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Money & Global Governance Financing Sustainable Development

Options for Today's Financial Crises by Bernard Lietaer blietaer@earthlink.net

Abstract

The on-going financial crisis is not a cyclical or managerial problem but a structural one, as is revealed by the fact that there have been previously 96 other major banking crises over the past 20 years. Furthermore, the last time we faced a breakdown of this scope was in the 1930s, which we ended up “solving” by a wave of fascism and WW2. We can and should find better solutions than the conventional ones. However, the solutions that are invariably being applied – nationalization of the problem assets (as the Paulson bailout) or nationalization of the banks (as in Europe) – are in fact only dealing with the symptoms, not the systemic causes. Similarly, the financial re-regulation that will be on everybody’s political agenda, will at best reduce the frequency and not avoid the reappearance of such crises. The good news is that systemic options are now available that would ensure that such crashes become history. A conceptual breakthrough has indeed recently been achieved that proves that all complex systems, including our monetary and financial one, become structurally instable whenever too much emphasis is placed on efficiency at the expense of diversity and interconnectivity. The systemic solution involves therefore to diversity of our monetary instruments and institutions. Some specific examples are provided that are particularly appropriate for today’s circumstances, both for the developed and the developing countries.