Liberating nations from the debt burden

Rabie, Mohamed

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The Ramo Plan

Liberating Nations from Public Debt
And
Creating Conditions for Sustainable Economic Growth

The near collapse of the international banking system in September 2008 and the Great Recession have exposed the seriousness of the American and European financial and economic problems. They also revealed that these problems are not due to economic and political mismanagement only, but also to European and American loss of competitiveness. Since the roots of these problems are deep, addressing them requires thoughtful thinking, sound economic and financial reforms, and certain political and sociocultural changes.

Due to the financial crisis, many states were forced to bailout troubled banks and some failing corporations and adopt expansionist policies to stimulate contracting economies. As a consequence, borrowing to cover spending increased substantially, causing budget deficits and the public debt of most nations to rise rapidly and reach, in some cases, unsustainable levels. In view of the near default of Greece, Ireland and Portugal, global awareness of the threat posed by a growing public debt was heightened, giving rise to a euro crisis. Today, states are facing a complicated dilemma: how to reduce budget deficits and contain rising public debts on the one hand, and stimulate stagnating economies and create jobs for the unemployed on the other.

All indebted nations subscribing to the free market system are in a bind. The goals they seek to accomplish are contradictory; and the actions they must take are incompatible. While reducing budget deficits to contain public debts requires reducing spending and raising taxes, stimulating economies and creating jobs require more spending and tax reductions. Since there is no formula in economic books to achieve these contradictory goals, a new formula has to be invented to enable nations to resume economic growth and create jobs for the unemployed without widening budget deficits and increasing the public debt.

This paper intends to articulate a plan to liberate rich and poor nations from the debt burden, restructure the international monetary system and create the necessary conditions for sustainable global economic growth, while guaranteeing fairness. The plan has come as a result of deep thinking about the woes of our times; the duty to help poor people and desperate children climb out of poverty; the need to save students from debt and inadequate education; and a moral responsibility to liberate undereducated and oppressed young women and men from economic and social enslavement, as well as free future generations from the burden of a debt incurred by previous generations. Since the intention of the plan is to help everyone, it neither asks investors and bond holders to sacrifice anything, nor calls for the redistribution of income or wealth.

But before outlining our plan, few facts related to global change need to be mentioned and underlined. These facts are meant to place the major economic challenges of our times in their proper historical and societal contexts; otherwise, it would be difficult to understand the nature and extent of global change, its roots and expected social, economic and strategic implications. And this, in turn, would limit our ability to think about the challenges of our times with clarity and approach them with confidence.

The Global Context of Change

The globalization process and the communications and information revolutions of the last two decades have caused national economies, cultures and politics to be transformed. They created a global economy that forced economic and social structures and production relations to change, causing the nation state to lose control over its economy. They also caused Western societies in general to enter a transitional period leading to a new, much complex society, having its own values, challenges and opportunities that are yet to be fully developed and understood. During transitional periods that take human societies from one civilization to another, it is always easier to describe change than identify its causes, influence its course or anticipate its outcome. As change proceeds, it invalidates old idea and traditional economic and political theories and thus undermines social systems, causing them to gradually become dysfunctional, while no new ones are developed in time to take their place and deal with the evolving change. Due to this fact, societies' capacity to deal with the new reality declines, creating need for creative ideas and new visions to guide nations into a largely uncharted future no one can escape.

As societies move from one civilization to another, they pass through transitional periods that connect the past to the present and the present to the future. Since each successive civilization represents a more complex type of society, culture and economy, transitional periods represent historical discontinuities rather than smooth links tying the past to the future. The experience of a society passing through such a transition is similar to that of a driver entering a rough mountainous terrain. As he takes a long curve on a winding road, he loses sight of the landscape that lies behind him, while the mountains he negotiates block the view of the landscape that lies ahead. As his speed and control of the vehicle become subject to the rough terrain, his expectations and confidence become subject to the ups and downs of the road. The familiar landscape that lies behind no longer helps; the horizon that lies along the road is so obscured it provides little clues to what lies ahead.

The transition that started in the early 1990s with globalization and the internet has disrupted life as we knew it. As the industrial age comes to an end, the knowledge age is still in labor being born, leaving the present waiting for the unknown. The present we are living today has been reduced to a mere port where the past is ending its long journey, and the future is getting ready to begin its own voyage into a new world. As a consequence, people and all the systems through which they function are experiencing one crisis after another without much hope of regaining balance soon.

The creation of a global economy has led the economies of almost all nations to be integrated, causing major national issues to become international and major international issues to become national. There is no major national problem today without an international dimension; and no international problem without a national root. As a consequence, the ability of every state to deal with major challenges on its own is vastly weakened. The debt crisis is a good example that demonstrates the intricate and complex relationships that tie national and international institutions together, causing national and even regional approaches to dealing with this issue to fail. In fact, the moment an era ends, its history and historical logic ends as well, leaving the new era to struggle alone to discover the unique logic of its times and write its own history. For example, when the Industrial Revolution arrived with its unique society and culture, the history of the agricultural era and its logic ended, causing that history to lose its wisdom and, therefore its usefulness to industrial society.

