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Certificate of Authorship

This is to certify that:

Austin N. Nosike, Gerhard Berchtold and Shobana Nelasco

have published the book entitled:

**Perspectives on Globalization,
Development and Public Policy**

at Afro-Euro Centre for Development Studies

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Gerhard Berchtold and Austin N. Nosike

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**SUSTAINABLE GLOBALIZATION FOR WHO AND WHAT?
A CONTEMPORARY DEBATE**

at Afro-Euro Centre for Development Studies

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SUSTAINABLE GLOBALIZATION

Author: Gerhard Berchtold (2009)

Introduction

For Thomas Friedman (2006) the world has become flat, arguing that globalized trade, outsourcing, supply-chaining, and political forces have changed the world permanently, for both better and worse. He also argues that the pace of globalization is quickening and will continue to have a growing impact on business organization and practice. "Because it is flattening and shrinking the world, "Gloablization 3.0" is going to be more and more driven by not only individuals but also by a much more diverse – non-Western, non-white – group of individuals. Individuals from from every corner of the flat world are being empowered." (Friedman, 2006, 11)

According to Noam Chomsky (1994, 2004) the word globalization is also used, in a doctrinal sense, to describe the neoliberal form of economic globalization. Chomsky asks, how after the victory of globalized capitalism the society of the future may look like and whose demands it shall serve: those of the transnational corporations, or those who have been driven aside more and more by the victory of a neo-liberal economic order? Will it be possible to develop an international society, comparable in its basics with the Third World, with islands of power and wealth in a sea of misery, and with totalitarian control-mechanisms behind an increasingly facial democracy? Or will the resistance of the populations, needing to become international as well, be successful enough in order to remove these structures of power and rule?

Croucher (2004) observes the globalization process is a combination of economic, technological, sociocultural and political forces.

According to Bhagwati (2004) Globalization is often used to refer to economic globalization, that is, integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology.

The founder of the World Economic Forum, Klaus Schwab (Aust et.al. 2007, 26) sees the world growing together at high speed, globalization is driven by technological and scientific innovation, we can move data-capital around the world in seconds.

From my perspective, current globalization has various drivers:

- The free flow of investments, money and currency transfers across global financial markets, whereby money itself is dealt as a commodity with a speculative value.
- The opening of global markets for free trade of goods, services enforced by IMF, World-Bank and WTO.
- The free flow and exchange of ideas, knowledge and trends on the internet. The global access to online information and data even from remote places in the world.

Exploitation of natural resources and environmental pollution along with associated health problems and the risk of collapsing global and regional biospheres have ignited the contemporary worldwide drive for sustainable development and combating climate change, at least in its early stages and as a mindset. Development and globalization go hand in glove, globalization is synonymous with internationalization or international development.

What the world needs now is "sustainable globalization" and a framework for it.

We may define **"Sustainable Globalization as a system of global trade of goods and services, including financial services and transactions, and the free travel of people, exchange of cultures and the flow of information and knowledge (data-capital) around the world, including the internet, and the development of a cosmopolitan culture that meets the needs of the global requirements for the functioning of that worldwide system, without endangering and compromising the current and future needs and generic and indigenous infrastructures, cultures, societies and communities at local, regional and national level."**

According to the Fischer Weltalmanach 2007 (627) the economies of the highly developed countries even in times of economic booms cannot create as many jobs in new industries and services as are being lost to cheaper overseas locations.

The global economy is captured in a complex paradoxon. The US economy and its financial markets is both, the customer of last resort and the ailing patient of the world, its greatest obstacle to balanced development, because on the other-hand, in order to keep the machine going, the exporting countries with foreign trade surplus and foreign currency surplus, are the big investors, in other words the lenders and creditors to the US population for US consumption – who, acc. to Todd (2002) play the role of the declining superpower's *Plebs*, living on products, *panem et circenses*, imported comparable to tributes from the provinces of the ancient Roman Empire, while not producing enough anymore for themselves to maintain their lifestyle. In today's vicious cycle of foreign trade and capital flows balances, the exporting countries finance the sale of their own exports to the US, in the extent of the US foreign trade deficit, and the money is not paid back rather than written off the books with boom-bust-cycles. Every crash writes off foreign debt, so does the devaluation of the US Dollar going on currently. Still, the US customer, financed by credits and loans, is globally perceived as the *customer of last resort*, in order to keep the global economic cycles flow. Given the fact that the USA has become the world's biggest debtor nation requires to redraw the lines between developed and developing countries in this regard. I recommend to challenge the applied monetarism and neo-liberalism in the context of globalization, and particularly redefine the benchmarks and indicators used for defining development and growth, with respect to green accounting standards including Life Cycle Assessment and Environmental Resource Recognition Accounting (Berchtold, 1991) within a framework of sustainable restraint rather than sustainable development in terms of growth. That includes a change in our mindmap from quantitative to qualitative growth and benchmarks.

Regarding our financial boom-and-bust-cycles, the current financial crisis has spilled over to the real economy and created the worst crisis since the Great Depression and WW2.

In the London Summit – Leaders' Statement of 2 April 2009, the Leaders of the Group of Twenty, met in London on 2 April 2009, declaring:

"We face the greatest challenge to the world economy in modern times; a crisis which has deepened since we last met, which affects the lives of women, men, and children in every country, and which all countries must join together to resolve. A global crisis requires a global solution.

We start from the belief that prosperity is indivisible; that growth, to be sustained, has to be shared; and that our global plan for recovery must have at its heart the needs and jobs of hard-working families, not just in developed countries but in emerging markets and the poorest countries of the world too; and must reflect the interests, not just of today's population, but of future generations too. We believe that the only sure foundation for sustainable globalisation and rising prosperity for all is an open world economy based on market principles, effective regulation, and strong global institutions.

