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CADMUS

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The CADMUS Journal

The acronym of the South-East European Division of The World Academy of Art and Science – SEED – prompted us to initiate a journal devoted to seed ideas - to leadership in thought that leads to action. Cadmus (or Kadmos in Greek and Phoenician mythology) was a son of King Agenor and Queen Telephassa of Tyre, and brother of Cilix, Phoenix and Europa. Cadmus is credited with introducing the original alphabet – the Phoenician alphabet, with "the invention" of agriculture, and with founding the city of Thebes. His marriage with Harmonia represents the symbolic coupling of Eastern learning and Western love of beauty. The youngest son of Cadmus and Harmonia is Illyrius. The city of Zagreb, which is the formal seat of SEED, was once a part of Illyria, a region including what is today referred to as the Western Balkans and even more. Cadmus will be a journal for fresh thinking and new perspectives that integrate knowledge from all fields of science, art and humanities to address real-life issues, inform policy and decision-making, and enhance our collective response to the challenges and opportunities facing the world today.

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Editorial Office: 5, Puduvai Sivam Street, Venkata Nagar - Pondicherry 605011 - India

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Cadmus

Promoting Leadership in Thought that Leads to Action

Volume 1, Issue 4 - April 2012

Getting Risks Right:
Thoughts about Increasing the Resilience of the Global Social & Economic System

Patrick M. Liedtke, Secretary General & Managing Director of The Geneva Association; Fellow, World Academy of Art & Science

Abstract

The extraordinary extent of the financial crisis has inspired deep systemic reforms world-wide, rethinking financial stability, the resilience of our economic systems, and the role that national and international institutions play. While most of the ongoing activities are understandably centred on banks and the banking sector – the origin and centre of the crisis – other important elements have been relegated into secondary roles and fundamental democratic processes have been sidelined. Financial issues have crowded out real economic issues as policy-makers and politicians spend more time on the financial than the substantial (i.e. the real economy) and the democratic. Two fundamental concerns need to be addressed proactively: 1. A comprehensive approach to deal with both financial and real world risks on this planet, and 2. The global governance system based on democratic principles to follow globalisation of the business (and particularly the financial) sector.

1. Introduction

Since 2007, our global economic and financial systems have been in a higher degree of turmoil than at any other point in living memory. The last few years were extremely challenging and busy especially for all those concerned with the well-being of the financial system. Suddenly, highly sophisticated financial issues became the subject matter of a heated political debate in public as well as private discussions. Actions taken in the midst of the soaring financial crisis to combat specific problems took on a life of their own. They also inspired many of the systemic reforms undertaken recently world-wide, causing a deep rethinking process about financial stability, the resilience of our economic systems, and the role that different (national and international) institutions play and would play in the future. This regulatory explosion which often appears following major failures in an existing infrastructure and which seems to be challenging the existing regulatory paradigms is actually nothing new. As Jan Monkiewicz and I pointed out in our book *The Future of Insurance Regulation and Supervision — A Global Perspective,* it happened many times before.[1] The bigger the failure, the more sweeping the reforms that are proposed and later implemented. The important new element this time is (besides a particular intensity of the debates and hence generally a larger scope of actions) arguably the global reach of the current considerations indicating a high degree of interdependence of various local solutions.

This demonstrates how much contemporary economies are inter-linked and dependent on the well-being and proper functioning of the global system. This includes its constituent parts and its regulatory and supervisory framework, which are supposed to provide the necessary preconditions that allow a proper functioning.

> *"A comprehensive approach on how to deal with both financial and real world risks in this planet does not exist. The global governance system based on democratic principles has not been able to follow the globalisation of the business (and particularly the financial) sector."*

Most of the on-going discussion and activities on current and future framework are centred on banks and the banking sector. This is not a surprise as this is where most work to improve our current systems has to occur. What is surprising though is how many other elements have been relegated into secondary roles in the process and how some fundamental democratic processes have been sidelined. It seems that financial issues have not only crowded out real economic issues, as policy-makers and politicians spend more time on the financial than the substantial (in which I would mean the real economy), they have also sparked a way to deal with these issues that are based less on democratic processes which would create legitimacy through direct participation and empowerment, but have propelled a mix of well-intentioned self-appointed groups and particular interests into positions of power with only indirect links to the wider population or in some cases very direct links only to minority subgroups of activists.

