

e-book

# Getting out of the Crisis towards a sustainable development



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# Chapter 1

## Introduction

At Opinion Sur, we have taken it upon ourselves to understand what caused the crisis, the dynamics that gave it its origin, and the circumstances that converged to make it explode with the virulence and global reach that it did <sup>1</sup>. It is an essential analytical task to understand what happened and be able to evaluate the relevance and possible effectiveness of the proposed solutions. If we do not have our own perspective, we will have to rely on the hegemonic vision, ineffective as the crisis itself showed yet repeated a thousand times by traditional engines of strategic thought. From our viewpoint, this global crisis is not only financial even though it was, without doubt, triggered by the failures of the financial system. There are other reasons, other circumstances, other factors that generated the dynamics that led to the crisis. Without adjusting this dynamics, we run the serious risk of reproducing another cycle of crisis exit, recovery, growth, and return to another crisis

It is not only possible but also necessary to overcome the great imbalances between and within countries. We need to construct a trajectory of organic, fair, and sustainable growth; to build new institutions capable of allocating funds to promote production; to abate inequality and poverty, not only for ethical motivations, but also because it becomes a necessary condition to ensure a dynamic balance between supply and demand. A better course and a more effective way of functioning does not precede the redistribution of opportunities, it stems from it.

The task should now center on considering the solutions, analyzing them in depth, assessing their elements, and highlighting all the essential issues that may have been ignored or overlooked.

The course and systemic way of functioning are the focus of what is now being discussed or should be discussed. Each specific measure is important, but the directionality that the set of specific measures establishes is even more important. Strategic thought, policy orientations, and specific measures form part of a single challenge that is expressed on different levels. It is on this matter that we now focus our attention.

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<sup>1</sup> See e.book on [\*The International Crisis: Adjusting the Course and Improving the Systemic Functioning\*](#)

## Chapter 2

### **Did we deserve the crisis?**

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*The crisis explodes and we rush off to take shelter from the rainstorm. While we do this, the process seeks to find its course as a crisis does not stop but transforms the social and economic dynamics. So big is the fear and confusion that only the daring or those who are best positioned, understand that this is the time to apply energy to channel the situation in one direction or another. What happened and why did it happen? Could the crisis have been avoided? Did blindness precipitate it? What comes next? How do we react? We must ask ourselves whether we want to change; immediately after we will find out whether we will be capable of changing.*

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The crisis explodes and we rush off to take shelter from the rainstorm. While we do this, the process seeks to find its course as a crisis does not stop but transforms the social and economic dynamics. In this flow of events, powerful interests struggle so that the outcome may turn as much in their favour as possible. So big is the fear and confusion that only the daring or those who are best positioned, understand that this is the time to apply energy to channel the situation in one direction or another.

#### **What happened and why it happened**

The diagnosis of why the crisis burst out begins by pointing out that the financial system exhibited a lousy behaviour, and made it possible for sectors without repayment capacity to become indebted. What is not sufficiently elucidated is the reason for such behaviour and the resulting over-indebtedness.

In my opinion, one of the key factors that precipitated the crisis was the mismatch that had occurred between the rate of growth in production supply and the rate of growth of those who absorb that production (effective demand). This was the result of a concentration-oriented growth that led to increasing inequity in almost all world economies. It is worth mentioning that such inequity occurred not only in emerging economies (translated into greater poverty and indigence) but also in central economies having much higher standards of living, and it was there where the present crisis started.

As it turned out, the “organic” growth of the economic system was hurt (a relatively balanced growth of its key variables). Apart from praiseworthy exceptions, analysts in the Northern Hemisphere who operate from the perspective of abundance and growth reproduction as well as those in the south who operate from the perspective of shortage and development promotion, had underestimated the critical role that inequity plays by affecting the foundations of an organic economic growth.

Inequity implies several things. On the one hand, that there exists a certain lag or backwardness in the incomes of middle and low-income sectors (workers, small producers, retirees, the unemployed, marginalized population in large cities, towns and rural areas) in relation to the growth in production and the economy in aggregate terms. This lag translates, in the Southern countries, in extended poverty, while in the Northern countries the relative lag may occur even with an improvement in absolute terms in the general standard of living. There is a gap, a disconnection between the total goods and services that a vibrant productive apparatus is capable of producing and what the demand is capable of absorbing. We are talking about gaps in aggregate terms because sector or territorial gaps are in fact being constantly produced in the economy, but they manage to be absorbed -"resolved"- by trade, migrations, the overall economic dynamics through innovations and permanent restructuring.

Those gaps generate tensions and if the latter acquire a systemic dimension, they can no longer be solved by the sole economic dynamics and require the intervention of regulators and political helmsmen. If these do not react making timely decisions that go beyond the purely functional ones, the functioning of the economic machinery gets blocked and crises break out.

Inequity also involves a growing concentration of savings, that portion of income that is not spent and may be used to finance investment, which is one of the pillars of economic growth. Depending on how savings are channelled, "allocated", one or another type of investment will result: a more productive investment, or a more financial and speculative one; an investment that is concentrated on large economic players, or a de-concentrated investment that contributes to capital formation among small and medium-sized producers; an investment that threatens the environment, or an investment that safeguards and protects it.

The concentration of savings takes place at the same time that investment opportunities in the real economy diminish as a result of the reduction of the demand with respect to production. This gap gets worse due to the superfluous nature of the consumption of those who concentrate incomes, which is spread through aggressive advertising to the rest of society.

Thus, the concentration of savings and the reduction in investment opportunities in the real economy combine to deviate funds towards financial products that are ever more speculative and, hence, entail higher returns and risks, risks that are sought to be concealed under different types of derivatives. The logic of recycling concentrated savings by luring them with juicy yields and hiding the inherent risk to this type of financial schemes led to a blurring of the ethical limits, giving way to bold or even criminal adventures.

## **The crisis is avoidable**

It is clear that it is possible to prevent the economic functioning from ending in a crisis. This goes beyond regulating the financial markets appropriately, which is certainly necessary to do. When economic forces that hit the borders of the economic system's sustainability unleash, strengthening the defenses is not enough; it also becomes necessary to deactivate those forces that are social and not natural. It is required to work on an organic growth that avoids the traumatic effects of the inequity produced by concentrating processes; among other factors, try to make the consumers' genuine income grow hand by hand with the supply of goods and services. This will contribute to a better growth of the economy that, however, will never be exempt from occasional imbalances and turbulences that are inherent to complex systems where millions of players interact. Those tensions can be "absorbed" within the regular functioning of the economic system; that is, without trespassing the functional limits of sustainability and avoiding falling into recurrent crises.

Oftentimes, maybe most of the times, markets do not manage to ensure sustained organic growth on their own as diverse factors tend to trigger beyond the proportions required for a relatively balanced growth to occur. It is in those moments when regulating the systemic functioning becomes a must in order to guarantee its efficacy and gear it towards benefiting society as a whole.

Countless policies, mechanisms, and instruments may be used to such end. This battery of measures includes eliminating regressive tax systems and reducing tax evasion; implementing a fairer, more efficient allocation of government spending, a monetary policy that secures price stability, regulates financial intermediation and promotes credit access; channelling national saving so that it may further enable capital formation at the bottom of the productive apparatus; implementing direct actions to support small producers in relation to knowledge, contacts, market access and modern business engineering; promoting equitable linkages between production chain leading firms and suppliers, distributors and clients, so as to exert the leading firms full meso-economic responsibility.

## **The blindness that precipitates the crisis**

Nonetheless, for a long time it was not wanted, possible or simply ignored, to address the challenges that establishing an organic growth entails. In particular, income distribution worsened instead of improving and, to tackle the widening gaps, the solution sought consisted in extending credit instead of generating more genuine income among middle and low-income sectors (the base of the social pyramid). The approach made it possible for inequity to continue to grow, with the resulting concentration of income, saving and investment. Myopia became an accomplice to avarice and mean-spiritedness. Some warned about the tensions that kept building up under the surface; yet, since "growth" was vigorous and appeared to be sustained, few were willing to believe that such course and way of functioning would end up being unsustainable.