We have today therefore pledged to do whatever is necessary to:

- restore confidence, growth, and jobs;*
- repair the financial system to restore lending;*
- strengthen financial regulation to rebuild trust;*
- fund and reform our international financial institutions to overcome this crisis and prevent future ones;*
- promote global trade and investment and reject protectionism, to underpin prosperity; and*
- build an inclusive, green, and sustainable recovery.*

By acting together to fulfil these pledges we will bring the world economy out of recession and prevent a crisis like this from recurring in the future."

US President Barack Obama (2009) remarked at the G-20 Summit in London that it was much easier back in 1944 for Prime Minister Churchill and President Roosevelt to sit over a brandy with a cigar and design the global financial framework of Bretton-Woods, than it is today in a multipolar and more complex world. President Obama also stated that the world cannot rely forever on the US-customer, proclaiming also a new American approach towards the world: *The challenges of the 21st century cannot be met without collective action.*

Globalization and Development

Cultural, societal and economic development was always dependent on the availability of the environmental factors, including potable water, fertile land, resources of energy for maintaining the thermodynamics of the given society, and a micro-climate supporting life-systems.

War and struggle in its archaic stages and forms is but fighting over better environmental conditions for a society to grow and develop. If worse-case-scenarios about water-shortages, desalination of fertile land, erosion and desertification, deforestation and overfishing, rise of sea-level and global heating become a reality, the 21st century may well see some of the worst struggles of societies for survival.

Acc. to OECD (2008) the worldwide use of virtually every significant material has been rising over many years, causing recurrent concerns about shortages of natural resource stocks, the security of supply of energy and other materials, and the environmental effectiveness of their use. A good understanding of the material basis of the economy should therefore underpin the formulation of economic, trade, natural resource and environmental policies.

The challenge is, acc. to Fritjof Capra and Gunter Pauli (1995): As the century draws to a close, environmental concerns have become of paramount importance. The survival of humanity and of the planet are at stake. Concern about the environment is no longer one of many "single issues"; it is the context of everything else - of our lives, our business, our politics. Today we are faced with a whole series of global problems which are harming the biosphere and human life in alarming ways that may soon become irreversible. The new paradigm may be called a holistic world view, seeing the world as an integrated whole rather than a dissociated collection of parts. It may also be called an ecological view, if the term "ecological" is used in a much broader and deeper sense than usual. (...) It does not see the world as a collection of isolated objects but rather as a network of phenomena that are fundamentally interconnected and interdependent. Deep ecology recognizes the intrinsic values of all living beings and views humans as just one particular strand in the web of life. It recognizes that we are all embedded in, and dependent upon, the cyclical processes of nature. The principle of interdependence

implies a shift of perception from objects to relationships. In business this includes, among other things, a shift from products to services. Another important principle of ecology is the cyclical nature of most ecological processes. The interactions among the members of an ecosystem involve the exchange of energy and resources in continual cycles - the water cycle, the CO₂ cycle and the various nutrient cycles. Communities of organisms have evolved over billions of years, continually using and recycling the same molecules of minerals, water, and air. The lesson for business here is obvious. The present clash between business and nature, between economics and ecology, is mainly due to the fact that nature is cyclical, whereas our industrial systems are linear, taking up energy and resources from the earth, transforming them into products plus waste, discarding the waste, and finally throwing away the products also after they have been used. Sustainable patterns of production and consumption need to be cyclical, imitating the processes in ecosystems. To achieve such cyclical patterns, we need to fundamentally redesign our businesses and our economy. (Capra and Pauli, 1995)

Among the various economic and social-historic models explaining the rise and decline of societies, I would like to quote the observations and conclusions of Jared Diamond (2005), investigating the collapse of societies scientifically, suggesting to employ the comparative method to understand societal collapses to which environmental problems contribute, demonstrating that a rigorous, comprehensive, and quantitative application of this method was possible for the problem of deforestation-induced collapses. He also demands additional conclusions to be drawn from comparisons among societies, which could not have been drawn from detailed study of just a single society, suggesting that comprehension of a societal collapse requires not only accurate knowledge of its history and environment, but to place it in a broader context and gain further insights by comparing them with other societies that did or did not collapse.

Diamond has belabored the necessity for both good individual studies and good comparisons, suggesting, we need both types of studies to acquire reliable knowledge and to reach convincing conclusions. His examples include two societies, sharing the same island, but with very different cultures, such that one of those societies survived while the other was dying. Diamond also demonstrates, what a big difference one person can make, if he or she is the country's leader, making a point on people acting in full awareness of the consequences, stating that overcoming failure in anticipating or perceiving a problem is a major factor to undo group-decision-making.

Regarding the current state of globalization, Diamond sees reasons both for pessimism and for optimism about our ability to solve our current environmental problems, or, for the first time in history, we face the risk of a global decline. His remaining cause for hope is another consequence of the globalized modern world's interconnectedness, because we have the media and opportunity to learn from the mistakes of distant peoples and past peoples.

James Lovelock (2006) provides a pessimistic analysis of the state of the earth. Lovelock postulates that the few things we know about the response of the Earth to our presence is deeply disturbing: *"Even if we stopped immediately all further seizing of Gaia's land and water for food and fuel production and stopped poisoning the air, it would take the Earth more than a thousand years to recover from the damage we have already done, and it may be too late even for this drastic step to save us."* Lovelock, therefore, concludes: *"This is why it is much too late for sustainable development; what we need is a sustainable retreat. We are so obsessed with the idea of progress and with the betterment of humanity that we regard retreat as a dirty word, something to be ashamed of."*

Björn Lomborg (2001) complains about the *"constant repetition of the Litany and the often heard environmental exaggerations"*, suggesting that the point is to assess the state of the world through a scientific comparison with how it was before, showing us the extent of our progress. Lomborg's message is that measuring the real state of the world, based on the most important fundamental characteristics, support his statistical

conclusions that things are getting better. His point is, when things improve we are on the right track, and we look forward to fewer people starving in the future.