The rapid industrialization of South Korea, China, India, Brazil and a few other states has caused the global capacity to produce most essential goods and services to exceed the global capacity to absorb such goods and services. On the other hand, the continued expansion of this capacity has caused global competition to intensify and economic growth rates of industrialized states to slow down, leading the world economy to become more vulnerable to recurring economic recessions, financial crises and higher than usual unemployment rates. This creates an urgent need to expand existing consumption markets and develop new ones to keep pace with the growing production capacity. Since the absorption capacity of the developed states in general is fast approaching its limits, due in part to the decline of the middle class, aging populations and the spread of poverty, efforts to develop new markets must concentrate on regions and countries where economies and societies are developing or still underdeveloped.

Free trade and investment markets have changed the rules that govern relationships between jobs and job-seekers, particularly industrial and knowledge jobs. Two decades or so ago, most job-seekers had to leave their towns, sometimes their countries, and at times risk dying to reach a foreign country where decent jobs are available to improve their life conditions. While economic migration continues today, most immigrants lack the education and skills needed to excel in the new knowledge-based economy. Thousands of people die each year trying to reach Europe and the United States in little boats sailing against turbulent winds, and walking across vast deserts controlled by criminals and drug dealers.

In contrast, knowledge and industrial jobs are today on the move searching for qualified workers to employ. Industrial jobs travel from one country to another looking for cheap and disciplined labor that has the right skills and attitudes to do the work manufacturing requires. Meanwhile, knowledge jobs are traveling, often virtually, looking for workers with the right education and exceptional talents to contribute to advancing knowledge and technology. Highly qualified and motivated people do not need to leave their home towns to get good jobs with corporations that reside in faraway places. Since multinational corporations have abandoned their traditional attachments to country and community and labor, they are willing to hire anyone and invest in any country to maximize profits and enlarge market share. Therefore, any state that is ready for such corporations will find them ready to bring their technology, capital, corporate culture and management to create new jobs for its labor and help it industrialize.

These developments have caused the economic, social and cultural conditions of two decades ago to change drastically; and, as a consequence, they invalidated the assumptions upon which old theories of economic management are based. Such assumptions include the notions that national economies are largely closed, trade is subject to restrictions, foreign investment is subject to regulations, investment requires domestic savings, and that neither labor nor money is free to cross state lines. Since all such restrictions have been fully or partially removed, the traditional tools of managing national economies and dealing with issues such as recessions, financial crises, inflation, unemployment, trade and competitiveness have become ineffective. Consequently, the **traditional economic theory** has become largely dysfunctional. This is way the US Federal Reserve has failed to end the Great Recession, create jobs for the unemployed or restore consumer and investor confidence; and why all European efforts to deal with the debt issue have also failed to even ease the crisis.

Failure to acknowledge the irrelevance of traditional economic theory will cause most economists and politicians to think inside a largely empty box and fail to realize the need for new tools of economic and financial management. While traditional economic thinking may continue for a few more years, the current theory, using a medical term, is brain dead; it can neither explain the nature of change nor can it deal with it. Even the law of supply and demand, which represents the core of the theory and provides the justification for free markets, has become partially dysfunctional. For example, due to the large increase in oil prices in the late 1970s and early 1980s demand for oil declined by 17%; however, the almost tripling of the prices in the 2005-6 period has failed to cause even a small decline in demand. Rising prices of cellular phones do not seem to discourage anyone, anywhere, from using phones; they seem to encourage young people to spend more upgrading their phones and adding new services and applications. This change is largely due to the deep sociocultural transformations the world society has witnessed since the early 1990s.

Decades ago when most economies were largely national in structure and scope and less dependent on exports and imports, stimulus plans worked fairly well. Increased government spending and easy credit were able to create new jobs at home and cause disposable incomes to rise and consequently increase domestic demand. And this in turn encouraged, at times compelled producers to invest and expand production and create new jobs. Reducing interest rates also worked well in the past; they encouraged investors to borrow and invest, and enticed consumers to borrow and spend. However, in a globalized economy, increasing government spending and lowering interest rates cannot have the same effects on domestic demand, employment, investment, production or national wealth. A good portion of any increase in spending in Europe or the United States will be spent buying things from other countries, while lower interest rates could entice investors to borrow in one state and invest in another where labor is cheap. Therefore, traditional economic measures to create jobs and fight recessions are unlikely to succeed in this age, making success in facing current global challenges a function of the degree of coordination and collaboration at the global level.