At this stage, there are two fundamental concerns that we ought to address more proactively: 1. A comprehensive approach on how to deal with both financial and real world risks in this planet does not exist, and 2. The global governance system based on democratic principles has not been able to follow the globalisation of the business (and particularly the financial) sector.

In the following contribution, we hope to develop some thoughts that are aimed at increasing the resilience of the global social and economic system while safeguarding basic democratic principles. Hopefully others might take this thinking further.

2. Starting Observations

The following are some fundamental observations that, subject to falsification in the best of Popper's tradition, provide a background for the tasks at hand:

– A lot of the current problems in financial markets seem to stem from the fact that finance and real economics have drifted apart. The world of finance and the interested stakeholders controlling it have found ever more intricate ways of diverting a larger share of the value produced into their direction. The result has been an increasingly weaker link between, on the one hand, the finance that is truly needed to make complex projects happen over long periods of time and to guarantee that savings, investment and payment processes function at all times and, on the other hand, the finance that serves its own purpose. We will have to find better and more efficient ways to link the two parts of our economic system closer together again.

– We are experiencing a deeply rooted problem with our global governance, the existing global institutions and the failure of our systems to be able to project the will of the citizens fully onto the globalized stage. While business has globalized, democracy has not. Therefore, we lack functioning mechanisms to help steer what is socially desirable and desired for our planet. As any economist knows, there are some necessary preconditions for functioning markets. However, while there is a strong focus on getting the economic variables right – following the disaster of the financial crisis triggered by more of a laissez-faire approach than was good for the world – this has been less the case for the social variables. However, functioning social systems also need a proper framework and the (relative) best social governance system we have come up with so far is democracy. Making the economic and financial systems ever more global while keeping the social national or at best regional will create further tension as popular outbursts of dissatisfaction and anger have shown. Civil unrest will only increase if this chasm is not narrowed or, worse, continues to widen.

– The collapse of the communist block and indeed socialism as an alternative to unrestrained capitalism has deprived the capitalistic concept of what some consider an important corrective factor for its systemic problems. Many elements that anchor the capitalistic system in societies today (social security, old-age and accident protection, sharing in production factors etc.) are in effect based on non-capitalistic ideas. It has been a great strength of the capitalistic system to be flexible enough to integrate these ideas in an efficient way, providing more stability and social acceptability in the process. Today, unfortunately, it seems that the only rival to capitalism is a new form of state-controlled economic system (maybe to be understood as a combination of reformed and adapted neo-mercantilism) by often authoritarian regimes.

– Another issue is the penetration of the bureaucratic. The current economic performance of the advanced economies is to no small degree the result of a financial system being pumped with cheap liquidity based on government debt – never before has so much money been pumped into financial markets so rapidly. Indeed, the result of the public interventions in financial and real economy markets has led to an explosion of government debt that is historically only comparable to the levels reached in times of war. Economic history suggests that massive peace-time increments in government debt levels tend to prove enduring and are seldom reduced in an orderly fashion. They tend to create a lot of financial stress and political instability, depressing future growth rates and tying future performance to governmental decisions rather than the force and efficiency of markets. At the same time, the level of government penetration in the financial sector has increased notably. Governments not only have direct stake-holdings in so many financial institutions, which somehow will need to be wound down, but they are also linked with the explosive growth of central bank balance sheets. This is coupled with an apparently new doctrine that more micromanagement, if not direct containment, of the entrepreneurial spirit in the economy is the right answer to the crisis. However, it would be remarkable indeed if historic experience were suddenly to reverse and governments turned out to be more efficient generators of growth and prosperity than functioning markets.

– What is still absent from the macro level and indeed the governmental process to provide a stable, resilient and sustainable framework for the globalised society is a larger focus than simply on the financial. Real risks ought to be considered and worked with deploying the same energy and similarly sophisticated instruments. Currently, unfortunately, there are not enough attempts to create true risk management systems at the global level that would embed the full cost of consequences early in the process and factor in all monetised and non-monetised aspects, according equal weight and importance to the economic and the non-economic. As insurance specialists can only too readily testify, the indirect costs of any large disaster tend to be a multiple of the direct costs – and of those only a fraction are fully insured providing a special layer of protection for those affected. At the same time, the temptation to push more and more risks into the tail of the distribution (ecological, economical, financial etc.) has to be resisted, otherwise we will continue ending up too often in similar predicaments as now.