UNEP's Economics and Trade Unit (ETU) is one of the units of the Division of Technology, Industry and Economics (DTIE). Its mission is to enhance capacities of countries, particularly developing countries and countries with economies in transition, to integrate environmental considerations in development planning and macroeconomic policies, including trade policies. The work program of the Unit consists of three main components: economics, trade and financial services. The trade component of the programme focuses on improving countries' understanding of the linkages between trade and environment and enhancing their capacities in developing mutually supportive trade and environment policies, and providing technical input to the trade and environment debate through a transparent and a broad-based consultative process.

All around the world, the growth and liberalization of international trade is changing the way we live and work. At \$6 trillion a year, trade flows and the rules that govern them are a massive force for economic, environmental and social change. International trade is becoming an increasingly important driver of economic development, as it has been expanding at almost twice the pace of total global economic activity for the past 15 years. A growing number of developing countries look to trade and investment as a central part of their strategies for development, and trade considerations are increasingly important in shaping economic policy in all developed countries, too. (UNEP-ETU and IISD 2000)

Global trends: National economies are increasingly integrated in a global economic structure where all the elements needed to produce a final good or service— production of inputs, design, assembly, management, marketing, savings for investment—may be sourced from around the globe in a system held together by powerful communications and information technologies. The trend toward globalization has been driven in part by these new technologies, and in part by reduced barriers to international trade and investment flows. The result has been a steady increase in the importance of international trade in the global economy: in the last 50 years, while the global economy quintupled, world trade grew by a factor of 14.

Another important trend is increasing inequity; the benefits of growth have been unevenly spread. Although average global income now exceeds \$5,000 US per person a year, 1.3 billion people still survive on incomes of less than a dollar a day. The world's three richest people have a combined wealth greater than the GDPs of the 48 least developed countries. And the growing inequality between and within nations shows no signs of abating. (UNEP-ETU and IISD 2000)

International trade constitutes a growing portion of that growing scale, making it increasingly important as a driver of environmental change. As economic globalization proceeds and the global nature of many environmental problems becomes more evident, there is bound to be friction between the multilateral systems of law governing both.

At the most basic level, trade and the environment are related because all economic activity is based on the environment. It is the basis for all basic inputs (metals and minerals, forests and fisheries), and for the energy needed to process them. It also receives the waste products of economic activity. Trade, in turn, is affected by environmental concerns, since exporters must respond to market demands for greener goods.

At another level, environment and trade represent two distinct bodies of international law. Trade law is embodied in such structures as the World Trade Organization and regional trade agreements. Environmental law is embodied in the various multilateral environmental agreements, the regional agreements and as national and subnational regulations. It is inevitable that these two systems of law should interact. (UNEP-ETU and IISD 2000)

A country's well-being is not only affected by the economic impacts of trade agreements, but also by how such agreements affect the environmental and social structures, thus the growing interest in an assessment which considers the implications for the environment. Environmental assessments grow out of an established legal institution in many countries, where it is required to conduct environmental reviews of certain types of projects and policies. In some countries the procedures to be followed in such reviews are spelled out in great detail. Usually, they will include extensive participation from the public as part of the process.

The challenges of conducting thorough environmental or sustainability assessments are enormous. Very few, if any, countries have adequate environmental data. And even with such data in hand, analysts then need to model how trade liberalization has impacts on the economy, and how environmental effects flow from those economic changes. If the analysis is expanded from an environmental to a sustainable development focus, we add another layer of complexity.

How do we bring in such key variables as income distribution, health, nutrition, education and urban migration? Despite the complexities, sustainability assessments will probably continue to be undertaken and refined, since a blurred vision of the future is better than none at all. (UNEP-ETU and IISD 2000)

There are both threats and opportunities in this relationship for countries, local communities and firms pursuing economic development and environmental protection.

The challenge, for all these stakeholders, is to exploit the opportunities and reduce the threats, and in so doing to maximize the net positive contribution that trade can make to sustainable development. A broader and clearer understanding of the linkages between trade, environment and development among all stakeholders is a prerequisite for seizing those opportunities and reducing those threats. (UNEP-ETU and IISD 2000)

Development is conceived by Spooner (1984) "generally to include all modern planning and project implementation which is designed to increase productivity, to modernize traditional systems, and to raise living standards, especially in the Third World, irrespective of the possibility of direct benefits to the investor or donor. The argument for the differentiation of three dimensions in this context should ideally be made on the basis of a careful evaluation of accumulated experience."

Development is commonly defined as process of growth, unfolding, maturing, enlargement, advancement. We generally associate development with output numbers and growth rates, using numeric expressions of gross national product GNP or gross global product as the total value of a nation's or the world's annual output of goods and services.

The current financial and economic crisis demonstrates the vulnerability of the given system's feedback-loops and interdependencies. It becomes even more evidently necessary to get out of the vicious demands of economic growth rates in monetary units – containing many invisible, intangible and virtual value elements – and include Life-Cycle-Analysis LCA and Environmental Resource Recognition Accounting and Green Accounting into GNP and global calculations. (Berchtold, 1991)

All the number constituting the GNP are book money, representing virtual values enabling boom-and-bust cycles. Now, for the first time since 1930 we see the world's economic development come to a halt of growth, slipping into big recession. Among the many reasons let me quote the oil price, the state and nature of the credit-driven US economy and the money growth phenomenon.

If we take the share of fossil fuel consumption in the Gross Global Product, and if the oil price falls to 1/3 after 8 years of rising, that induces a downward pressure, a recession on GGP figures, regardless of any growth drivers of a lower oil-price. Such developments also influence other virtual indicators and indices putting pressure on stock markets.

