution to a Holistic Response to the International Financial and Economic Crisis

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ABSTRACT

The response to the ongoing international crisis is a holistic response due to the multiple effects impacting on the various segments of societies around the world. Since 1945, the world has to perform again, a new leap in terms of development process based on the pressing need for socio-economic reconstruction. The level of globalisation and interdependency generates a focus on a renewed vision of International Development, building on the lessons of more than six decades of international financial system and economic and social policies. Countries are revisiting the foundations of their development policies and financial and economic cooperation. Both transformation and regulation of systems are on the agenda, at different stages, in various forms and modalities. The concept of systemic transformation & regulation needs priority attention in addressing the crisis. The new Global Governance advocated at the international level, has to factor in the approach and integrate the need for a new type of leadership education, a need for a comprehensive education related to the two-pronged approach to Development combining Education and Culture. In the process of overcoming the crisis, Science and Technology will stand as a major drive for innovations, efficiency and effectiveness.

Keywords: International Development, Socio-Economic Reconstruction, Systemic Transformation & Regulation, Comprehensive Education, Science & Technology Drive

1. INTRODUCTION

The most apparent effects of the crisis are the vast financial losses and collapse of important financial institutions, mainly in industrialised countries, with a leading role and responsibility in USA. But the crisis is more than financial. The economic bases of current economic and social policies are challenged. The type of growth generated is not responding to the rights and needs of individuals, communities and societies. Social unrest is a growing reaction to the overall crisis. Rising unemployment, decreasing purchasing powers among middle and lower classes of the society, insecurity and lack of confidence in the type of financial and economic governance prevailing, are signals for an urgent response to the crisis. The volatility of commodity prices is not facilitating.

A peculiar aspect of the present crisis is the global consensus on concerted efforts in addressing it. Short term measures have to be linked to long term solutions. The lack of efficient regulatory process and oversight of the international financial system and financial markets deserve special attention, in addition to the review of the technological base of wealth

creation and revenue distribution in societies. The underlying challenges are analysed in connection with the multidimensional nature of the crisis and new emerging issues are emphasized in the design of a holistic response. The prospects define concrete strategies and means for overcoming the crisis.

2. CHALLENGES

There are many challenges representing a threat to social stability and peace. The first challenge relates to job security and revenue that can ensure decent life. Millions of workers around the world fear the consequences of the crisis on employment. The figures announced by big corporations on job losses are indicators of the acuteness of the problem. Both in industrialised countries and developing economies, the issue of employment security is at the centre of social dialogue and confrontation. The delocalisation practice of firms adds to the growing insecurity especially in North America and Europe.

A result of the crisis is an increase of extreme poverty with the combination of destruction of economic activities, lack of new opportunities and inflationary pricing situation, leading to a significant drop in purchasing power. Before the financial crisis outbreak, the issue of extreme poverty was a priority in international agenda/ Millennium Development Goal No 1. If no relevant response to the crisis is provided, this objective is not likely to be achieved by developing countries. Food crisis and Hunger are taking away millions of lives. Displaced persons for survival and economic reasons become an emerging concern with the deepening of the International Crisis.

The social insecurity is a catalyst of conflicts both internal to the countries and external. A major challenge is how soon governments will be able to provide concrete solutions to mitigate the impact of the crisis and find durable solutions to the present situation. As noted in many fora, the access to resources like water and land is an object of potential conflicts if not well addressed [24]. Environment deterioration, especially the climate change and overheating due to polluting industrial activities, threat to biodiversity, oil polluted lands, rivers and seas, are components of the global crisis, which is also an environmental crisis.

As a matter of fact, conflicts have their basic economic reasons, related to the access and control of resources, the balance of power on the international market, the mastery of new technologies with geopolitical implications.

3. ANALYTICAL FRAMEWORK

The debate on Growth and Development centred on the fact that growth does not necessarily lead to Development is still accurate. The type of economic growth is worth analysing. For instance, the economic growth policy based on export of raw materials with no value added in terms of local processing is not the same as growth generated through the processing of diversified inputs on a sustained basis. Moreover, the issue of a Jobless Growth dominated the Economic Thinking, especially in the last 80's and early 90's. If jobless growth prevails, the social cost of this economic policy will be high and risky. The emergence of the Human Development concept reflects the shift from growth centred policies to human centred policies, with the integration, inter alia, of Education and Health factors [10]. The summit on Social Development and the Rio Conference on Environment highlighted an urgent need to respond to the social needs of individuals and communities as well as ensuring environmental sustainability. The Kyoto summit further reinforced environment sensitive economic policies and activities.

However, Development needs to be defined with reference to its fundamental objective which is: Quality Life Improvement. In order to ensure quality life improvement, we need Education which is Life Learning and Culture which is Life Expression. It is based on the judicious combination of Education [E] and Culture [C] that Development [D] can be generated¹.