"Risks emerge as we perceive uncertainty in a specific way. Risks and opportunities go hand in hand, and risk management is trying to find a balance between the two. Risk perception differs between cultures and needs. What is a risk to one person is an opportunity to another."

3. Understanding Risks

As we propose to put global risk management into a more prominent place, we need to understand the concept of risk and our relation to it more profoundly. There are three basic aspects about risk that are crucial:

1. *Risk is a construct and there are no risks per se. Risks emerge as we perceive uncertainty in a specific way. Risks and opportunities go hand in hand, and risk management is trying to find a balance between the two.*
2. *Risk perception differs between cultures and needs. What is a risk to one person is an opportunity to another.*
3. *Risk management happens as a reaction to the risk perception: How do risks influence us? Can we influence risks? We can certainly adapt our position towards risks.*

With Prof. Brian Woodrow and the Applied Services Centre (ASEC), we have pursued special work over the past years on risk, uncertainty, hazards, and vulnerability — all terms that we commonly encounter in various and numerous contexts each and every day.* In his Foundation Paper, Brian Woodrow explores the concepts: "As words or as behavior, we hear, talk or encounter both fundamental or more mundane uncertainties: what the weather will be

* The Applied Services Economic Centre was created in 1985 and conceived essentially as an "observatory", a lookout institution which would scan, focus and report on emerging trends and issues affecting the services universe and the emerging "services economy". ASEC's continuing purpose is to investigate those developments and trends which deserve greater attention in their own right, are of broad interest to the insurance industry worldwide, and then serve to stimulate interest and wide-ranging efforts by interested individuals and organisations. A set of Foundation Papers explore key features of the concept of Vulnerability and how it can be applied to specific issues and cases. The author is an ASEC Director.

tomorrow and what the best route might be to get to work; whether, when, and where a major terrorist attack might take place; the uncertain science and impacts of global warming; how the stock market supposedly hates uncertainty but thrives on risk; or simply the uncertainty of what national team will win the World Cup of Football in 2010."[2]

Uncertainties often generate risks and, as Woodrow explains, we face risks routinely in virtually all activities of our daily lives, sometimes expressly calculating those risks and taking action to mitigate them. These could be the following types of risks: the chance of severe storms happening, the attendant risk to be struck by lightning; the upside or downside risks of investing in the stock market; whether the technological risks associated with nuclear power or manned space flights justify their costs and benefits; or potentially massive risks of a category 5 hurricane or a magnitude 8 earthquake occurring in any particular place on earth. Indeed, we are continually confronted with the need to learn to live in a "risk society"— this despite the fact that risk is an inherent biological concept and intrinsic to life itself. Also, sometimes, whether voluntarily or involuntarily, knowingly or out of ignorance individuals choose explicitly to act in the face of risk economics thereby subjecting themselves to hazard. If they built their houses on a known flood plain and severe weather results in floods which destroy lives and property; or if they create a trade off between the thrills and risks, such as choosing to bungee-jump; or if they balance perceived pleasure against increased risk, as when smoking cigarettes or drinking alcohol so as to cause disease or injury to themselves and possibly others. Humans are permanently engaging in hazardous activities or behaviour.

While it seems relatively straightforward to deal with concrete risks, especially if they are of a personal kind, the larger and more complex a threat is and the slower it develops, the less we seem able to deal with it, especially as a society. Take as an example the crash of an airliner with 200 passengers on board. This is an almost universal news item that will travel around the world at the speed of our wired and wireless networks. It also results in outcry over possible lack of safety, sorrow for the victims and generally generates quite a commotion. At the same time, many more daily deaths on our roads do not elicit a similar response: the sudden and concentrated beat the slow and continuous. Managing risk also means dealing with different risk perceptions, overcoming different awareness thresholds and employing different risk management techniques according to specific circumstances. This is especially difficult to achieve at the global level, where risk management is confronted with a maximum of heterogeneity.