Stock markets themselves have lost their basic function as mirrors and trend indicators of the economy, given the traditional theory of consecutive index patterns of stock exchange (DJIA), industrial output, and GNP. The theory tells us, if the stock index grows, other indices will follow; if the leading Dow Jones Industrial Average (DJIA) declines, the output of goods and services will shrink, and the GNP will slow-down, stagnate or shrink into a recession.

Such a system could work as long as money played its role as public tender to all debts and not a commodity itself. Enabling the economy to operate and provide the market with enough money supply to meet the demands for payments of goods and services. Central banks had the control tools to regulate the money growth rates and stimulate or cool growth of inflation by interest rate adjustments. Development seemed well defined and controllable. Money was gold-backed, all major currencies were within the Bretton-Woods agreement basically dollar-oriented floating only within a short bandwidth. Currency exchange transactions were the domain of the Central Banks, and the amounts transferred were used for actual transnational payments for goods or services rendered or for investments abroad.

However, when the Bretton-Woods system collapsed in 1971, currencies began to float freely, and combined with the neo-liberal privatisation of all state monopolies across the world enabled money, book-money, to become a commodity. All of the following, money growth rates, financial transactions, financial markets, stock exchanges and indices multiplied since then. Financial transactions, invisible and intangible services and financial products, constitute an element of the gross domestic product, a virtual element influencing the outcomes of GDP figures.

In fact, most working people in the industrialised countries have saving contracts and insurance policies or pay back loans on a monthly basis. Book money flows worldwide into the financial markets every month, the billions of small workers, the middle class of people and the profits of enterprises, are the major source of these financial flows. This money growth rate and the monthly supply of fresh funds into portfolio managers' and investment houses' accounts supplies financial and stock markets with liquidity every month, decoupling the traditional cause-and-effect relationship between stock exchange index, industrial output numbers, and GNP trends.

Due to money supply floating into the markets to be invested, stock indexes boomed and bubbled over the last three decades repeatedly, and the paradoxon becomes evident that stock indexes – the leading DJIA blue-chips indicator – no longer reflect and forecast trends in the real economy and the real GNP, but the demand for virtual profits driven by an everflowing fresh money supply via global savings and investment schemes of pension funds and insurance policies.

When we look at the nature of the US economy it is remarkable that since 1955 – for the first time in peace-time – the output of US military industrial goods exceeds the output of civil goods in terms of value of goods produced. America relies heavily on its military industrial complex as the motor of domestic R&D and local production.

Chalmers Johnson (2003) postulates that the American Empire fights noticeably more wars nowadays than it did before and during the Cold War. Wars help the military grow, are an impressive promotion medium for the superiority and effectiveness of American arms and drive up the revenues of companies manufacturing them. Throughout their history, and particularly since the collapse of the Soviet Union in 1991, the US has fought different wars whose justifications relied on misleading the citizens; showing an increased readiness to fight wars outside the framework of international law and against global opposition. It has tradition that new US military bases are mostly built in nations with undemocratic and repressive governments.

Helen Caldicott (2003) makes a point on how the military-industrial companies control the US Congress. These almighty corporations manipulate and control the overwhelming part of US legislation on internal and foreign, passing through Congress. They are using different means: Think-Tanks, Corporate Mergers, Lobbyisms, and Party Donations. The

think tanks exert great influence on behalf and in the interest of the military-industrial-complex.

Emmanuel Todd (2002) postulates the United States is on the way to becoming a problem for the world, a factor of international disorder, supporting wherever they can instability and conflicts. It seems that the USA, for whatever reason, has an interest to maintain a certain level of international tensions, a limited but endemic state of war.

Todd summarises that in 1945 the US GNP valued half of gross global product, and while acting as a merciful hegemon the USA established a global empire between 1945 and 1990.

At the end of the 1970-ies the US experienced its first foreign trade deficit, further characterising the global economic structure. The collapse of communism accelerated this process and between 1990 and 2000 the US trade deficit increased from 100 to 450 billion USD. In order to balance this deficit, America needs capital inflows in respective volume.

At the beginning of the new millenium America can no longer live alone on its own production. America has become a predatory nation, and Todd asks, how to steer a superpower, that has become economically dependent and politically superfluous?

Todd observes that the transition into a new oligarchic stadium implies that Doyle's law that liberal democracy automatically secures peace, no longer applies to the USA. We must be increasingly aware of an aggressive behaviour and military adventures of an insufficiently controlled caste of political leadership.

Todd suggests that America would be challenged to become again a liberal-democratic country like the others, to disarm its military and retire strategically; but, because America is economically so dependent on the rest of the world, it needs a certain level of disorder and tension to justify its political and military presence in the old world.

Todd compares the decline of the Roman Empire with the current USA. Globalization is not characterized by symmetry but assymetry – it is increasingly evident that the world produces so that America can consume. The major reason for the US trade deficit is not the import of raw materials, which could be normal for a highly developed country. Oil, the obsession of military strategists, accounts for just 80 billion of the year 2001 total deficit; other products, mainly processed goods, account for 366 billion US dollars deficit.

For Todd the speed of the increase of the US trade deficit is remarkable. In 1929, 44,5 % of global industrial production was in the USA. Around 2000 the US GNP share of industrial production is slightly behind the EU (2001) and marginally bigger than the Japanese. This massive loss of economic power cannot be compensated with business revenues of American multinational corporations.

The foreign trade balance measures the exchange between countries and reveals the industrial weakness of America. Quoting the Enron crash and fraudulent accounting practices of A.P. Andersen involved, the 100 billion USD loss should have been included in the US GNP. How many other companies have faked their balance sheets?

(A SEC investigation between 2001 and September 2002 revealed that more than 180 stock-exchange listed corporations had frauded their balances, totalling 1,100 billion USD.)

