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# The Global Economic & Financial Crisis: Nature, Impacts & Responses

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*Public Intellectual Panel Discussion*

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# Preamble



It was six men of Hindustan  
To learning much inclined,  
Who went to see the Elephant  
(Though all of them were blind)  
That each by observation  
Might satisfy the mind.

"the Elephant...  
Is very like a wall.  
Is very like a spear.  
Is very like a snake."  
Is very like a tree!"  
Is very like a fan!"  
Is very like a rope!"

And so these men of Hindustan  
Disputed loud and long,  
Each in his own opinion  
Exceeding stiff and strong,  
Though each was partly in the right  
And all were in the wrong.

So oft in theologic wars,  
The disputants, I ween,  
Rail on in utter ignorance  
Of what each other mean,  
And prate about an Elephant  
Not one of them has seen!

The Blindmen and the Elephant by John Godfrey Saxe (19<sup>th</sup> Century Version)





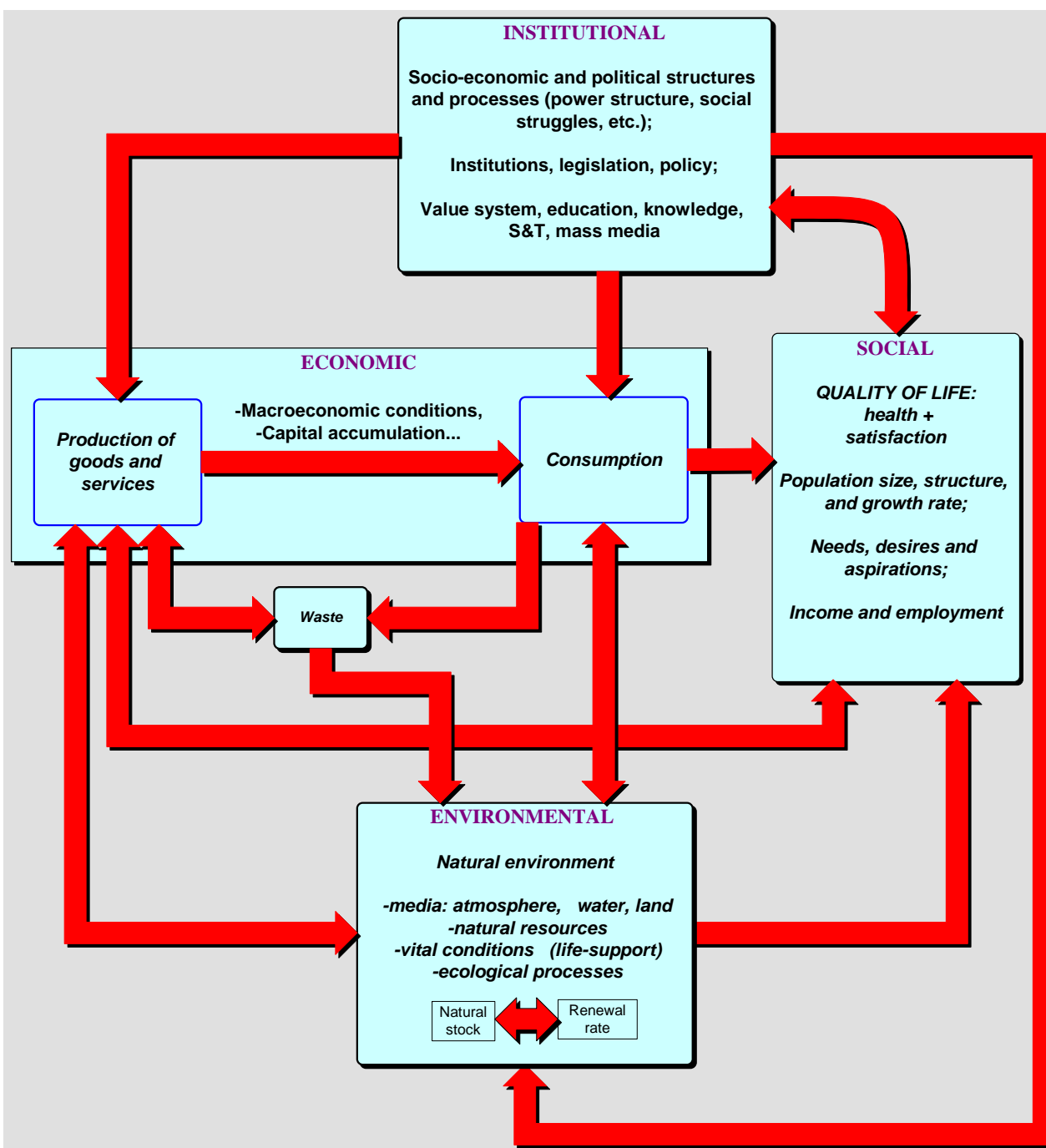
# Outline

1. Introduction: Context Setting
2. What is peculiar about the current crisis?
3. What and who is responsible for the current crisis?
4. Is the current crisis merely cyclical or structural in nature?
5. Who is affected by the current crisis?
6. What is required to resolve the current crisis?
7. Conclusions: What are Africa's options and prospects in responding to the current crises?
8. References





a.



Source: Gilberto Gallopín, 2008

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# 1. Introduction

- Human Progress
- Theories of Change
  - Development & Growth
  - Transformation
  - Modernisation
- Globalisation
  - Integration
  - Convergence
- Neo-liberalism
  - Chicago School
  - Consensus & Doctrine
  - Fundamentalism & Orthodoxies
    - Deregulation & Privatisation
    - Trade and Capital liberalisation
    - Aid and Loan Conditionality





## 2. What is peculiar about the current crisis?

- Combined & Uneven Development & Growth
  - Post 1945 c.e.
    - Welfare states; strong trade unions; significant state-owned enterprise sector
  - Post 1980 c.e.
    - Reduced state regulation of the economy, privatisation of state enterprises and responsibilities, a greatly reduced welfare state, and weak trade unions
- Globalisation & Financialisation
  - Climate Change
  - Energy
  - Financial
  - Food
  - Security & Peace