4. Global Regulation and Its Rationale

Any system in which various active elements with differing interests are meant to coexist with some degree of harmony needs rules. It is somewhat surprising then to see how many rules we have created on the local and national level, but how limited the development has been at the global level. While in the past one could make the case that the lives of the persons on this planet were not connected enough and that the means to transmit information – which is at the heart of facilitating joint decision processes – were not available, this is simply no longer true today. People can and do interact more readily than ever before and the fully interconnected ecological nature of our planet combined with the now (largely) globalised economic system has created many shared interests and common touch-points.

This means we need rules, also in the form of specific regulation, to organise our global society. There are many excellent articles on the basic principles of regulation, and many institutions at the national level and a few at the international level that deal with economic issues that are habitually put out in papers in which they justify the interference in what would otherwise be free systems. Regulators of the economic generally want to ensure competitive, solvent, and fair markets in which all key stakeholders are adequately protected. To achieve this, a fine balancing act is necessary: the various objectives have to be pursued in such a way that transfers can take place in an efficient way and that access to markets is open to interested parties. Regulators try to ensure that reasonably-priced quality products and services are available from reliable producers. As mentioned above, the financial crisis has triggered more regulation, especially of a financial kind, than in previous decades.

It is obvious that every new wave of regulation produces winners and losers, hence competition among the parties concerned is fierce. This competition does not only take place among companies of a different type, sometimes pitting large against small, specialist against generalist, national against international, or privately held against publicly traded companies. Competition also occurs among regulators who want to be seen in control of things, especially following some of the more spectacular failures that occurred during the crisis. Regulators and policymakers vie for attention and have to be careful not to engage in a competition for who comes up with the most punishing rules. And for politicians this is a chance to shine, to build more political capital and maybe even to get an important reform project named after them, thus receiving the public recognition so important for winning the next election. In consequence, activism rather than cool objectivity is a constant danger and the objective of properly conceived regulation becomes entangled in special interests and cluttered with ulterior motives.[*, 3]

5. Addressing Global Risks through the Group of Twenty (G-20)?

From a political point of view, the most important source for international regulatory initiatives and indeed some wider political issues at the world level is currently the Group of Twenty or G-20. It has supplanted traditional organisations such as the UN, the IMF, the World Bank or the WTO as the key driving force behind the creation of a new framework, choosing largely to concentrate on the most pressing topic at hand − overhaul of the global financial architecture.

The G-20 is a self-organised group consisting of finance ministers and central bank governors from 19 countries plus a special seat for the European Union. It describes itself as *"...the premier forum for our international economic development that promotes open and constructive discussion between industrial and emerging-market countries on key issues related to global economic stability. By contributing to the strengthening of the international financial architecture and providing opportunities for dialogue on national policies, international co-operation, and international financial institutions, the G-20 helps to support growth and development across the globe."* [†] Members of the G-20 represent about two-

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* James Schiro, for example, writes,"The process of designing new regulation is not always perfect. Too often regulators react to political pressure or regulation emerges through litigation and not in response to sound economic criteria."

† See the mandate of the G-20 www.g20.org/about_what_is_g20.aspx

thirds of the world's population and approximately 85% of the Global National Product.*

The G-20 was originally created as a response to the financial crises of the late 1990s. A key motivating factor was the growing recognition that key emerging-market countries with increasing global economic and financial relevance were not adequately included in the core of global economic discussion and governance. Following the full eruption of the financial crisis in 2008, it was the forum of choice for the leaders of the largest economies around the world (both developed and developing) to tackle the problems that the crisis created. The members wanted to strengthen international cooperation in the face of the largest financial emergency since the Great Depression. In the process, the G-20 has become the source of many important concerted actions comprising a wide array of measures like the introduction of unprecedented expansionary macroeconomic policies in member countries, the push for significant enhancements of international financial regulation (mostly concerning banking but also affecting the wider financial services sector), and the expansion of resources to strengthen the international financial institutions. At the same time, some other issues entered the debates of the leaders, de facto widening the scope of their debates from the strictly financial: questions on job creation, the use of fossil-fuels, the mitigation of climate change, how to bolster food security, or how to intensify the international fight against corruption etc.