Meanwhile, dissatisfaction was being dodged, postponed, by causing the middle-income, and to a lesser extent, the low-income sectors to become indebted. At that time over-indebtedness raised no concern at all. Why should it worry anyone

if, thanks to it, the economic machinery was going through a period of great bonanza? Besides, there was politics, to manage occasional outbursts, and the large media, to homogenize thought and stifle dissent.

The dreadful financial bubbles were thus gradually formed, ever more aloof from the man in the street's economy. The financial system grew self-centered; financial "products" mobilized huge amounts of money that could be transferred massively and in real time by just being equipped with communication facilities; the returns offered outperformed any other investment choice in the real economy. The conditions were converging for a large systemic crisis to unfold.

### **The blast and what is to come**

And, alas! One fine day, the shockwave of that frenzied speculative allocation of saving began to burst the huge financial bubbles, unveiling, in the first place, the existence of mortgage and credit card over-indebtedness and, as a result of that, impacting in domino-effect fashion on the rest of the markets. Bubbles deflated as quickly as our children or grandchildren's balloons do.

That over-indebtedness would have produced less harm or maybe a positive impact if it had been directed to more meaningful consumption, away from the superficiality of needs that are not basic which are encouraged and supported by highly effective commercial advertising. Another economic dynamic could have developed –way distanced from financial speculation and with a much more rational allocation of available resources - had we changed the profile of our consumption orienting it instead to one of clean energy, healthy food, preventive medicine, goods that do not encourage further existential alienation and slippery into addictions; a consumption that carries values and not ostentation that exacerbates social differentiation. In other words, the outcome would have been different had consumerism been replaced by responsible consumption

Inequity not only applies to income, it also manifests itself in the existence of knowledge, information, contacts, market and capital access gaps, which jeopardizes personal development and capital formation in small and micro producer sectors that constitute vast majorities in almost all our countries. This does not necessarily have to be this way, as it was assumed in the past when it was taken for granted that economies of scale were an unsurmountable constraint. Today, however, we have access to modern business engineering that is capable of structuring scattered small production into medium-sized organizations capable of accessing higher opportunity thresholds. This is the case of franchise systems, export consortia, centralized service providers, modern production networks led by well-organized enterprises that propel the growth of the entire value chain. However, little of that reaches the bottom of the pyramid, which instead of excellence receives what is left over, or the scrap.

### **The way we react and its probable consequences**

In the face of a crisis, very different measures are available to mitigate its effects and try to cause the river to return to its course, which would be a crass mistake to make: the river should not return to "that" course, because we would be once again reconstructing the scenario and the dynamics that led to the crisis. Let us not be confused, the king was naked, even if we did not dare to acknowledge that.

The key measures being discussed are intended to underpin the financial system as it, in point of fact, is a part of the nervous system of any economy. Huge amounts of money are devoted to "bail out" banks, insurance companies, mortgage agencies. So many are the billions that the ordinary citizen cannot even retain the figures, let alone figure out what such phenomenal reorientation of resources implies in terms of opportunity costs.

In addition to that, consumption stimulus plans are being presented, as the productive apparatus sees with justified terror that the enormous contraction in demand threatens its subsistence. The market dries up, and so does the destination of its production, although, it must be made clear, not all will be affected in the same way. Those who produce steel, cement, aluminium, oil, equipment, machinery, etc, will depend on new public work programs, which will become the key productive and social investment drivers; those who produce essential goods (food, drugs, communications, etc.), which are indispensable even during a crisis, will have better prospects than those who are devoted to the production of superfluous mass consumer goods (during a crisis, the room for irresponsible consumption is reduced, as urgencies relocate family priorities); with one exception: the production of superfluous goods intended for high-income sectors will survive, because the wealthiest 10% of the planet's population will maintain their standard of living with very few cutbacks.

But, how can consumption be encouraged among those who see their income drop and unemployment grow? The first reaction is to allocate public funds to the withdrawal of "toxic assets" and the establishment of new finance lines, loosening conditions to access those credits. It is not a question of generating genuine income; that will be done "once the storm has been weathered". At this point in time the main challenge is deemed to consist in "pump-priming"; bringing the machinery back into operation; causing supply—that supply generated by the existing productive apparatus—to meet a demand that is capable of absorbing its production so that it may then be able to re-generate employment, reducing rampant unemployment, calming the waters, gaining back the "confidence" of all of us in the economic system.

Yet, wouldn't we then be fixing that particular machinery, that functional logic, that systemic rationality that led us to the crisis? Wouldn't we be producing another round of over-indebtedness, of consumerism, of income, saving and power concentration, of a frenzied pursuit of benefits, of institutions threatened by privileges, arbitrariness, aggravated criminal systems?

### **Did we deserve the crisis?**

The answer is a categorical "yes". But we are not talking about deserving the crisis as a punishment but, instead, as a consequence of the way we had become organized as society, the way we functioned. By favouring certain aspects and ignoring others, we established a certain economic order; we set up priorities and oblivions.

It is difficult to steer an economy that rewards mean-spiritedness and avarice as the basis for accumulation. Accumulation is indispensable for economic functioning, but it needs not be aggressively concentration-oriented; there may be accumulation distributed among all layers of the social and economic structure: large, medium and small-sized enterprises. If capital formation grew excessively in

large units, we would no doubt be creating an inevitable concentration process, as the very economic dynamics would be taking—as it actually takes— that course.

The challenge lies in thinking of new ways of structuring ourselves and of functioning because that is what we are talking about when we refer to coming out of a crisis stronger. If we are paying such a price for mistakes we have made, let us look for opening new opportunities. We need to establish a different set of prizes and punishment; one that promotes those who add value to the social effort and not those who speculate and profit from the rest; to encourage those who organize production differently, acknowledge what each one contributes to the social functioning: the ordaining and regulating State, responsible entrepreneurs, workers and civil society, including educators, scientists, technological innovators; those that shape values such as social, religious and political leaders, the media, advertising agencies and, in each home, parents or “that significant other”. An optimistic, though not naïve vision of the human condition would indicate that we will know how to stand tall above our own mistakes, reflect, and grow in terms of experience, take care of one another, exercise our free will acknowledging limits. These are potentialities that speak of doing as well as being, but they do not guarantee per se any given course. We must individually ask ourselves whether we really want to change; immediately after we will find out whether we will be capable of changing.

This year we are celebrating astronomy, and we marvel at the wonders of the universe, its complexity and countless enigmas. Confronted with that enormity, it is awesome that “earthly” matters may also be so highly complex and that, within our own selves and our societies, enigmas are nested just as impenetrable as those remote galaxies and the big bang. We bear a changing and tempestuous mix of needs, interests, values, and emotions. With it, and with our capacity to think and act we can be able to give way to something better for the future that starts today. We deserved the crisis, but what matters now is whether we will know how to transform it into an opportunity.

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## Chapter 3

### **Facing the crisis: transforming in the spur of the moment**

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*Every crisis entails an opportunity, granted; but an opportunity is a possibility, not a certainty and, hence, if we do not seize it, we lose it. Although painful, the most valuable opportunity that a crisis brings along is precisely the possibility of transforming for the better what was in existence. It is in the course of the emergency, when worries and perplexity shake us, that the restructuring options start being defined. Later, when the lava cools down, the new relations among players, the new ways of functioning, the new paths consolidate and it becomes harder to shape the transformation. A transformation implies carrying out a series of tasks; it is a complex and fascinating effort of interpreting reality, projecting the future, causing interests to converge, mobilizing wills and organizing action.*

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Every crisis entails an opportunity, granted; but an opportunity is a possibility, not a certainty and, hence, if we do not seize it, we lose it. The opportunity does not come out to meet us if we become paralyzed and seek cover in the basement until the storm subsides. On the contrary, it will be necessary to come out to meet it while the crisis is in progress, and work in order to take advantage of it.

We pointed out in previous issues that even though the malfunctioning of the financial system triggered the present crisis, other critical factors converged to generate it. In most of the cases, it is necessary to adjust what we do, and how we do it, rather than merely reconstructing what was in existence. A crisis involves a drastic change of circumstances, some of them evident such as costs and pervasive destruction, while others, originated with the adjustment of profound plates of reality, are more difficult to read. The change of circumstances calls for new paths and the initiation of a transformation-building process. It is in this juncture of pain and confusion that it is necessary to transform our course and way of functioning.