Todd notices that the financial, the insurance and the real estate sectors have grown twice as fast as the industrial output from 1994 to 2000 – providing America with the fresh money it needs to pay its imports. "Blown up by the fraudulent accounting of the

private enterprises the numbers of the domestic calculations of the US are nowadays as reliable as once in the Soviet Union.”

Liberalization of world trade has increased economic disparities, stagnating salaries versus exploding corporate profits. Todd observes that the stagnation of demand due to free trade and the pressure on the salaries of the workers is evident, explaining the decline of economic growth rates globally, the ever faster series of recessions. The global weakness on the demand side allows the US to justify its role as regulator and exploiter of “globalized” economy, playing the role of the state, which has taken over the steering-functions according to Keynes for the global economy. In the stagnating global economy the inclination of America to consume more than it produces finally appears to be a blessing for the whole planet.

The population of the world is towards the US in the position of subordinates in a Keynesian state who are working for the state to care for a revitalization of the economy. Actually, from Keynesian view, consumption is a function of the state in order to stimulate demand. As compared with the Pharaohs, the builders of the ancient Pyramids, who have steered economic activity with their wastefulness, America is nowadays our Pyramid which the whole world builds. For Todd, the two conceptions of America as a Keynesian regulator of global economy and the political interpretation of globalization form a unity – the American foreign debt is according to this model the tribute that the acting worldpower collects. The Americans have become public servants for the global economy: they produce nothing, they just consume. The money from military sales flowing to America is an equivalent for tribute payments demanded politically or militarily. But their volume will not allow the Americans to maintain their current level of consumption. The control over specific regions where oil is produced is an important element of the traditional tribute.

Todd postulates that the movement of international capital secures the compensation of the American balance of payments. Year by year, the flow of capital into the US allows them to purchase goods worldwide, used mainly for consumption. The transactions in the financial sector can run for some time without relationship to the world of goods and generate profits, without producing anything real. The share of financial transactions is bigger than the share of industrial production of goods of the US domestic economy. Enron is an example of how financial phenomena can drive the real economy in unproductivity. The flow of capital to the US is impressive, increasing from 88 billion USD in 1990 to 865 billion USD in 2001. In fiscal year 2000 485 billion USD had to be paid from abroad in order to compensate for the deficit in trade with goods and services.

Todd identifies a simple mechanism behind the financial effects of economic globalization and the flow of capital to the US. The increase in profits maximizes the income of the upper classes, but this surplus in incomes has no material substance. The majority of profits exists only on paper, a collection of numbers, driven by the ontological need of capitalism to invest money in order to generate profits.

As the economic and military superpower, the US originally provided maximum security, the stock indices of Wall Street led global trends; in 1990 stock exchange capitalisation in the US was 3,059 billion USD, 1998 it was 13,451 billion USD. However, these numbers say little about economic efficiency, productivity in the physical real sense – the increase in stock exchange capitalisation is in no relation to real growth of the US domestic economy, the relative shortage of the goods traded at stock exchanges, the shares, caused the increasing demand to drive up their nominal value. In the end the money invested from abroad in America helps the Americans to finance the consumption of goods which they purchase everywhere in the world. One way or another, the investments, thereby, evaporate.

Todd (2001), who in 1975 correctly predicted the economic collapse of the Soviet Union in the mid-1980-ies, stated that we do not yet know, how and in which rhythm the European, Japanese and other investors are being robbed, but the most probable scenario is a panic at stock exchanges at unimaginable dimensions, followed by a sharp

decline of the dollar – the implosion of the whole structure will surprise us as much as its development.

Todd, following the model of imperial overstretch combined with decline of economic infrastructure in the imperial homeland, postulates that the world is building the American pyramide, he observes a similarity between the decline of the Roman Empire and the USA today, both having become dependent on imports of goods, degrading their population to *plebs* living on *panem et circenses*. Another crucial thinker, Jeremy Rifkin (2002) finds a different thermodynamic model to explain the rise and fall of cultures, based on the Collapse of Complex Societies (Joseph A. Tainter) to systemise: Decline, according to Tainter, starts at that point, at which a highly developed culture uses increasingly parts of energy reserves for the mere maintenance of a multi-layered societal order while the output of the energy spent per capita starts falling more and more. Rifkin postulates that the decline of Rome was an effect of the deforestation and the loss of its sole source of energy. Rome was confronted with the reality of Thermodynamics: It costs a lot of energy to maintain infrastructure and population in a state of non-equilibrium, while steadily exploiting the energy resources. Rome collapsed with a shocking balance of entropy, taking Europe six centuries to recover.

Today's industrialised nations have built an extended, complex infrastructure and administration to generate and use energy. Economy and society are to such an extent dependent on cheap petroleum and gas that we have to check for breaking domino-effects like those destroying the Roman Empire, if our resources decline, Rifkin concludes.

Michel Chossudovsky (2002) postulates that the new world-order is nurtured by human poverty and the destruction of the natural environment, creating a global crisis, more devastating than the global recession of the 1930-ies. The IMF International Monetary Fund geo-politics of monetarism dictates similar reforms to 150 debtor countries, resulting in economic genocides of national economies. In 2000 more than five billion or the six billion people in the world live in poor countries, while 15 % of the world's population own 80 % of global wealth. World Trade Organization WTO rules empower banks and TNC's to manipulate markets to their advantage, destabilize national institutions, drive domestic producers into bankruptcy and eventually take over control of entire countries.

Chossudovsky (2002) forecast the global financial crisis that has evolved due to the collapse of the Bretton-Woods-System of fixed currency exchange rates in 1971. The new money-managers play a powerful role on financial markets, but are increasingly distant from the entrepreneurial functions in the real economy. Their activities comprise all possible speculative transactions: commodity options, dealing with derivatives, and the manipulation of currency exchange markets – institutional speculators. Back in 1993 a report of *Deutsche Bundesbank* warned that the trade in derivatives could cause a chain-reaction and threaten the financial system as a whole.