Today, the G-20 acts as a key source and driver of a new governance model, pushing a wave of regulation in the international sphere that is relevant to many countries beyond the 20 members. And although up to date most major projects have yet to see full implementation in all member states, many highly relevant projects exist where broad international agreement has already been reached.†

The G-20 is without doubt very important but it has three potential weaknesses: Firstly, it has no specific democratic legitimisation beyond the decision of its members to co-operate and there is no objective and widely accepted mechanism to decide on who should be allowed to participate in the group. Already, seats around the table are contested and several countries feel excluded. Secondly, now that the financial crisis seems to evolve out of its most threatening phase, the interests of its members in the post-crisis setting are starting to diverge. As long as the common menace of a global collapse of the world's financial system unites the members in their efforts and concentrates the minds of those that have to take the key decisions on a common goal, co-operation is easier. It will be interesting to see how the G-20 will develop in the future as these common themes will vanish. Will it be relevant enough to withstand serious questions about its representativity and legitimisation? Will a coalition of the self-appointed willing be acceptable to the whole planet and deemed appropriate from a global governance point of view? And thirdly, it has a core focus on the financial and those issues connected to it, with a sporadic excursion into topics that reflect to a certain degree the current populist trends. However, is this enough? Where do the real risks enter in this equation? And who will be the future guardians of the world's global risk management processes? It seems that even the most recent addition to the global set of institutions has difficulties with such a comprehensive mission.

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* For some, the International Monetary Fund, founded in 1945 and comprising more than 180 members, would be a more appropriate international body to steer global economic and financial affairs. However, at this time it is clearly the G-20 which is the source of most initiatives to deal with the economic and financial problems at the global level. Depending on how both G-20 and IMF develop, the prominent role of the G-20 could diminish in favour of either the IMF or maybe even a third body.

† For more detailed information see the current projects on the G-20 website.

So far, the existing international institutions, including the new G-20 platform, have not been able to address the question of how to create resilient world systems in a satisfactory manner. However, the international financial markets, the world economy and indeed our global society are in need of an institution (or maybe even more than one institution) that takes the lead in determining how we deal with the key risks facing us, under what rules nation-states and different markets can and should collaborate, how we interact socially, and how we will respond to the global risk management challenge, both in the financial as well as the real sphere.

"Following the financial crisis, there is a new and stronger awareness that an overhaul of global governance – at least as far as economic and financial markets are concerned – is urgently needed."

6. Key Aspects to Watch

Economic activities and real risk management are strictly dependent on which setting they are carried out and under what conditions the discussions are organised that lead to future rules and norms which define how we deal with the economic and social challenges. We would posit that the following key trends that have arisen out of the financial crisis are of special relevance in this context. They ought to be watched carefully as each point will have a major impact on how the financial, economic and social systems will develop at the global level:

1. *The crisis has made everybody more aware of true globalisation and its consequences:* While for several decades following the Second World War the global interaction of businesses has readily increased and the openness of national economies has grown, the term globalisation came to describe a new phenomenon of tight integration of markets at the world level and the appearance of global companies with production facilities and service centres in many different countries.[*] What has not followed in an equally dynamic manner are development of the governance structures needed at the world level to direct globalising economies and the political and civil institutions required to accompany them. Both are needed in order to provide the same stable framework that has characterised the national (and some regional) approaches for market-oriented systems. Following the financial crisis, there is a new and stronger awareness that an overhaul of global governance – at least as far as economic and financial markets are concerned – is urgently needed. What is still lacking though is the corresponding development for addressing the risk issues of the non-financial environment.

2. *Neoclassical capitalism and the Anglo-Saxon financial hegemony are questioned:* For several decades, mainstream economic thinking has been strongly influenced by the neoclassical economic theories and their derivatives. The most dynamic economic and

* The openness of an economy is defined as imports plus exports divided by (twice) the GDP of the economy. According to OECD figures, this measure has increased markedly for almost all nations over the past fifty years.

financial developments resulted from a set of paradigms that are now being scrutinized in ever more detail in order to discover more possible shortcomings than the ones that led to the most recent crisis. The impacts of behavioural economics and other more progressive theories have begun to exert a direct influence on how the current generation of policymakers regard market performance, efficiency, resilience and limitations. Together with the increased relevance of emerging markets for the world economy, this is expected to lead to a reduced importance of the traditional centres in the Anglo-Saxon world.