#### **The task of building a transformation**

Among other factors, social, productive, technological, international trade development constantly foster transformations; yet social decisions are the ones that set the course and mold our way of functioning through a change in attitudes, policies and regulations. When a crisis bursts, the first reactions tend to avoid or

mitigate impacts. Fear and anguish in the face of uncertainty obscure the fact that our way of reacting before the crisis lays the foundations for what will come after the trauma.

The strength of the economic tsunami disrupts processes and relations in such a way that opens spaces to develop new courses that were previously unthinkable. It is in the course of the emergency when worries and perplexity shake us that the restructuring options start being defined. Later, when the lava cools down, the new relations among players, the new ways of functioning, the new paths consolidate and it becomes harder to shape the transformation. Although painful, the most valuable opportunity that a crisis brings along is precisely the possibility of transforming for the better what was in existence.

How to work in the middle of a crisis in order to build a transformation that may enable us to seize opportunities?

Various are the work fronts that need to be addressed in the spur of the moment, among others, the task of interpreting reality, projecting the future, making interests converge, mobilizing wills, and organizing action. This is not related to a lineal sequence but to stages that need to be tackled almost simultaneously in order to feed and improve each work front with the information and results that crop up from the rest.

#### **(a) The task of interpreting reality**

Although at times not well valued, this is a fundamental space. There always exist various possible interpretations of a same and single reality depending on the analytical framework used to assess it. Some will highlight certain aspects and will acknowledge certain logics of societal functioning while others will choose different interpretative variables and produce alternative explanations of the socio economic dynamic. Although there may be common denominators, it is worthwhile to recognize and accept that there is a diversity of diagnostic outlooks on one same process. Some ignore that diversity of interpretations and believe they are the owners of the only right view. This occurs in authoritarian or fundamentalist regimes but also in democracies, when powerful interests with major media support back certain viewpoints. In these cases, the quality of the line of argument, the analytical rigor and the capacity to explain facts of each interpretation carry no weight: what counts is how strong the backing for each interpretation is. When support sources are strongly concentrated, there is a greater risk of slipping towards homogeneous thinking, which impoverishes and narrows the capacity to understand what is going on, as well as to sustain more effective proposals for action. In this “ranking of credibility” the valuable contribution of analysts who only rely on their acute insight into processes is lost. Between the teams who are backed by major media and those having independent views there exist huge disparities in terms of resources and the capacity to make them heard.

In any case, the process of building an effective transformation is based in the first place on an appropriate appreciation of what is going on in the light of the chosen course. This entails selecting adequate interpretative variables, assessing the correlation of forces, recognizing parameters, foreseeing their possible changes in the mid term, and adequately processing the available information.

For instance, some of us consider that inequality and poverty are structural imbalances of the economic system and one of the main causes that generated the current crisis. Others, instead, do not deny the existence of those dramatic imbalances yet do not take them as logical results of the prevailing course and way of functioning and even less as one of the causes that led to the crisis. Each interpretation of the same phenomenon will lead to very different ways of projecting the future, making interests converge, mobilizing wills and organizing the action.

## **b) The task of projecting the future**

Looking at the future is in some sense shaping it so that we can have a guide in the twilight of new situations. Depending on how we envision it, we will influence our courses of action. It is as though the future would influence the present.

We can project the future following the historic trend, or introducing inflection points based on changes of circumstances and society's willingness to build a transformation. Within this range determinism and voluntarism are equally dangerous extremes.

In determinism destiny is prefigured, which has the twofold implication of preserving the status quo and discouraging the will to change. Certainly, there exist contextual parameters that must be inevitably taken into consideration, as the same impose restrictions that condition the course; ignoring or failing to assess them properly may cause our best intention to fail. But it is also certain that, even within those parameters (which, by the way, change with time) we have room for manoeuvre to exercise our free will.

In voluntarism we overestimate our capacity to change reality failing to properly assess the contextual parameters as well as the correlation of forces within which we must act. Errors of judgment compromise the intended transformation and negatively affect the social forces promoting it.

Building a transformation involves generating a chain of inflection points in our path as a society, in order to adjust our march towards a view of the future (guiding utopia) that hints at another possible, desirable reality. This long-term guide makes it possible to plan an attainable mid-term considering an adjustment in the systemic direction and a continuous effort to make our way of functioning more efficient.

A better course and effective functioning are the fundamental pillars of any transformation. And as we have just pointed out they are based on how we interpret reality and project the future. However, in order to materialize the process of building a transformation, it is also indispensable to cause interests to converge, mobilize wills and organize action.

## **(c) The task of causing interests to converge**

A society has always multiple interests that at times complement and at other times antagonize one with each other. To the extent that more and more interests converge on a same path, larger will be the social energy channeled towards

transformation instead of sterilized in struggles among antagonists that only seek to make their own interests prevail.

Some consider the dynamics between disparate interests as a zero-sum process. In other words, what one gains is, inevitably, what the other one loses; hence, the only way to assert my interests is by crushing those of the rest in order to broaden my own realization space. This usually happens in severely imperfect, ill-regulated markets, most particularly, in times of crises or strong economic recession. In these situations —indeed, today we are going through one of the worst global crises of our times—the strongest, best-informed individuals seek to dump on others their own share of costs and responsibilities.

This, however, must not inevitably be this way. With political leadership and an intensive use of regulatory instances it is possible to find formulas to align interests, cause them to converge into solutions, ensuring that costs are minimized and that the possible results of a transformation are fairly shared. This is a difficult task, because we are not dealing with generous players; instead, we are faced with tough, though ultimately always pragmatic, interests.

If the alignment of interests is approached as in a static context, the room for manoeuvre becomes reduced. But if agreements on interests were to be situated in a dynamic context, spaces to converge would broaden considerably. Even then, furthering the convergence of interests is a tough task, one in which it is necessary to combine firmness with creativity and cleverness. The convergence of interests cannot be left to spontaneity as it seldom happens; without a view of the whole and a leadership that works to generate convergence, each particular interest will tend to follow a self-centered course. The task of making interests converge requires a good understanding of the interests at stake, recognizing existing limits, choosing appropriate ways of approximation, equipping oneself with tools of persuasion, and producing win-win solutions where all parties come to share results.

Yet, even with an accurate interpretation of reality, with a consistent set of mid-term projections, with an effective interest alignment and convergence effort, a transformation cannot be actually materialized if two critical tasks are not tackled: the task of mobilizing wills and the task of organizing action.

#### **(d) The task of mobilizing wills**

Mobilizing wills involves knowing how to inspire and guide the different players in a society. It implies understanding their motivations, knowing their longings and fears; mastering a diversity of languages, idiosyncrasies and imaginaries, exercising leadership by integrating efforts and generating synergies, which does not mean to pile up initiatives but to articulate them in a constructive way.

Wills may be mobilized on the basis of deception, although the resulting dynamics is usually short-lived. With time, inconsistencies and frustrations undermine the will to accompany a process that becomes distorted and does not satisfy deeply felt needs.

Charismatic leaders generate enthusiasm, which makes the mobilization effort easier. Yet, effective political scaffolding and a good mid-term project expressing the alignment of interests are required in order to sustain the mobilization. The task of mobilizing wills requires permanence and credibility; discontinuous efforts

undermine its efficacy generating voids that are hard to recover. To arouse enthusiasm and full participation it will be necessary to soak into those values and longings that are most deeply felt by communities.

#### **(f) The task of organizing action**

The task of organizing action is very diverse and involves all social players, the public sector, businesses and entrepreneurs, civil society organizations, the media, trade associations and unions, to mention but a few. It requires planning but also operational flexibility so that we do not prevent quick responses to the permanent and unexpected changes of circumstances. This involves having to live with a constant tension between seeing to it that what was agreed upon is fulfilled and consenting to changes being made as we go along if reality so requires. If this tension is properly resolved, effectiveness will be gained. The downside here, however, is the risk of facilitating arbitrary action and funds diversion. It is not easy to strike a fair balance as the key lies in exercising good judgement, only that those who must exercise it are, at the same time, imperfect individuals having interests, needs and emotions. Thus there exists an inevitable twofold demand: ensuring ever-greater policy rationality and efficiency, coupled with the need to choose the most rigorous, honest leaders.