### 3. What and who is responsible for the current crisis?

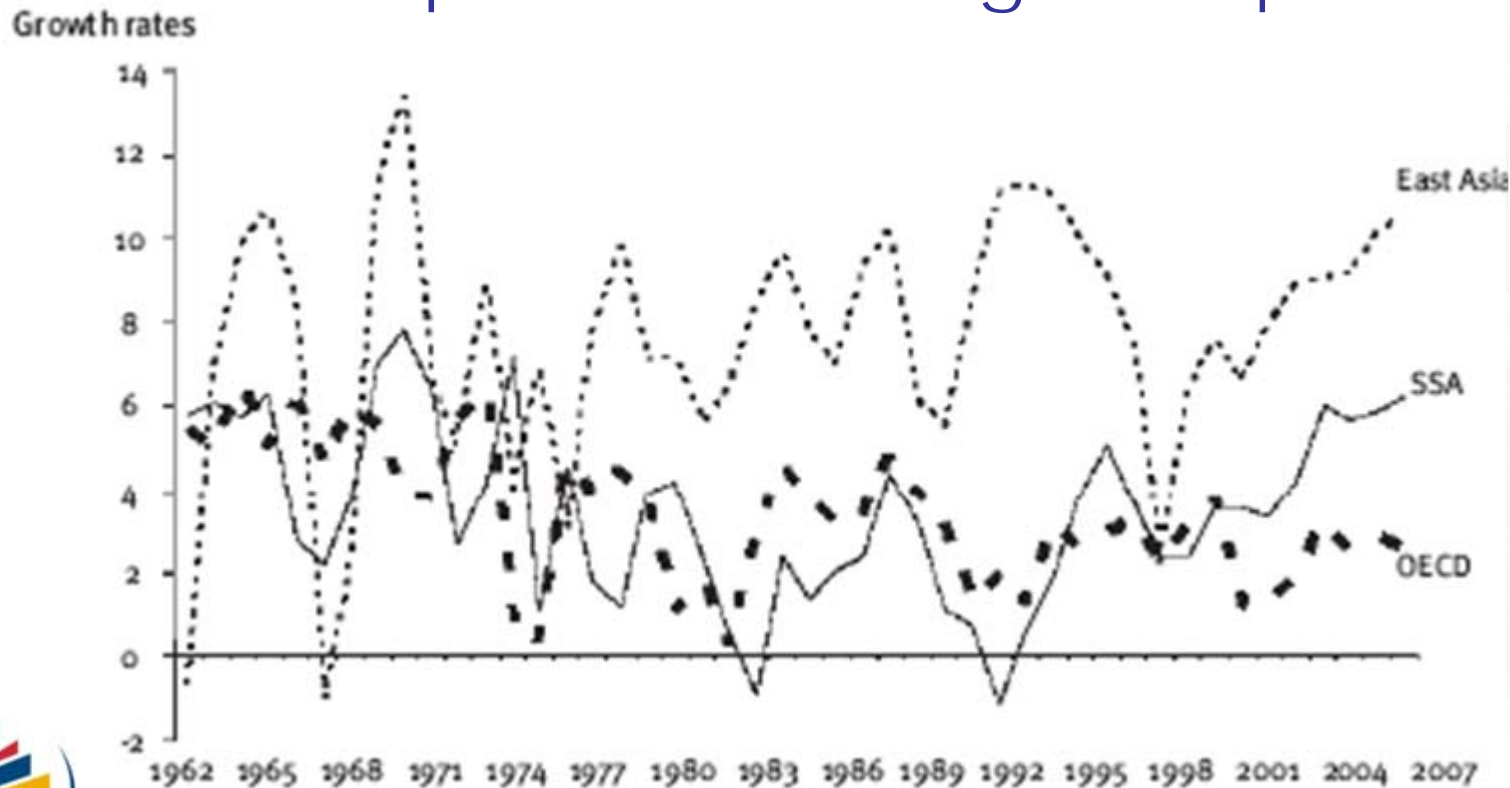
- “Financialisation” of the economy
  - “the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions.” (Gerald Epstein: University of Massachusetts)
  - “transformation of future streams of income (from profits, dividends, or interest payments) into a tradable asset like a stock or a bond.” (Ramaa Vasudevan: Dollars & Sense)
- Growing divergence between the real (productive) and financial economies
- Rising economic and political power of “rentiers”
  - those whose earnings come from financial activities and from forms of income arising from ownership claims (such as interest, rent, dividends, or capital gains) rather than from actual production
- Rapid expansion of consumer credit
  - Rising inequality
  - *Asset Bubbles*
  - Stagnant wages





## 4. Is the current crisis merely cyclical or structural in nature?

- Essentially, structural in nature!
- No cyclical correction ahead ...
- Developmental Strategies required!



Source: Dirk Willem te Velde, 2008

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## 5. Who is affected by the current crisis?

- USA, UK & Europe - OECD
- Countries with or which are:
  - Significant exports to crisis affected countries such as the USA and EU countries (either directly or indirectly)
  - Exporting products whose prices are affected or products with high income elasticity's
  - Dependent on remittances
  - Heavily dependent on FDI, portfolio and DFI finance to address their current account problems
  - Sophisticated stock markets and banking sectors with weakly regulated markets for securities
  - High current account deficit with pressures on exchange rates and inflation rates
  - High government deficits
  - Dependent on aid

Dirk Willem te Velde: 2008





## 6. What is required to resolve the current crisis?

- “change is central, history matters, structures are endogenous, and learning is at the heart of the story”
- **Leadership**
  - Beyond Rhetoric and grounded in Reality
  - Accountability and Democracy
- **Redress Inequality**
  - Redistribution
  - Shared Risk, Shared Growth
- **Redefinitions**
  - Globalisation
  - Public and Private Goods
  - Role of the State
- **Glocal Solutions**
  - Global & Local Simultaneously