This two-pronged approach to Development is a basis for renewal or reorientation of socio-economic policies. The cultural dimension encompasses various components such as scientific and technical culture, ethical culture, traditional arts culture, socio-environmental culture, aesthetical culture, spiritual culture, management culture.

As concerns Education, it refers to a comprehensive type of Education, including both Knowledge Acquisition [KA] and Wisdom [W]. Therefore, the basic relation for Development becomes:

$$[D] = [KA] * [W] * [C]$$

Wisdom includes at least the following three components: Ethics, Responsibility and Accountability [17]. Development actors and Decision makers should base their action on these three components, in addition to Knowledge Acquisition and Culture.

For any kind of development, Knowledge Acquisition, Wisdom and Culture are fundamental. Hence, to overcome the crisis, we should look at the three dimensions and see how best new policies can combine them, in a timely manner. Timely Effective Delivery is essential to policy implementation.

The time dimension was referred to by many authors, in analysing business cycles and especially in anticipating the duration of crises [4]. In a complex situation of multiple factors interacting, the proactivity of Governments and Decisions makers could be determining in modifying trends, contrary to a situation of *Laissez Faire*. One may argue that within the time period of three generations, at least, the foundations of the economic system are revisited, especially

during long periods of socio-economic difficulties. It is time to reconsider the basic foundation of the financial and economic system put in place, through the Bretton Woods institutions and various financial markets. The length of the crisis will depend on the relevance and timely implementation of a concerted holistic response.

De facto, countries are faced with the demand for socio-economic reconstruction. Business as usual is not helping. The following principles are highlighted:

- i. The need for socio-economic reconstruction is inherent to the development process. The bases of the socio-economic system are bound to be changed when historically necessary, in period of crises, scientific and technological revolutions, cultural renewal, radical environmental modification, large scale disasters, etc.;
- ii. Systemic Transformation & Regulation (STR) is a tool enabling a global approach to socio-economic reconstruction and comprehensive human development. Systemic transformation relates to the continuing process of structural modifications based on intra and inter systemic dynamic of interactions, context, strategic objectives and means. Whereas systemic regulation expresses the continuing process of consistent management based on the characteristics of the system, the strategic objectives, the capacity of handling equilibrium and disequilibrium and the capacity of anticipation. Both processes are two sides of the same coin. Each system put in place will be transformed; and each transformed system should be regulated;
- iii. The four dimensions of the development process: Knowledge Acquisition, Wisdom, Culture and Time constitute the basis for Systemic Transformation & Regulation. Any new policy should consider these four dimensions;
- iv. Science and Technology constitute a major drive for innovation and greater efficiency in the socio-economic reconstruction and comprehensive human development

These principles relate to all countries, industrialized countries, emerging economies and developing countries

4. METHODOLOGY

The assessment of world leading economies through the defined principles, shows that the bases on which the economies were founded have been challenged for many years now. The rise of the scientific and technological revolution, the advent of new information technologies, the oil crisis, the weakening of the dollar as reference currency, the crisis of protectionism versus liberalisation, the unemployment syndrome, growing insecurity both at national and international levels, are factors leading to a review of the existing system. Notwithstanding, are

¹ [D]=[E]*[C]

countries fully involved in a socio-economic reconstruction process? Are knowledge Acquisition, Wisdom, Culture and Time, taken into account in the new policies adopted, like the Scientific Development Concept in China (2007) and the Stimulus Plan in USA (2009)?

As concerns systemic transformation, is there any significant attempt to change the socio-economic system? Can one assess that systemic regulation has been operational in the overall management of the system?

With regards to European countries, a collective proposal has been expressed for proceeding to an overhaul of the financial system. The reform should be all encompassing. How systemic transformation & regulation is addressed in responding to the crisis? Are the four dimensions integrated in the European Framework of Action?

As far as developing countries are concerned, is there any possibility of undertaking a socio-economic reconstruction based on STR? The response to the crisis is expressed in various forms of plans and commitments both at national, regional and international levels. The 2000 Millennium Summit was an attempt to overcome the crisis particularly in developing countries faced with increased extreme poverty as a consequence of the vicious circles in which their economies are trapped. Achieving the Millennium Development Goals remains a challenge for most developing countries. The worsening of the situation in some regions like Africa, make it a duty to go beyond mere mitigating policies, towards a holistic response. Are countries ready to embark on a more demanding reform process? Is the two-pronged approach to Development a practice in ongoing reform initiatives?

Furthermore, are financial markets properly regulated? In the area of economic cooperation, are the principles of socio-economic reconstruction being used as guiding principles? How to relate international cooperation to the need for socio-economic reconstruction in developing countries for instance?