Making things happen is no easy task; it has to do with doing what is deemed necessary to generate and sustain a transformation but, in addition and as it was mentioned above, doing it with efficacy, that is, accomplishing what has been proposed with the lowest possible organizational and financial costs or, reversing the perspective, given a certain level of organizational and financial input, attaining the greatest possible impact.

The task of organizing, and then supervising, action faces us with tough issues such as corruption, diversion of funds and energies towards a patronage system, and organizational negligence. A poor leadership and management supervision may sterilize any transformation-building effort.

The task of organizing action must assign a preponderant role to innovation, to refurbishing institutions in synch with the present times, to creating instruments that are ever more effective and most fit for the reality that is intended to be transformed. Each historical phase requires a new generation of instruments. For instance, if reduction of inequity and poverty is a central goal (not just a marginal program) then we will have to give way to new strategies, policies and instruments, including (i) realigning the macro-economic policy (tax, public spending, monetary) in favour of the base of the social pyramid, (ii) mobilizing productive chains leading businesses toward inclusive courses of action so that they fully exercise their meso-economic responsibility, (iii) developing a battery of actions in direct support of the bottom of the social and economic pyramid, placing emphasis on capital formation and the streamlining of the way in which small and medium-sized firms are run. To make the latter feasible, traditional instruments must be supplemented with other new-fledged ones that are tailored to local circumstances, such as inclusive business developers, socially and environmentally responsible angel investor networks and local funds to support productive investments. There is not lack of talent or determination to work in our Southern countries, but support systems are poor in terms of ensuring that our majorities emerge and realize their full potential.

It is worthwhile to close these lines reasserting that transformations are not something magical. Although there is room for charisma, ideals, will power, commitment, determination, and the longing of each one, all factors that have a strong bearing, a transformation implies carrying out a series of tasks. It is a fascinating work of interpreting reality, projecting the future, causing interests to converge, mobilizing wills and organizing action. Is for this reason why we say that a transformation is not dreamed of or awaited, it is built.

**Notes:** See previous Opinion Sur articles on the crisis in two new e-books: [International Crisis: Adjusting the Course and Improving the Systemic Functioning a](#) and [The Storm of the Century: the Economic Crisis and its Consequences](#).

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## Chapter 4

# Decision-making to come out of the crisis

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*Who take part in the making of decisions to come out of the crisis; what are the prevailing ideas on approaches and measures; which ones will be finally adopted?*

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### **Participants in the decision-making process**

Ultimately, the representatives of national governments are the ones who make the key decisions to come out of the crisis, depending on the political weight that each country carries within the international commonwealth. Countries carrying the greatest weight are grouped in the so-called G-20 (now 22); they account for 80% of the world's GDP and the world trade, and two-thirds of the global population. The pressures of countless players having different degrees of influence converge on their leaders.

It is clear that the policies that led to the crisis benefited the financial sector of central countries and emerging economies: they accumulated huge economic power and great political influence. For instance, up until 1982 the benefits of the financial sector in the US were similar to those of the other industrial sectors; then they started growing until becoming, in 2007, 85 % higher than the rest of the industry. During that period, changes in those policies were resisted by the financial sector with the support of mainstream think tanks and the media related to those interests. Crowning that influence, Wall Street investment bankers came to conduct from the Department of the Treasury and the Federal Reserve in Washington, DC, the national economic policy

Although affected by the crisis they helped generate, big financial groups still preserve a high level of influence as, should they collapse they would drag along many other companies and families in their fall. Other important economic sectors that have been less damaged by the crisis, such as communications, health, food, or that play a strategic role, such as armaments and energy industry, oil and gas in particular, also maintain a great capacity to exert influence on the shaping of new global policies. Although there are certain organizations that struggle for people's interests, the average citizen, ordinary taxpayers do not have any other formal representative than their government. Should governments turn away from them, the great majorities (hundreds of millions of people) would not have who to defend their interests and needs at the negotiating table. The new architecture of the international

economic system and the new policies that will guide its way of functioning will be very much influenced by those who end up seating at the drawing board.

The crisis generated a certain shift in terms of decision-making from the economic to the political ground, which makes new room for considering other approaches and measures. Yet, if such room is not duly taken advantage of, we will end up reproducing, with only cosmetic changes, the processes that resulted in this huge global crisis. Prevailing ideas about approaches and measures

Even though there are new ideas and perspectives, mainstream think- tanks continue to carry greater weight due to their position in the most important communication nodes; hence, and not necessarily due to the merit of their analyses and argumentations, they are paid more heed than other engines of strategic thinking.

One of the driving ideas that mainstream think-tanks proclaim is the immediate need to bail out the existing financial system. They act on the urgency that the situation indeed imposes, and elude discussing a thorough transformation of the structure and way of functioning of financial intermediation. The backbone of the proposals consists in "recovering" the solvency and credibility of financial institutions, ridding them of the so-called toxic assets; "re-establishing" credit without affecting the corporate structure, nor ensuring that two-thirds of the world population have full credit access, nor obliterating the criminal nonsense of tax havens, nor securing an effective monitoring of all financial products, hedge funds included.

Another key idea is that of expanding global demand by pumping government funds into the market. This would be attained by (i) offering public sector financed credit lines, in order to substitute the declining propensity to lend of institutions that have been so severely hit by the crisis, and (ii) generating activities via ambitious plans in social and productive infrastructure. Once again, the devil is in the small print and its tail may only be noticed when these measures are disaggregated and studied in detail.

### **Ideas striving to be considered**

One of the main notions that are striving to be considered in the present agenda is the critical role inequity played –socially and among countries- in generating the crisis. Inequity was the result of a specific growth pattern that derived in concentrated (and concentrating) accumulation of wealth, income, savings and investment. There are other ways to grow that lead to much more balanced and de-concentrated accumulation, promoting a better distribution of wealth, income, savings and investment, with significant effects on what is produced, who produces it, how it is produced, when it is produced, as well as what, who, how and where it is consumed. The coming out of the crisis is a golden opportunity to change the production and consumption pattern, so that clean production that does not harm the environment may be encouraged, that consumerism may be replaced by responsible consumption, and that scientific and technological development may be accordingly oriented. As public funding and regulations are so preponderant in this phase, the capacity to adjust the systemic course has increased considerably.

There also exist serious doubts about the proposed financial bailout, in the sense that it might constitute a subtle way of ensuring the survival of the financial class that profited limitlessly and with few regulations until the crisis burst. To prevent this from happening, a bailout based on other grounds is propounded,

whereby a restructuring of the financial system may be ensured. A restructuring that would induce another course, subject to a more effective regulatory framework but without affecting, however, the dynamics and innovation required to keep up with constantly changing circumstances. This might lead to a dismembering of huge financial entities that had concentrated large market shares and attained enormous economic and political power. The "cleansing" of toxic assets and the establishment of new regulatory standards provide each country's financial authority with powerful instruments to create a new effective and vigorous financial system.

### **A more appropriate decision-making structure**

The international crisis puts to the test the decision-making structure existing in the world. There are large global decisions that need to be considered, and there are also other multiple decisions at the national and local levels. The whole decision-making system is under strain, even if the same is not clearly structured. Structures originated in past international junctures are being used to give way to new structures that may best adjust to the enormous changes that occurred in recent decades. As always, it is necessary to change as we go along, with prudence, without arbitrariness, and weighing all legitimate interests at stake. Leaps in the dark do not help; instead, they cause a regression in the improvement processes.

The current systemic functioning is based on what today exists but adjusting the course and achieving a better way of functioning will be the result of projecting and organizing new structures, whose viability will depend upon how well the present correlation of international forces may install its vision, needs, values and interests.