3. *New focus of national and international policies, binding of resources*: The near collapse of the world's financial system resulting in the financial crisis (especially in October 2008) led to an immediate shift in attention of all major governments. Following the rescue actions, the question of how to deal with financial stability and systemic risk became the central concern for all G-20 countries. This has led to a crowding out of other issues, such as climate change, trade negotiations, natural catastrophes etc. While one would expect that the less threatening the situation in the world financial markets appears the more energy will be available again for other projects, it is obvious that the challenges to safeguard the global financial system against future threats will require many years of unrelenting efforts to produce acceptable solutions. Until this is achieved, the challenges for financial stability and systemic risk will require constant attention and hence reduce the capacity of all involved governments to take on other projects at the same time. It is to be expected that less progress can be made on the real risk front when most energies are absorbed by the financial.

   In addition, there will have to be a continued and sustained struggle against any potentially appearing tendencies for protectionism as some countries may try to isolate their economies from financial havoc happening elsewhere through inappropriate measures, which would not only have detrimental effects on world trade and future growth but also possibly slow down the progress towards more integrated global thinking and advancements in global governance and risk management.

4. *Creation of new institutions or revamping current ones to deal with global stability:* Although a lot has already happened in this respect on the financial side of things, see e.g. the establishment of the G-20 and the reorganisation of the Financial Stability Forum (FSF) into the Financial Stability Board (FSB) with added powers, more activity is needed, especially beyond the purely financial. In many countries and regions around the world, governments are getting ready to establish systemic risk councils and boards that are going to be tasked with regional or local financial stability monitoring. Other organisations such as the IMF or the World Bank are adapting their operations to be more useful in the future to avoid financial instability and to combat it whenever it might appear. This will ultimately lead to an institutional landscape that will be very different from what was in place before the financial crisis. It will also have an influence on how and where key decisions for the world markets will be taken and what kind of framework will exist for nation-states to interact in the future.

5. *International reform projects pushing national agendas:* As has been evident over the past three years, it is increasingly an international agenda that drives national agendas rather than the other way around. The G-20 as a key source for regulatory projects

and driver of institutional change has clearly established an international platform that directs the focus of national governments. Reform projects such as Basel III, Solvency II (which is increasingly not only a European project but growing into an international benchmark) or International Financial Reporting Standards reforms have not only a global quality to them but establish a mechanism of the international influencing and determining the national. They currently do so mostly for the financial, but the trend is expected to have increasing consequences for the economic, political and social environments in all countries.

6. *Higher relevance of politicians and public servants for economic issues:* With laissez-faire capitalism (that postulated minimal governmental intervention and a soft touch for regulation and supervision as key principles) coming to an end, so a new group of persons will require more relevance − government officials. As central banks have greatly increased their balance sheets, as governments and their agencies have massively augmented their debt burden, as regulators and supervisors are vying for more control over the financial and economic systems, the officials in control of these institutions all exert more direct control over markets. Many decisions that will be taken by policymakers and public servants now have a more immediate impact on the economy and following the new wave of regulation this is set to increase. Market participants will have to pay closer attention to these decisions, understand who takes them and why, and how they will possibly affect the markets in which they are active. Consequences in the social dimension will follow this trend.

7. Conclusion

As we write at the outset of this paper, we hope to develop some thoughts that are aimed at increasing the resilience of the global social and economic system while safeguarding basic democratic principles at the global level. There is a long way ahead of us in this respect and hopefully the financial crisis can be used as a catalyst for producing further change that will bring the social dimension of globalisation, which has yet to appear in a more evident way, closer in line with the financial one, which has already seen significant (for some even excessive) advancement. Ultimately, our global systems can be resilient if they are based not only on efficient markets that can cope with future crises, but on principles that also allow for the projection of civic will and preference onto the global level. Stability and resilience are laudable goals but they need to be achieved in all three dimensions, the financial, the economic and the social, in a participatory fashion.

Author Contact Information
Email : patrick_liedtke@genevaassociation.org

Notes

1. Patrick Liedtke and Jan Monkiewicz, *The Future of Insurance Regulation and Supervision — A Global Perspective* eds., (London: Palgrave Macmillan, 2011).
2. Brian Woodrow, "Towards A Concept and Metrics of Vulnerability: An Initial Formulation," *ASEC* December 2006 / Revised 2008 and 2010 www.asecinfo.org
3. James Schiro, "External Forces Impacting the Insurance Industry: Threats from Regulation," *The Geneva Papers on Risk and Insurance* 31, no.1 (2006): 25-30.