Chossudovsky identifies the manipulation of market forces through powerful financial protagonists as a form of financial and economic war. In the late 20th century the conquering of nations – the control over their production assets, their work-force, natural resources, and institutions – can be caused by inputs via PC-keyboards, reach financial markets within seconds and cause immediate shaking of entire national economies. In financial warfare complex speculation-tools are applied, including the whole spectrum of derivatives-trading, currency transactions, currency options, hedge-funds, index-funds etc. In an integrated financial services industry the world's biggest banks and investment houses are also creditors and institutional speculators. During the Asean crisis (1997) they contributed with their speculative attacks directly to the destabilisation of national currencies, thereby, driving the volume of foreign debt owed in dollars up. After the crisis they returned as creditors in order to collect their loans and debts, which they have created themselves by manipulation of the currency markets. In the end they are called in as economic and financial consultants and charged with the design of the "bankruptcy-

programmes" supported by the World Bank, from which, again, they benefit. According to Chossudovsky the underlying structural causes of the economic crisis remain in the dark. Blinded by the neo-liberal dogma, politicians are unable to differentiate between solutions and cause, financial market mechanisms creating instability.

George Soros (2003) postulates that it is an irony of history that particularly the power of government in the most successful open society of the world is today in the hands of ideologists, who ignore the basic principles of an open society. Who would have thought that America could become a threat to open society?

Soros calculated that tax cuts and the increase in military spending have transformed the US budget from a household-surplus of 236 billion USD in 2000 to a deficit of 375 billion USD in 2003, and a projected deficit of 565 billion USD for fiscal year 2004. Based on this most drastic shift of US budget number from plus to minus, Soros predicted a phase in which the interest payments for accumulated deficits will slow economic growth in a period of economic growth and suffocate the two major factors that keep the economy going: real estate and the sales numbers of the automobile industry.

The accuracy of Soros' forecasts is amazing; regarding the structural weaknesses of the US mortgage market. The different interest rates between mortgages and long-term bonds is the major weakness of the system, causing a disruption of the mortgage market, comparable to the stock market crash of 1987 caused by portfolio backed securities. Either way, Soros forecast the price the global economy is paying now for the irresponsible fiscal policy of the Bush-Administration.

Soros interpretes the alchemism of finances by the principle of human uncertainty: Market participants act on grounds of distorted perceptions, or prejudices, which also influence pricing on financial markets. Additionally, financial markets influence essentially the so-called fundamental data which they should in fact reflect. Thus, a strong interaction exists between reality and the perception of the market participants, not causing necessarily a state of equilibrium rather than sometimes causing the development of a boom-bust-cycle.

Bubbles of stock markets, Soros explains, do have a solid real base, but reality is distorted in the heads of the participants due to a wrong perception. Equilibrium is achieved, when people adjust their expectations in a corrective process to the outcomes of their activities. However, if prejudices and wrong assumptions enhance or induce trends, we are causing a boom-bust-cycle, destabilising the equilibrium. Sooner or later, the gap between reality and its distorted interpretation can no longer be maintained, the bubble implodes.

On May 29 2007, *USA Today* reported a federal government deficit for fiscal year 2006 of 1,3 trillion USD. If the accounting standards were applied, the total federal debt has reached a volume of 59,1 trillion USD liabilities. (*Comment: That is 5 times the US GNP*)

Jean Ziegler (2003) postulates that at the beginning of the new millenium the transnational oligarchies rule the whole world. Their day-to-day practices contradict radically the interests of the overwhelming majority of the world's population. In less than a decade the gross global product has doubled, the volume of world trade has tripled, and energy consumption doubles on average all five years. The four Apocalyptic Riders of under-development are Famine, Thirst, Epidemic and War, killing more men, women and children every year than all six years of WW2 have killed. Every day approximately 100,000 people die on our planet from hunger or the immediate causes of starvation. Every ten seconds a child under the age of ten dies of malnutrition. The agricultural capacity of the world could feed 12 billion people with a daily ration of 2,700 calories. More than two billion people live in total poverty, according to UNDP. The right over the life and death of billions of people is executed by the masters of globalized capital. Their intervention strategies, their currency speculations, the political alliances decide every day, who has the right to live on this planet and who is sentenced to die.

Noam Chomsky (2003) differentiates two basic projects in current history: one is the strife for hegemony threatening the survival of mankind; the second acts in the belief, that another world is possible. It challenges the pre-dominant ideological system, and searches for constructive forms of thinking and action and for alternative institutions.

Despite international efforts for global cooperation there are pressing signs that the world develops in a direction not resulting in its unity, but its disintegration. The so-called war against terror has not brought more security: The number of terror attacks increases.. Famine, poverty, and war are on the rise in the poorest developing countries. The predatory utilisation of oceans, forests and the atmosphere destroys the foundations of human existence. In order to stop this fatal development, Thilo Bode (2003) suggests a global policy pursuing three objectives: overcome poverty in the world, create global security, and protect the natural habitats of life.

Bode demands that a just globalization policy must integrate fighting poverty, security policy and environmental policy. Such policy is currently not applied, the nations successfully prevent the implementation of this integration, hence, the globalization policy of the industrialised countries is the real threat to the world. Bode finds a formula for the rationality of failure: Failure has system. It is quite rational that politicians and parties do not develop and implement a just globalization policy. Such a policy would have to prioritise long-term over short-term interests and put common-welfare objectives above particular national interests. The incentive system, however, existing in the contemporary design of representative democracy rewards short-term thinking and punishes those politicians who pick arguments with interest-groups. However, Bode concludes, citizens miss the integration of economic globalization, of environmental, foreign and security policy – and people do not learn about the consequences of globalization.