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## Chapter 5

### To wipe out hypocrisy and indifference

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*The hypocrisy and indifference of certain corporate leaders hurt; in 2008 they rewarded themselves as if they had not had a share of responsibility for having generated the crisis. Would we have done the same had we been in their place? Are mean-spiritedness and selfishness a mere question of opportunity and circumstances, and do they always prevail over responsibility and solidarity? We may need to embark on a profound individual introspection, to look also at our own behaviour, before and during the crisis; to assess how we react to adversity. Coming out of the crisis is a collective effort; and it is good to long for a new social course, a more effective, fairer way of functioning. But this is not achieved only through top down approaches; our actions and attitude also count. They count because of the impact they may have on the course of the social processes, and they count because from that interaction to forge the collective destiny, opportunities emerge to reorient our own individual becoming.*

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*John Thain, former CEO of Merrill Lynch, Martin Sullivan, former CEO of AIG, Lloyd Blankfein, incumbent CEO of Goldman Sachs, Vikran Pandit, CEO of Citigroup, understand that they and their employees did a good job and, in spite of the crisis, in 2008 rewarded themselves with bonuses worth in total 18.4 billion dollars. The top executives in these firms lead lavish lifestyles based on those juicy bonuses: weekend mansions, apartments worth in excess of 20 million dollars in exclusive locations, outrageous decoration expenses, costly private jet flights. One year ago, Thain spent 1.2 million dollars to refurbish and redecorate his office. Last September, after AIG received a multimillion bailout from the government, 70 of its executives met at a California resort and spent 440,000 dollars.*

The New York Times reported that New York's Attorney General accused some of Merrill Lynch's top executives of "executive irresponsibility" for having secretly collected bonuses worth 3.6 billion dollars right at the time when such entity was getting government aid. Four top executives are suspected of having received 121 million dollars and other 696 officers might have obtained perks worth more than one million dollars in 2008.

What about the crisis? What about their share of responsibility for having generated it? What type of impunity protects them to act, commit excesses and be indifferent to other people's suffering? Is it again "behind me the deluge"? How do we put up with those conducts? Didn't we see at the time that the king was naked, or did we see that but said nothing? Was it that those who spoke or who did not assent

were gagged, socially and economically marginalized? Would we have done the same had we been in the place of those corporate leaders? Are mean-spiritedness and selfishness a mere question of opportunity and circumstances, and do they always prevail over responsibility and solidarity? Does this imply that the "other" does not matter, that there are disposable individuals whom we use and get rid of without much further ado?

Much remains to be explained about the causes that generated the crisis, and from Opinion Sur we join those who seek to do their part to understand what happened. It is not a question of assigning the blame or arrogating truths; we need to understand in order to be able to adjust the course and improve our way of functioning as we go along. Yet, even though it is critical that we develop strategic thinking, unveil what is unknown, explore new courses of action, it is also critical that we embark on a profound individual introspection and wipe ourselves from hypocrisy and indifference. We need to turn our eyes toward our own behaviour, before and during the crisis; assess how we react to adversity, and whether we have chosen to move ahead alone or extending our hand to those around us.

Coming out of the crisis is a collective effort; and it is good to long for a new social course, a more effective, fairer way of functioning. But this is not achieved only through top down approaches, from large social forces down to each individual; the actions, the attitude of each one of us also count. They count because of the impact they may have on the course of the social processes, and they count because from that interaction to forge the collective destiny, opportunities emerge to reorient our own individual becoming.

*Notes: (1)Los CEO no se ajustan el cinturón, a story by Natalia Fabeni published in La Nación, Argentina, on February, 23, 2009. (2) Idem.*

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## Chapter 6

# The Process of Building a Transformation

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*The transformations we want are not dreamed or awaited; but worked on. It takes work to interpret what goes on, to project aspirations towards an attainable mid and long-term, to stimulate the convergence of interests, to mobilize willingness and to organize action. The effort to build a transformation is aimed to establish a course and ensure that the process is viable; it emerges from the needs, interests, values and emotions of social groups, and pulls through from among possibilities and restrictions in the pursuit of outcomes that are, to a great extent, uncertain. A complex process is the one that bubbles up in the boiler of change.*

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The detrimental situations we would like to change are many and varied, and so are the ways in which we react to them. In some cases we do not act upon causes and, instead, we try to avoid consequences; in others we attempt to make adjustments in order to mitigate effects; only on certain occasions do we embark on the process of building a transformation.

Building transformation involves many things. To begin with, a key aspect of this construction has to do with the direction of the intended transformation. The viability of the process is equally important, as the willingness to generate a transformation is not sufficient in itself: it is also necessary to act taking into account local and surrounding circumstances, possibilities and restrictions that condition the viability of any change, and render outcomes impossible to anticipate with certainty.

Direction and viability are intrinsically related. When we set a course, we have a certain idea about how likely it is to be attained, and such viability will be influenced by the nature and intensity of the changes in direction that the new course requires.

The construction of transformation occurs within a context of multiple players interacting with one another; each of them having their own needs, their own values, and their changing interests and emotions. It is a complex process the one that bubbles up in the boiler of change.

Anyway, and even if we acknowledge how complex it is to change the present, no situation remains unchanged with the course of time: every situation is ever-changing, sometimes in hardly noticeable homeopathic doses, sometimes through quantum leaps, mostly at slow, yet sustained, steps. There is no uniform transformation pace; instead, there exist acceleration, slow-progress or deceleration periods. The current one seems to be a period of accelerated transformation.

## **What we carry in our backpacks**

Good walkers as we are, we carry backpacks. We usually load them with needs, interests, values and emotions.

### ***(i) Complex and changing needs***

An improvement in wellbeing is associated with the satisfaction of needs, a simple expression that hides, however, more than what it shows. There are many and diverse types of needs, some of them basic necessities such as feeding ourselves, taking shelter, communicating, security, among others, and others that are essential to the human condition, such as overcoming helplessness, obtaining recognition and affection, ensuring one's dignity as an individual. This list is only an example of the vast and diverse universe of needs, which, in addition, vary according to social sector, place, age group, gender, etc.

Necessities have an objective, as well as a subjective, dimension, the latter involving how each one perceives and feels them. Nor do they become stagnated: they evolve as new knowledge thresholds and more effective satisfactors are accessed. The level at which satisfaction is deemed acceptably met is permanently displaced, an understandable fact that, yet, involves having to always live with a certain dose of dissatisfaction. This contributes to displace over time any goal regarding coverage of necessities that plans and programs may have adopted.

### ***(ii) The load of interests***

In addition to needs, our backpacks are loaded with interests, changing interests that evolve hand in hand with the needs and urges that drive all human beings. There exist a diversity of interests, some of them being more central than others, felt more or less strongly, crude, moderate or susceptible of being sublimated according to values and emotions.

The social dynamics generates a flow of situations, in each of which a variety of interests struggle to be heard, prevail or, on occasions, just survive. In this struggle, it is the strongest and/or best organized players the ones who tend to prevail.

Interests are expressed and, in turn, channelled through an extensive set of social and economic institutions and regulations. This institutional framework is the result of agreements and impositions decanting throughout history. When institutions are not capable of amalgamating interests, struggles mount into confrontations that are settled by non-institutional means.

### ***(iii) Values***

We also carry values in our backpacks. They are principles and rules we have inherited from earlier generations or acquired throughout our own life. Each one tends to believe that their values are true and universal. In fact, however, there are billions of value bearers acting in very different contexts of needs and interests. And even though there are widely accepted values that are inherent to the dignity of the human condition, their interpretation and implementation differ enormously from place to place, from situation to situation, changing and becoming adjusted to the course of time and the evolution of our societies.

This does not ignore the critical role that values play as a supplement and moderation factor of individual interests moving us away from the law of the jungle and "every man for himself". But it also sends a warning about the manipulation they undergo to smuggle interests that, otherwise, would not be supported in the open. Special mention should be made of the many types of fundamentalisms that deem their own values as superior and claim to be the sole owners of the truth, always.

### ***(iv) Emotions***

The heart or the mind of those who carry backpacks are ancestrally stirred by emotions that may help or harm our way forward. Emotions contribute to strengthening our motivation and mobilization for action, but they may also disturb or confuse our reasoning. Emotions add vibration to our determination exalting the value of what is ours. They are indispensable to build a transformation, but it is necessary to see to it that they do not cloud the process of setting appropriate courses and the effort to ensure the viability of the process.

Being a part of human nature, emotions cannot be ignored; they are and will be with us. But their inherent frailty should keep us on the alert so that we call upon them for constructing and avoid that they be used for destruction.