Is it possible to define a new vision for International Development? How to assess the progress in development process, in light of the new vision?

These are questions which need to be answered in designing a holistic response to the international financial and economic crisis.

5. FINDINGS

Based on the study, the following findings could be emphasized:

- i. The two – pronged approach to development is not a generalised practice. More often, the socio-economic policies are centred on macroeconomic frameworks and conditionality within international cooperation for development. In some cases, the scientific and technical culture is considered. Efforts have been made in several recent plans and reforms to go beyond narrow economic approach to emphasize person centred or citizen centred socio-

economic policies (USA & China for example). Nevertheless, there is need to reinforce the culture dimension in socio-economic policies particularly within socio-economic reconstruction context;

- ii. A new vision of International Development emerges as a process of systemic transformation and regulation of societies aiming at meeting the rights and evolving needs of individuals, communities and nations, across boundaries. This vision implies new contents for Global Management and Governance with the setting up of appropriate regulatory mechanisms and supporting institutions.
- iii. Leadership Education and Global Management & Governance is a major area of concern which requires sound reflection and programmes for mainstreaming Leadership Education throughout the Education curricula. Tomorrow's leaders have to be better prepared for all levels from community level to International Governance level;
- iv. It appears globally that the type of education should be reviewed and include key dimensions such as wisdom, culture and time, as well as reinforcing science and technology knowledge and know how acquisitions. Subsequently, Comprehensive Education, combining formal, non formal and informal education, is an area of focus which prepares nation builders as well as global village builders to deal with international development challenges. Comprehensive Education is laying the foundation of Comprehensive Human Development, which goes beyond the access to resources and services. The profile of new learners to be promoted is: proactive and creative nation and global village builders, culturally rooted and committed to universally shared values. Hence, teachers are not mere knowledge communicators; they become Teacher – Educators fully aware of the new challenges of local and international development. Their capacities should be developed in relation to the four dimensions: Knowledge Acquisition, Wisdom, Culture and Time. Learning about Timely Effective Delivery will make a difference in the performance of future leaders and professionals;
- v. Science and technology are not fully considered in terms of solution to the crisis. However, they contain numerous opportunities of processing, transformation and modalities of regulation. The dialogue and partnership with the community of scientists, engineers, professionals of technology of all competences can generate far reaching innovations that could help overcome the effects of the crisis, especially on new jobs creation, new ventures for young entrepreneurs;
- vi. The financial aspect of the crisis has been so sudden, that many countries were not prepared to the rapidly evolving situation. More and more, it becomes urgent to have a set of Crisis Early Warning Indicators. The phenomenon is just like a financial *tsunami* devastating economies and communities in many parts of the world;

vii. A way of assessing progress in the development process, in addition to the available indicators, is to consider both economic growth rate and speed of variation in the Gini index which measures the level of distribution of revenues within the society. The percentage of revenues belonging to 80% of the population or any representative figure of low income categories should be looked at carefully over time. For global governance, these two instruments should be matched in the assessment of progress within societies and at international level. Actions through Education, Culture, Access to Science and Technology, Vocational and Technical Education, new job opportunities could impact positively on the structure of the distribution and move forward the diffusion of wealth creation within the society.

6. PROSPECTS

The world community will gain in investing in the following crucial areas of reflection and action:

- i. Leadership Education and Global Management & Governance. New contents will be defined and included in curricula;
- ii. Cultural Foundations of Socio-Economic Reconstruction. Major aspects of cultural diversity will help design relevant strategies for sound socio-economic and cultural policies;
- iii. International Crisis Early Warning Indicators. Global Management & Governance need to anticipate. Defining a set of monitoring tools for anticipation is overdue;

- iv. Science and Technology Drive for overcoming crisis. Most of the innovations will be generated through Science and Technology. Progress in these domains will foster creativity and efficiency;
- v. Comprehensive Education and Global Village Citizenship. New profiles of learners should be defined as well as of teachers. This is a fundamental basis for Systemic Transformation & Regulation, for sustainability.

The outcome of operational panels/task forces on these areas will guide the world in the operationalisation of a holistic response to the International Financial and Economic Crisis

7. CONCLUSION

The International Financial and Economic Crisis has revealed greater interdependency among regions of the world and brought closer nations and communities. The crisis is not one country crisis, all countries are involved. The new approach to International Development will help design a concerted holistic response taking into account the four dimensions of socio-economic reconstruction and comprehensive human development. The use of systemic transformation and regulation as a development tool at all levels is a key to overcoming the crisis. In so doing, significant progress will be made by the world community towards improving the quality of life for all and promoting sustainable livelihood around the globe. It is a huge task, but more than ever, the means of realisation are already available. Indeed, Proactivity and creativity lay the path to achievement.

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