In a more recent analysis, Wolfgang Köhler (2008) provides a profound insight into the backgrounds of the current crisis: Due to low interest rates in the 1990-ies Americans bought more houses. Prices for homes and apartments began to increase. Largely liberated from the limitations, they been subjected to since the 1930-ies, credit and investment banks discovered mortgage and consumer credits as lucrative new business segment. They bought in big style such creditors who did not necessarily enjoy bank-status, providing them with capital for an aggressive expansion of business. Combined with the sale and backing of credit-claims a giant wheel gained momentum: Creditors, who did not have to carry the credit-risks themselves anymore, shed all reservation and granted loan and mortgage credits in big style also to such debtors, who would never be able to pay them back. Investors bought the loans or shares, underlying these loans, because they could achieve higher interests than with traditional US T-Bills – generously overlooking the credit risks.

When the real-estate market collapsed 2006/2007, the whole system collapsed. Now, the Federal Reserve Bank had to save the global financial system from collapse by lowering interest rates and pouring liquidity.

As long as the system worked, all participants could enjoy giant profits. The cost of the collapse, however, are socialised. And this not just in the USA. Globally, banks and other institutional investors are involved and suffer billions of dollars in losses. Thus, in the credit crunch, doubts were raised, whether the mono-insurance companies insuring asset backed securities ABS and mortgage backed securities MBS creditors can weather the storm. Rating agencies downgraded them, resulting in the crash of those and in value corrections in the billions on the part of institutional investors.

According the Wolfgang Köhler (2008) the assets of foreign investors in risky Subprime-Mortgage-Backed-Securities are just the tip of the huge flow of capital, pouring into the USA since two decades; he quotes Martin Feldstein (Financial Times, 14.10.2007) demanding a weaker dollar in order to reduce the US foreign trade deficit. This deficit reaching 800 billion USD in 2007 is the reason of distortions in the global economic cycle and responsible for a huge flow of capital into the USA since years. Trade- and capital-

balance accounts are interdependent: a trade deficit results in equivalent capital import. Vice-versa, surplus in trade-balance always results in a capital-export.

The foreign trade deficit of the USA of approximately 800 billion USD in 2007 forced the USA to import capital in the volume of 800 billion USD, owned by foreigners. The foreigners, therefore, buy assets in the USA, like shares or real estate or mortgage backed securities.

On the other hand the American economy could not expand its exports with the same dynamics, as imports have increased: We, therefore, speak of a competitive disadvantage of a country.

Köhler (2008) postulates that the rest of the world has exported to and invested huge amounts of capital in the USA. Thereby, the USA have shifted from a creditor nation to the country with the highest foreign debt in the world.

In his *must-read on the origins of the financial crisis* George Cooper (2008) traces the crisis to the rapid growth of credit encouraged by the Federal Reserve Bank's cheap money policy of the last years, suggesting that US monetary policy has played a significant role in the incubation of today's crisis: *"If blame must be laid anywhere it must be placed at the collective feet of the academic community for having chosen to continue promoting their flawed theories of efficient, self-regulating markets, in the face of overwhelming contradictory evidence.*

Credit creation is the foundation of the wealth-generation process; it is also the cause of financial instability. We should not allow the merits of the former to blind us on the risks of the latter. ...

The greater challenge lies in changing our mindset from one of unquestioning faith in market efficiency to one that accepts the need for governance of aggregate credit creation, and the occasional tough choices that this requires." (Cooper, 2008)

According to Lovelock, *"humanity faces its greatest trial, because the Earth system is trapped in a vicious cycle of positive feedback making global warming so serious and urgent, giving us little time left to put out the fire before it consumes the house itself. To undo the harm we have already done requires a programme whose scale dwarfs the space and military programmes in cost and size ... The time of irreversible change may be so close that it would be unwise to rely on international agreement to save civilization from the consequences of global heating ... Going further back in time, there have been hot spills similar to the one we think is now due. The most recent occurred fifty-five million years ago ... in some ways similar to our pollution of the air now and was due to the release"* of a fossil carbon quantity equivalent to what we have already released by fossil fuel combustion and agriculture.

James Martin (2006) provides *a vital blueprint for ensuring our future*, calling it humanity's grandest challenge that a vital task for the 21st century is to cope with the avalanche we have started, and its consequences for today's young people living at a time of extraordinary opportunities and immense problems – his main theme to be taught and talked about everywhere: that the 21st century is unique in human history in that it will produce a great transition that enables humanity to survive.

Martin identifies the following sixteen *Mega-Problems* of the 21st century: Global Warming, Excessive Population Growth, Water Shortages, Destruction of Life in the Oceans, Mass Famine in Ill-Organized Countries, the Spread of Deserts, Pandemics, Extreme Poverty, Growth of Shantytowns, Unstoppable Global Migrations, Non-State Actors With Extreme Weapons, Violent Religious Extremism, Runaway Computer Intelligence, War that Could End Civilization, Risks to Homo Sapiens' Existence, A New Dark Age.

All of these problems are multinational. None could be solved by one country alone. Most of the problems are consequences of bad management and absence of foresight. Many different factors have to be brought into play to deal with the problem.

Martin explores the trouble we are running into, indicating important solutions; he describes technologies giving us extraordinary new capabilities – which could get us into

new kind of trouble – identifies the meaning of this very critical 21st century; describing a new world towards which we are heading: *"If we understand this century and learn how to play its very complex game, our future will be magnificent. If we get it wrong we could be plunged into a new type of Dark Age."*

What a difference a man makes

Edgar Morin (1999) draws the two great ethical-political objectives of the new millennium: to establish a relationship of mutual control between the society and the individuals by means of democracy; and to complete the planetary community. In continuation of anthropoethics the planetary community of fate can create common awareness and joint consciousness of mankind in solidarity of the human species. Mankind is no longer just a biological term without roots, but with a home – earth, being endangered – and mankind is a reality as a collective community of fate, aware that we are all global citizens.