## **Setting the course and reorienting our way forward**

We then see the complexity involved in setting a certain societal course and ensuring the viability of the intended transformation. In essence, transformation is a construction process where we control some variables occurring within certain parameters that condition the course and viability but, paradoxically, also end up being affected by the dynamics of the process they condition. Building transformation requires identifying and weighting a vast array of social needs, interests, values, and emotions, based on which a mid and long-term projection is devised in order to secure the support of those who are called to redirect their way forward.

Reorienting the course is a collective effort that is faced up at all levels, at neighbourhoods and towns, at spaces where specialists and the ordinary citizen try to understand reality, at political and governmental instances, in the world of business as well as civil society organizations, in the sphere of education and the media. From that social magma there emerge inspiring visions and utopias that give way to initiatives, plans and actions that materialize the course.

To be successful, the effort of building a transformation requires generating synergies and supplementing efforts, keeping away, as far as possible, from

antagonisms that might deviate and sterilize energies. This is no easy task because it will be necessary to convince those who will eventually benefit from such changes and, at the same time, overcome the resistances of those who might be threatened by them. Some resistances are based on very plausible reasons and others, on spurious interests; some are held in good faith, while there are others that purposefully struggle to preserve new and old privileges.

The process of building a transformation takes place at several stages that, even though have sufficient entity and are singular enough to be recognized as such, are a part of a number of complementary efforts. This includes working to interpret what is going on, project aspirations towards an attainable mid and-long term, stimulate the convergence of interests, mobilize willingness and organize action. If this is to occur, the intended transformation is not achieved without impacting on critical aspects of social, economic and political functioning, which will be the focus of a future article. It is in this sense that it can be said that the transformation we want is not dreamed or awaited, but worked on.

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## Chapter 7

# Leading in the Vertigo of Contemporary Acceleration

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*As a result of a combination of social, technological and environmental forces, the world faces a stage of vertiginous acceleration that exceeds the thresholds of contention that were known so far. The speed of change makes complex economic processes difficult to manage, leaving countries exposed to harsh episodes of systemic recklessness with very serious and destructive consequences. Which changes would it be necessary to address?*

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As a result of a combination of social, technological and environmental forces, the world faces a stage of vertiginous acceleration that exceeds the thresholds of contention that were known so far. The speed of change<sup>2</sup> makes the complex economic processes difficult to manage, leaving countries exposed to harsh episodes of systemic recklessness with very serious and destructive consequences.

This situation requires addressing drastic changes in the way of operating, the following among others.

(i) In periods of acceleration it is necessary –more than ever- to focus on the systemic course, as we can reach where we are headed much faster piling up desired and undesired effects, the latter with the possibility of being dramatically traumatic; the imperative is to ensure the direction since power is not something that is missing. Having a course implies making explicit the type of system that is looked for, the results that are being pursued and expected, how they are meant to be obtained including their environmental impact and how results will be distributed among countries and social sectors.

(ii) In order to avoid and not only mitigate incidents of systemic recklessness, it is a must to establish more effective mechanisms of process regulation, a critical yet also controversial aspect as it is difficult to determine the right dose of intervention with accuracy: too little regulation makes frantic behavior possible and too much may stifle our initiative.

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<sup>2</sup>A quick overview of the acceleration with which the contemporary context is changing can be seen in this video. I thank Marcelo de Santis for inspiring the writing of this article. ( [Did you know? Shift happens / video](#) )

(iii) It will also be necessary to design early alarm mechanisms in order to detect sidetracks or undesired effects; the typical alarms, those that perceive the outburst of an event once it takes place, are not sufficient because in contexts of acceleration they do not allow us to react in time and act accordingly; we need alarms that go off when what will become fast events start being glimpsed.

(iv) Not being a uniform or universal phenomenon, contemporary acceleration ends up aggravating the processes of differentiation; it generates winners and losers among and within countries faster. In the current systemic circumstances new beneficiaries may emerge, yet in general there are many more harmed people, that thicken the majorities that lag behind and deepen social and international disputes; as a consequence, coexistence, security and even democratic governance are dramatically affected. Acceleration forces the adoption as a critical dimension of the new course of comprehensive strategies aimed to avoid reproducing, and even more so aggravating, inequality.

(v) Contemporary acceleration leads to take decisions based on information that is generated along the way. Well or not so well, we make out what is familiar while the new erupts challenging our comprehension. The sudden changes of circumstances shorten the time for reflection and demand quick pronouncements, increasing the possibility of erring, of acting at the wrong moment, of not perceiving the complexity of novel processes. We need to acquire new frameworks of analysis, various types of approaches free from ideological fundamentalisms, to be open to grasp the new phenomena, to anticipate their consequences and to propose a more diverse range of solutions tailored to the very different local situations.

Leading in these conditions requires to thoroughly understand these and other critical aspects of the new circumstances; to know how to adjust to contemporary speed and complexity; to count on teams that are qualified and experienced in facing unexpected situations; pilots with mettle that know how to lead in the frenzy of the acceleration and agilely react without overlooking the ethical compass that enables to maintain the course agreed upon beyond the needed short term maneuvers.

We still have to see if it is possible to lower contemporary acceleration. Maybe by adjusting the systemic course, speed would cede some more ground to quality of life; growing speeds leave their mark in people and organizations. Acceleration should lead us to take better care of the prized humanity; it is not a choice to sacrifice the environment, social justice, spiritual development. We need appropriate spaces to recover our rhythms and abilities, our creativity, our capacity to reflect, to contemplate; we need to disengage from acceleration's constant frenzy. Dawns, dusks, affections, relationships, enigmas can dazzle us way beyond rushes and desires.

If resisting contemporary speed and acceleration were some kind of mission impossible, then what would be at stake would be how to channel them through new strategies for the benefit of the social ensemble, preserving the environment and enabling the full deployment of our human essence -closely linked to the never ending search of adding meaning and justice to our lives.

## Chapter 8

### **Not only Power but also a Better Course Is Needed**

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*Well into the 21st century, we have not yet been able to face crucial contemporary challenges head-on. Old and new problems might be worked out by changing the course and reorienting wills and resources. It might seem ever less possible that we may, with “a little more of the same” or on automatic pilot, be able to overcome very difficult situations. The crucial challenge lies in preserving the ship and choosing a better course that may constructively admit such diverse interests and needs.*

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True, not only is vigour needed in the economy, in politics, in science and technology, in social movements, in our personal development, but also wisdom, intelligence, experience, ability, generosity to better use that power by choosing promising courses for everyone.

Well into the 21st century, and in spite of the vigorous economic growth, the phenomenal technology available, the enormous scientific knowledge, the unyielding effort by good-willed people, we have not yet been able to face crucial contemporary challenges head-on, or prevent affronts, destruction, distress and insecurity from pullulating. Definitely, it is not just a matter of adding more power to our engines but also of re-routing the course.

New problems appear and old problems are reproduced which might be worked out by changing the course and reorienting wills and resources. Poverty, inequality, fierce antagonisms, famines, severe environmental deterioration, the explosion of oil and food prices, increased aggravated crime systems, financial crises in central markets with global implications, add challenges (and these are not the only ones) that are very difficult to face. Some say that these types of problems have always existed, and they will be worked out as a result of the "normal" evolution of things. Let us hope they are right for the sake of the planet and of those who inhabit it, although in fact there is evidence to the contrary that does not cease to accumulate.

When tensions mount to the point of jeopardizing the fate of immense majorities, when conflicts and confusion no longer affect only some sectors or regions but threaten the systemic functioning, it becomes very difficult to continue to believe that it is possible to overcome situations with “a little more of the same”, or

that some enlightened being or automatic pilot will be able to solve problems, obtain better answers and clear dark clouds per se. Rather, there is a need for each of us to assume a greater share of responsibility and determination to face those challenges: easy to say, not so easy to assume.

Changing does not mean dismissing the past indiscriminately; the efforts made, the accomplishments, experiences, paths, count a lot. Changing requires using history, what has been learned, what has already been conquered, as well as sorrows, mistakes and regressions, in order to be able to advance in better condition. Adjusting the course has nothing to do with burning our precious ship; instead, it implies rerouting it towards a better port with greater social cohesion and environmental preservation.