At the root of the current crisis are not subprime mortgages, credit rating agencies, financial institutions or central banks. It is the Great Divorce between finance and economy, which is a subset of the widening precipice between economy and human welfare.

The Great Divorce: Finance and Economy

The Limits to Growth proved the inherent limitations of the existing industrial model of economic growth, not any inherent limits to growth itself.

Garry Jacobs & Ivo Šlaus, From Limits to Growth to Limitless Growth

Focusing on growth of the part without reference to its impact on the whole is a formula for social disease.

Economic Crisis and the Science of Economics

The idea of nuclear deterrence is a dangerous fallacy, and that the development of military systems based on nuclear weapons has been a terrible mistake, a false step that needs to be reversed.

John Scales Avery, Flaws in the Concept of Nuclear Deterrence

The first step into the direction of a world parliament would be the establishment of a Parliamentary Assembly at the United Nations.

Andreas Bummel, Social Evolution, Global Governance & a World Parliament

The evolution from physical violence to social power to authorized competence and higher values is an affirmation of the value basis of law.

Winston P. Nagan & Garry Jacobs, New Paradigm for Global Rule of Law

We propose that a new organisation be set up, perhaps called the 'World Community for Food Reserves'.

John McClintock, From European Union to World Union

A proper and well accepted definition of (forms of) misconduct, reliable means of identification, and effective corrective actions deserve a high priority on the agenda of research institutes, universities, academies and funding organs.

Pieter J. D. Drenth, Research Integrity

The clearing house should encourage thinking ahead so that law and governance can attempt to accommodate the numerous challenges of globalization, many new technologies, and the emerging Anthropocene Era.

Michael Marien, Law in Transition Biblioessay

The economics of growth must be replaced by equilibrium economics, where considerations of ecology, carrying capacity, and sustainability are given proper weight, and where the quality of life of future generations has as much importance as present profits.

John Scales Avery, Entropy & Economics

A strong and strategic knowledge system is essential for identifying, formulating, planning and implementing policy-driven actions while maintaining the necessary economic growth rate.

Jyoti Parikh, Dinoj Kumar Upadhyay & Tanu Singh,
Gender Perspectives on Climate Change & Human Security in India

CADMUS

Inside This Issue

The very possession of nuclear weapons violates the fundamental human rights of the citizens of the world and must be regarded as illegal.

Winston P. Nagan, Simulated ICJ Judgment

The emerging individual is less deferential to the past and more insistent on his or her rights; less willing to conform to regimentation, more insistent on freedom and more tolerant of diversity.

Evolution from Violence to Law to Social Justice

It is more rational to argue that developing countries cannot afford unemployment and underemployment, than to suppose that they cannot afford full employment.

Jesus Felipe, Inclusive Growth

The tremendously wasteful underutilization of precious human resources and productive capacity is Greece's most serious problem and also its greatest opportunity.

Immediate Solution for the Greek Financial Crisis

The Original thinker seeks not just ideas but original ideas which are called in Philosophy Real-Ideas. Cadmus Journal refers to them as Seed-Ideas. Ideas, sooner or later, lead to action. Pregnant ideas have the dynamism to lead to action. Real-Ideas are capable of self-effectuation, as knowledge and will are integrated in them.

Ashok Natarajan, Original Thinking

Given the remarkable progress of humanity over the past two centuries, the persistence of poverty might not be so alarming, were it not for the persistent poverty of new ideas and fresh thinking on how to eliminate the recurring crises, rectify the blatant injustices and replace unsustainable patterns with a new paradigm capable of addressing the deep flaws in the current paradigm.

Great Transformations

Our global systems can be resilient if they are based not only on efficient markets that can cope with future crises, but on principles that also allow for the projection of civic will and preference onto the global level. Stability and resilience are laudable goals but they need to be achieved in all three dimensions, the financial, the economic and the social, in a participatory fashion.

Patrick M. Liedtke, Getting Risks Right

Continued . . .

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