Diamond makes a point what a difference a person makes, if he or she is the leader of a country. The election of President Barack Obama embraces the return of hope and the desire for change. He has eloquently addressed issues of globalization and development in London, calling the G20 Summit a turning point in our pursuit of global economic recovery and historic because of the size and scope of the challenges we face, and because of the timeliness and magnitude of our response. President Obama postulated: *"The challenge is clear. The global economy is contracting. Trade is shrinking. Unemployment is rising. The international financial system is nearly frozen. Even these facts cannot fully capture the crisis that we are confronting. Because behind them is the pain and uncertainty that so many people are facing. We see it back home in our own communities. Families have lost their homes. Workers are losing their jobs and their savings. Students are deferring their dreams. So many have lost so much. Just to underscore this point, jobless claims released back home today were the highest in 26 years. We owe it to all of our citizens to act, and to act with a sense of urgency. In an age when our economies are linked more closely than ever before, the whole world has been touched by this devastating downturn. And today, the world's leaders have responded today with an unprecedented set of comprehensive and coordinated actions. Faced with similar global economic challenges in the past, the world was slow to act, and people paid an enormous price. That was true in the Great Depression, when nations prolonged and worsened the crisis by turning inward, waiting for more than a decade to meet the challenge together. And even in the 1980s, a slow global response deepened and widened a debt crisis in Latin America that pushed millions into poverty. Today, we have learned the lessons of history. I know that in the days leading up to this Summit, some confused honest and open debate with irreconcilable differences. But after weeks of preparation, and two days of careful negotiation, we have agreed upon a series of unprecedented steps to restore growth and prevent a crisis like this from happening again. First, we are committed to growth and job creation. Nearly all G-20 nations have acted to stimulate demand, which will total well over \$2 trillion in global fiscal expansion. The United States is also partnering with the private sector to clean out legacy assets that are crippling some banks, and using the full force of the government to ensure that our action leads directly to loans that people and businesses depend upon. These efforts will be amplified by our G-20 partners, who are pursuing similarly comprehensive programs. We have also agreed on bold action to support developing countries, so that we aren't faced with declining markets that the global economy depends upon. Together, the G-20 is tripling the IMF's lending capacity and promoting lending by multilateral development banks to increase the purchasing power and expand markets in every country. And we have rejected the protectionism that could deepen this crisis. History tells us that turning inward can help turn a downturn into a Depression. This cooperation between the world's leading economies signals our support for open markets, as does our multilateral commitment to trade finance that will grow our exports and create new jobs."*

Second, we are committed to comprehensive reform of a failed regulatory system. Together, we must put an end to the bubble and bust economy that has stood in the way of sustained growth, and enabled abusive risk-taking that endangers our prosperity.

At home, our efforts began with the approach that Secretary Geithner proposed last week, the strongest regulatory reforms any nation has contemplated to prevent the massive failure of responsibility that we have seen. And today, these principles have informed and enabled the coordinated action that we will take with our G-20 partners.

To prevent future crises, we agreed to increased transparency and capital protections for financial institutions. We are extending supervision to all systemically important institutions, markets and products, including hedge funds. We will identify jurisdictions that fail to cooperate, including tax havens, and take action to defend our financial system. We will re-establish the Financial Stability Forum with a stronger mandate. And we will reform the IMF and World Bank, so they are more efficient, effective, and representative.

Finally, we are protecting those who don't always have a voice at the G-20, but who have suffered greatly in this crisis. The United States is ready to lead in this endeavor. In the coming days, I will work with Congress to provide \$448 million in immediate assistance to vulnerable populations, and to double support for agricultural development to over \$1 billion so that we are giving people the tools they need to lift themselves out of poverty. We will also support the United Nations and World Bank as they coordinate the rapid assistance necessary to prevent humanitarian catastrophe. This is not just charity though. These are future markets for all countries, and future drivers of growth.

Let me also underscore my appreciation to Prime Minister Brown and all my colleagues from around the world who contributed to this Summit's success. It's hard for 20 heads of state to bridge their differences. We've all got our own national policies, our own assumptions, and our own politics. But our citizens are hurting. They need us to come together. So I'm pleased that the G-20 has agreed to meet again this fall. For this is just the beginning. Our problems won't be solved in one meeting. We must be proactive in shaping events and persistent in monitoring our progress to determine whether further action is needed.

I also was pleased to have had the opportunity, while in London, to hold bilateral meetings with the leaders of Russia, China, South Korea, Saudi Arabia and India, as well as Great Britain. These discussions were valuable and productive. Of course, we spoke about additional steps to promote economic recovery and growth. But we also discussed coordinated actions we could take to reduce the nuclear threat, forge a coordinated response to North Korea's planned missile launch, turn back terrorism in Afghanistan and Pakistan and protect our planet from the scourge of climate change. I am encouraged that we have laid the groundwork for real and lasting progress.

The challenges of the 21st century cannot be met without collective action. Agreement will almost never be easy, and results won't always come quickly. But I am committed to respecting different points of view, and to forging a consensus instead of dictating our terms. That is how we made progress these last few days. And that is how we will advance and uphold our ideals in the months and years to come.

I've spoken often, at home, about a new era of responsibility. I believe strongly that this era must not end at our borders. In a world that is more and more inter-connected, we have a responsibility to work together to solve common challenges. It will take time. But we can rebuild our global prosperity if we act with the sense of common purpose, persistence, and optimism that our moment demands. Thank you.

Well, given his speeches, we can just hope that change will happen in America and worldwide for a better planet and fairer society.

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