When we wonder what each one of us can do to adjust the systemic course, thousands of doubts spring as we compare the complexity of the challenge with our modest strengths. It is worth the while to acknowledge the magnitude of the purpose, and that there exist contextual parameters conditioning any action; also that the history of civilizations teaches that individuals and organizations impact upon the course that social, economic and political processes take. Even though nobody per se and in isolation is capable of generating systemic changes, the mobilization of the whole generates the conditions for that transformation to materialize. We need to review behaviours and clearly express where we mean to head for. Each opinion counts, each mobilized will makes a difference, regardless of the existence of a diversity of visions and preferences in relation to the new courses. This plurality of viewpoints and interests make it possible to enrich the construction with everyone's contribution.

## **Voices and interests**

In fact, multiple players are involved, each one of them holding and exercising very different shares of power. Not all voices are equally heard; some of them echo in many corners of the planet, while others only resound in the family circle or the neighbourhood. Yet, the development attained in the field of communications makes it possible for thoughts, proposals, longings, to circulate more than in the past, and be known even in very remote corners of countries and the planet. In spite of the strong concentration verified in the media, a large diversity of small and medium-sized engines that generate content find alternative channels to spread new ideas, experiences, proposals, calls for action, surmounting conventional hurdles and wire fences.

In the marching of society, almost without exception, each one is loaded with interests and needs (of material, psychological and spiritual nature) that would like to be able to meet. Those individual interests and needs may help, facilitate or impede the realization of the other ones. To release energies that may reinforce our capacity to do, it is then necessary to de-antagonize to the greatest possible extent such accumulation of interests and needs. Yet, to reinforce our capacity to be, as individuals and as a planet, it is at the same time necessary to align those same interests with a different perspective on welfare, as well as not only a short-term, but also a mid and long-term horizon.

De-antagonizing implies facing and working out—rather than hiding—differences; employing all the intelligence and generosity we are able to gather to find creative ways that may help attain acceptable degrees of satisfaction for the

different interests and needs. Intelligence is necessary to design solutions that may help reach convergence and reward knowledge, innovation and work; generosity is necessary to secure spaces for those that have been left behind.

Another notion of welfare would facilitate more existentially meaningful searches rather than getting us stuck in an exacerbated and alienated consumerism that is maintained on the basis of promoting permanent dissatisfaction, envy, anxiety. That new aspiration profile would help reorient ourselves towards building societies where peace, security, good-neighbourliness, cooperation, weigh more than a strenuous and selfish “save himself who can”.

In the economic arena, there exist functional mechanisms in imperfect markets whereby resources and energies are allocated among multiple possible choices. These mechanisms enable the interaction of millions of wills of different natures and sizes. Since each will is the bearer of its own sector or individual interests and needs, the rationality of the whole emerges from massive economic forces funneled through their two-fold role, as they are supply and demand at the same time. It is impossible to ignore the dynamism of these mechanisms, although it is critical to assess the consequences of the different degrees of imperfection in our markets and the way they work today, which is not the only possible one. That is, assessing where we are headed for, at what social and personal cost and how effectively we are doing so, what problems we solve and what problems we generate as we move forward, who benefit a lot and who benefit less, who are harmed to a certain extent and who, instead, do not manage to survive, and succumb.

Our engines are not short of power; the crucial challenge lies in the course and how to manage, with a new direction, to constructively align such diverse interests and needs. The actual complexity of the challenge becomes all the more evident when we realize that we must make decisions based on always incomplete information, pressed and biased due to the struggles for interests and needs we are a part of. Caught inside that fog, we can only resort to a mix of knowledge, experience and intuition, equipped with an ethical compass having compassion, generosity and everyone’s dignity as its north.

Who are the leading and the supporting actors in that search for new courses? This is the subject we will try to approach in our next issue.

## Chapter 9

### Abating Inequality to Find a Sustainable Way out of the Crisis

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*Building ways out of the crisis leading to a sustainable development adjusted to the circumstances of each country and each community is feasible and necessary. These ways out are defined by a complex, imperfect and changing decision-making structure culminating at the political level. The new course and way of functioning should be expressed in a consistent set of macroeconomic measures and mesoeconomic practices, as well as in the creation of a support system targeted towards the bottom of the social and economic pyramid. As new ideas germinate in the individual and collective conscience, there is a gradual transformation of the set of values prevailing in each society, which is what will ultimately ensure the sustenance and perdurability of the new course.*

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In other articles<sup>1</sup> we analyzed how the economic concentration process, with its impact on inequality and poverty, prevented organic growth, thus contributing to generating the circumstances that led to the present global crisis. In these lines we mention some of the key measures that may be taken to abate inequality and poverty and, hence, come out of the crisis towards sustainable development.

#### **The effects of concentration**

In organic growth, the level and structure of effective demand accompany and absorb what a vibrant productive apparatus is capable of producing. When this balance becomes affected by concentration-oriented growth, causing the income of middle and low income sectors to lag strongly behind, one possible way of addressing this imbalance is through credit: consumers do not get better income but, instead, become indebted. It is clear that if the relative income lag is not eliminated, sooner or later growing over-indebtedness is incurred, which is precisely what happened in this crisis. Dangerous financial bubbles were born and inflated, until one day they burst and swept along the financial system that made them possible (and profited from them) and then, in a domino effect, the rest of the economic system, the different sectors of the real economy.

Concentrating growth prevailed almost all over the world and expressed itself not only in that gap between genuine income of middle and lower sectors and the productive apparatus' supply. There were many other effects, such as the

concentration of savings and its channeling into financial products of high though concealed risk; the greed and loss of boundaries of some financial operators; the deliberate or negligent complicity of a great deal of national and international public regulators; investment concentration on certain nodes of the economic system that increased the divorce between high technology and efficiency segments, on the one hand, and a huge and more and more marginalized universe of small and micro producers on the other.

At the same time, the concentration of income altered the profile of the demand and with it, the signs given to the productive apparatus regarding the type of production it should offer. Superfluous consumption grew amid the affluent sectors, a consumption matrix the media and advertising helped to extend to the increasingly indebted middle sectors. Rather than responsible consumption, exacerbated consumerism prevailed and this augmented the already accelerated environmental destruction. The consumerist zeal ignored the debacle of many families, ruptured protective networks, favored the addiction epidemic and the alienated search for substitute happiness.

The effects of economic concentration did not stop there, as a greater concentration of political and communicational power was generated, with a strong propensity to the homogenization of strategic thinking. Concentrated financial resources as well as access to the also concentrated information and idea dissemination channels were allocated with greater generosity to strategic think tanks akin to concentration interests.

These statements are not related to any ideological or partisan radicalism whatsoever. The fact of the matter is that the systemic effects of a certain way of functioning expand and spread, affecting almost all levels and corners of society, the economy, politics, education, the environment, values, interpersonal relationships, and our own individual psychology. None of those categories are truly isolated spheres but dimensions –influencing one another- of a sole and complex reality.

## **Transforming to ensure sustainable development**

We need to distinguish the factors that can be changed in the short run from those that are either not possible to change or require more time in order to be fully transformed. We can thus acknowledge the limits and restrictions in which we are operating, yet at the same time notice the possibility of acting, of implementing our free will and determination with realism. We must now move forward, exposed to the risk of falling, on the one hand, in irresponsible voluntarism and, on the other one, in paralyzing determinism.

How can we then deploy, in a context of crisis, transforming actions that are capable of abating concentration, inequity and poverty, and give way to a new systemic course?

In the first place, it should be acknowledged that efforts aimed to abate concentration, inequality and poverty are not marginal actions, actions that merely “supplement” central decisions. There is no point in deploying macroeconomic measures and mesoeconomic initiatives that overlook the key purpose of transforming the concentration process and then, as an ineffective yet attention-getting salute to the flag, putting forward a “special program” aimed to eradicate inequality and poverty. Nothing could be farther from what is needed to implement a

course change.

In order to come out of the crisis aiming at sustainable development it is necessary to simultaneously work on macroeconomic policies, mesoeconomic actions and measures of direct support to the base of the social pyramid. All of this coupled with the critical effort of modifying attitudes and values, indispensable social and political pillars to ensure a sustainable trajectory.