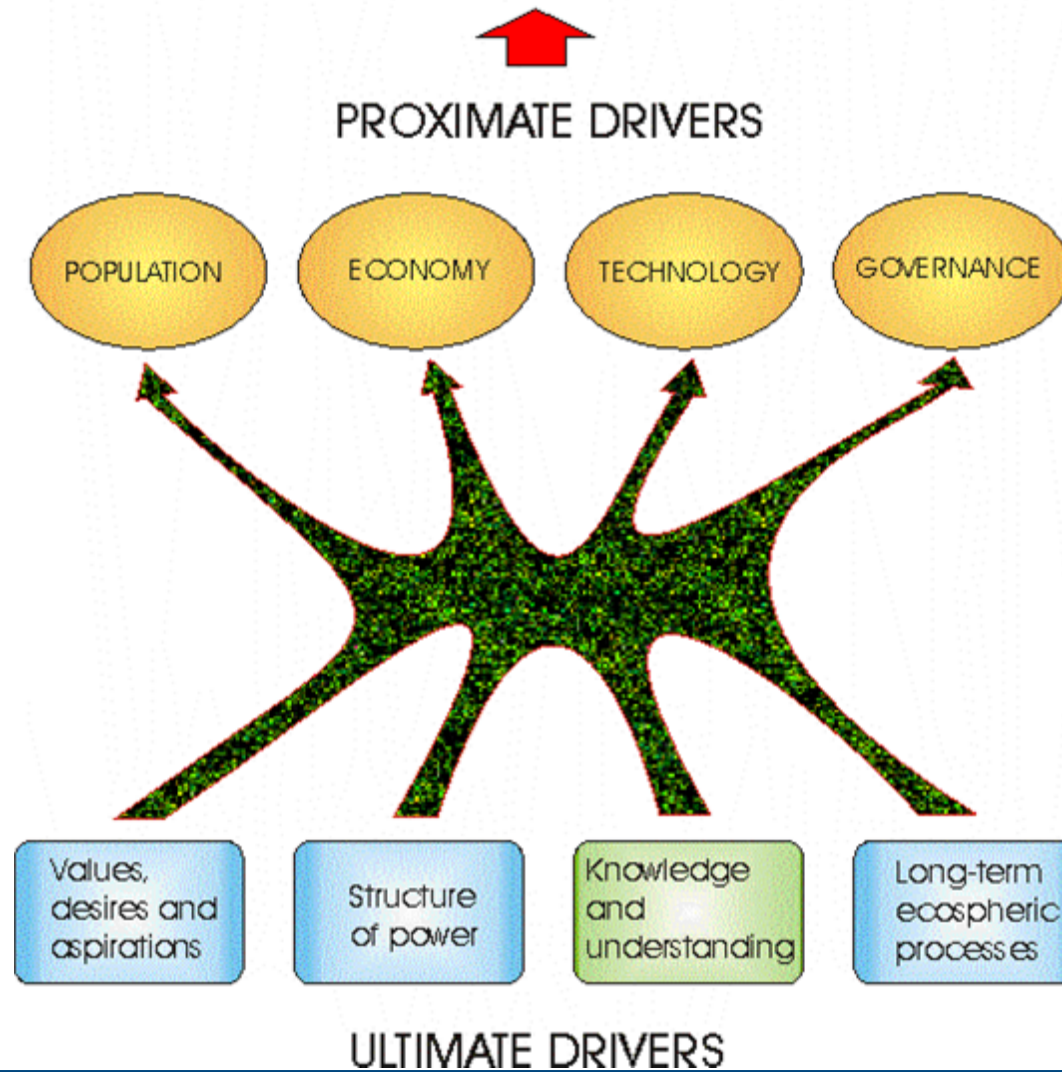
(Stern: 2005: 86)





# a. Conclusions

## SUSTAINABILITY OF DEVELOPMENT



Source: Gilberto Gallopín, 2008

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# 7. Conclusions

- What are Africa's options and prospects in responding to the current crises?
- *“After the people have left illiteracy behind; when they have learned how to read and write and they have an indispensable minimum knowledge allowing them to live and produce honestly, they still need to overcome the worst form of ignorance in our times: economic illiteracy. It's the only way to know what's happening in the world.”*

(Fidel Castro Ruz: October 26, 2008, 5:15 p.m.)
- People-centred Environmentally-conscious Endogenous Development Strategies
  - Evidence-based Policy & Democratic Accountability
  - Regulations in defence of People & the Environment
  - Public Investments in
    - Capacity, Capability & Competency Formation
    - Common Infrastructures & Knowledge
  - Solidarity: Africa, Unite!





# Thank You

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