### **(i) Macroeconomic action to find a sustainable way out**

To ensure a sustainable way out of the crisis, the set of macroeconomic policies must converge on the goal of energizing the economy by transforming the concentration-oriented growth pattern, eradicating inequality and exclusion, mobilizing the base of the production apparatus. To attain this, it will be necessary to make full use of fiscal policy, public spending policy, monetary and credit policy, investment policy, and science and technology policy, among several others.

As far as fiscal policy is concerned, it is critical that the regressive biases that are typical of almost all of our tax systems be corrected. Regardless of the fact that some taxes are easier to collect than others, the guiding criterion to eradicate inequality is that those who have least pay proportionally less and not more than the most affluent ones, as it happens today. Evasion and corruption aggravate the unfairness of an unequal tax burden. These are not unconnected phenomena; it must be made clear that if evasion and corruption are not tackled, in addition to perverting the social system of rewards and punishments, inequality and poverty eradication efforts become diluted.

Public spending is another key variable to transform the concentration process and eradicate inequality. It is usually the main funding source of social and production infrastructure and, as such, it must be allocated with systemic efficacy and social justice, prioritizing those sectors that are lagging behind. To meet the legitimate needs of middle-high and high income sectors, private funding may be mostly resorted to, without using public funds, as it happens many times today.

In addition, it is essential to adopt a monetary policy that ensures price stability: it is well known that instability hits more severely those who are most defenseless, the low and middle-income sectors. Within a context of monetary stability, credit may be oriented so that it may flow abundantly and properly to the bottom of the production pyramid, strengthening financial intermediaries capable of managing their small loan portfolios with the rigor and responsibility that the case requires.

A serious situation is that in our countries there does not exist an investment policy favoring the critical formation of capital in micro and small production ventures. It is necessary to establish incentives and regulatory frameworks favoring the creation of instruments that may channel capital, knowledge, contacts and information to the bottom of the productive apparatus, similar to the ones proposed in (iii).

In economies that are increasingly knowledge dependent, scientific and technological production becomes one of the most important strategic variables. It is necessary to gear that production so that it serves sustainable development and takes very special care of the base of the productive apparatus.

## **(ii) Meso-economic action**

Coordinately with macroeconomic policies, mesoeconomic action is required from production chain leading firms, who are co-responsible for materializing a sustainable course and enhancing systemic functioning. This critical role of leading firms is not usually duly valued and, yet, a good portion of the potential for transforming organic growth lies in the ill-defined mesoeconomic spaces of production networks.

Large corporations must take into account the impact that their decisions have on the other players within the production network they lead. This implies ensuring sustainability to suppliers, distributors, and those who buy their products, be these supplies, capital goods or consumer goods. This is about fostering, in the companies, a systemic vision of their own development, so as to minimize negative externalities and use the positive ones for the benefit of their whole productive network and the communities they operate in.

## **(iii) Direct support to the base of the social pyramid**

A third strategic axis consists in establishing an effective micro, small and medium-sized entrepreneur support system. In this set of economic players lies a little-recognized reservoir of talent and determination to mobilize in full the production potential of a community. The support system is aimed to generate the conditions required for entrepreneurs to be able to operate within contexts of excellence and efficacy, favoring access to top-level (not residual or scrap) knowledge, contacts, modern business engineering, intelligent capital, the values of solidarity and responsibility towards others and the environment.

It was already pointed out that to come out of the crisis towards sustainable development it is critical that a vigorous formation of capital at the bottom of the production apparatus be generated, which does not involve reproducing at that level socially and environmentally irresponsible behaviors. It is not a question of extending social injustice or environmental destruction to the farthest productive limit or border. We would be doing no favor to sustainable development by launching into the market millions of irresponsible new production units. The paradigm of the selfish producer, indifferent to the social and environmental milieu is not the only possible one. It was imposed by a particular way of functioning where the individual quest was excessively privileged over the quest of society as a whole. Today it is necessary to preserve individual initiative and rights, in addition to imposing duties of responsibility towards others and the planet. To that end, it will be necessary to establish policies, regulations, attitudes and relations among players that may promote the formation of “responsible capital” at the bottom of the productive apparatus. It is possible to attain this, and we know how to do it by using a new generation of small and micro producer support institutions.

By reinforcing the profile of responsible entrepreneur there is an enhanced social recognition of the role of the production organizer that mobilizes our productive factors. An effective support system will help small entrepreneurs embark on more promising production opportunities using the best and most modern business engineering; at the same time, it will orient them so that their actions may impact positively on the local economy. This implies sharing economic and technological results both with the small units workers and, when creating modern mid size organizations on the basis of integrating small production that is now scattered, with those who decide to get together in order to access better

opportunities. It also entails sharing results with the local governments that will access additional fiscal resources generated by the expansion of the tax base.

The support system encompasses a battery of new promotion instruments including inclusive business developers, socially and environmentally responsible investor angel networks, local funds to support productive investment, assistance agreements made with technological institutes, business schools and entrepreneurial management consulting firms.

An effective support system acknowledges the central role of entrepreneurs to whom backing is provided, and focuses on developing businesses that are inclusive. Few are the entrepreneurs who surface from the swamp of poverty and even worse, indigence, without any help. The pain of families that are now marginalized from growth is huge and the executive capacity that is being wasted, gigantic.

It is worth cautioning against the risk of establishing ghettos made up only of small entrepreneurs instead of integrating people with disparate background, education, access to information and contacts. Segregating the poor or the small ones production wise does not contribute to a transformation of their reality; rather, it tends to reproduce the conditions in which they usually operate. A more effective way of overcoming shortages and gaining access to new, better opportunities is to partner up small and micro producers with other players that may supplement and empower them, and do that on the basis of fair relations with shared responsibility. This is a vast field to explore, one in which the support system plays a crucial role because with its resources and assistance it sets courses and proposes ways of functioning. Certainly, this promising field is not tension-free because there are many and diverse interests converging on inclusive ventures.

#### **(iv) Adjusting attitudes and values**

Coming out of the crisis towards sustainable development is not a technocratic fact but an essentially social, political... and individual process. In point of fact, there are different ways out of a crisis, and each one of them involves establishing different relations among the members of a community, a country, the global village. The decision-making structure prevailing in each situation tries to take up individual wills and, considering parameters and limitations, sets courses and rules of procedure.

It is a fact that the decision-making power is not equally distributed; instead, some have more capacity than others to impact on strategic decision-making. These asymmetries are founded on economic and political participation differences, on media control, and on extended processes of conscience alienation. Hence, to deepen our imperfect democracies it will be indispensable that we eradicate inequality and poverty, promote political participation, democratize communication, and tackle the alienation that deviates our will from the goals of meaningfulness and development. Social directionality is ultimately established at the political level, but it is sustained with attitudes and values germinating in the individual and collective conscience.

It is always necessary to convince ourselves of the fact that it is possible to try something different from the existent, that no society is immutable; all of them evolve according to the circumstances of their times; that strategic thinking is critical, and that even more critical is our everyday behavior, which give expression to what we are and aspire.

It is of no use rewarding selfishness as if it were the only possible driver of peoples' development. For centuries, the criterion of caring only for one's own self prevailed, but in a globalized world that may be fatal. Today, the individual effort that pursues one's own well-being is still legitimate and plausible, as long as it does not affect but rather contributes to the well-being of others and the safety of the planet.

In brief, building ways out of the crisis leading to a sustainable development adjusted to the circumstances of each country and each community is feasible and necessary. These ways out are defined by a complex, imperfect and changing decision-making structure culminating at the political level. The new course and way of functioning should be expressed in a consistent set of macroeconomic measures and mesoeconomic practices, as well as in the creation of a support system targeted towards the bottom of the social and economic pyramid. As new ideas germinate in the individual and collective conscience, there is a gradual transformation of the set of values prevailing in each society, which is what ultimately will ensure the sustenance and perdurability of the new course.

**Notes:** [See e-books](#) "The Storm of the Century: the Economic Crisis and its Consequences" , by Juan Eugenio Corradi, and "International Crisis: Adjusting the Course and Improving the Systemic Functioning" by Roberto Sansón Mizrahi, and the forthcoming "Coming Out of the Crisis towards Sustainable Development".

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