There is no doubt that traditional economic theory has had a solid record of success in helping nations manage their economies in good and bad times throughout most of the 20th century. Economists have also played and continue to play a major intellectual role debating economic policy, political decisions, the distribution of income and wealth, and the impact of these issues on fairness, social justice, poverty, employment, the middle class and the general welfare of nations. However, the moment a theory loses the validity of its major assumptions, it loses its effectiveness; it becomes in need of restructuring or replacement. Building a theory is like building a house; you start with the foundations, which is the equivalent of assumptions for theory. If the foundations are good, the house will last for a long time, but not forever; if the assumptions are realistic, the theory will last for many years, but not forever. Nevertheless, foundations exposed to earthquakes or floods are unlikely to live long; and so are assumptions trying to reflect human behavior and sociocultural realities that live a life of continuous change.

Overview of the Debt Problem

Without going into details, records indicate that the public debt of OECD member states has surpassed 100 percent of their gross domestic product (GDP) and is still rising. The US public debt has already passed 100 percent of the American GDP and is projected to reach 108% of GDP by the end of 2012. As a percentage of GDP, the debt estimates for some of the world economic powers and highly-indebted states are as follows; Japan 234, Canada 82, France 87, Italy 130, Britain 82, Germany 82, Ireland 102, Portugal 106, and Greece 150; and for the European Union as a whole, it is about 92%. Meanwhile, China, Brazil, India, Russia, and South Korea have ratios of debt to GDP as follows: 19%, 67%, 71%, 23% and 31%, respectively. On the other hand, the combined GDP of all nations is estimated at $64 trillion, and the total public debt is estimated at $53 trillion, or 83% of GDP. And while the industrial Western states and Japan have a combined GDP of some $42 trillion, their debt is about $43 trillion, or 102% of GDP. China, Brazil, India, Russia, South Korea and Taiwan have a combined GDP of approximately $14.5 trillion and a debt of $6 trillion, or 41% of GDP. The rest of the world, which includes several fairly large states such as Bangladesh, Egypt, Indonesia, Mexico, the Philippines and South Africa, has a combined GDP of some $7.5 trillion, and a debt of $4 trillion, or 53% of GDP. Since all numbers are estimates; and because many states use 'creative accounting' to hide the real size of their debt, no one should be surprised if the total approaches $60 trillion when and if the true numbers are revealed. (Numbers and ratios are based on information obtained from 5 major sources; the World Bank, the IMF, the OECD, European Council, Eurostat and the CIA websites.)

While the global debt is estimated at $53 trillion, interest due on this debt until maturity is estimated at $19 trillion. This estimate is based on an average annual interest rate of 4% and an average maturity period of 8 years. As a consequence, the total debt obligations of all nations is about $72 trillion, of which about $58.5 trillion is owed by the Western industrialized states and Japan, about $5.5 trillion is owed by the developing nations, and about $8 trillion is owed by the industrializing and major oil-exporting nations.

Liberating Nations from Debt

Today, most nations face mountains of debt and huge budget deficits that hinder their abilities to create jobs for the unemployed and help the poor, causing poverty to spread and a sense of hopelessness to overwhelm a majority of people in many parts of the world. Since the debt problem is not limited to the euro zone and the United States only, it must be viewed as a global issue. To address this issue and the social ills it has precipitated, I present below a plan that defies conventional wisdom; yet it has the capacity to help all states and peoples and restore global financial stability. The plan is as follows:

1. To designate the IMF a global central bank, with powers to issue an international currency to be called "Ramo," divided into 100 zents and to issue bonds in Ramos, in additions to its current functions;
2. To set the value of the Ramo at the rate of the IMF Special Drawing Rights unit, which actually means converting the virtual IMF currency to a real one;
3. To give each state the opportunity to repay its debt and interest due until maturity by issuing money notes and credit certificates in its own currency payable to the IMF;
4. To authorize the IMF to open a trust account or an escrow account in which all such funds would be deposited and kept to meet the debt obligations of member states; the IMF would pay all debt notes on behalf of its members as they become due;
5. To ask each state to pay an amount equivalent to 10 percent of its total debt obligations as management fees; the fees would generate enough hard currency to pay the poor nations' debt obligations and initiate programs outlined hereunder;
6. To require each state to reduce its budget deficit by at least 5% annually and balance its budget within 12 years;
7. To establish a $1 trillion educational fund to build 50 new universities, with a mission to promote peace, cultural diversity, tolerance and critical thinking, encourage creativity and innovation, and develop environmentally friendly technologies; universities would be strategically located to serve as many regions of the world as possible;
8. To establish a $1 trillion humanitarian fund to help victims of war and natural disasters such as hurricanes, tsunamis, earthquakes and serious diseases worldwide;
9. To establish a $5 trillion Sustainable Development Fund to assist all developing nations to grow out of poverty, reduce dependency and join the industrialized world; and

10. To create a few international corporations and agencies under the supervision of the World Bank to help poor nations develop and industrialize.

The moment a nation pays its debt and the management fees to the IMF, it becomes free of debt, and the IMF assumes full responsibility for its debt obligations. Since a global economy needs a global central bank to function properly, the new role assigned to the IMF and the issuance of the Ramo would restructure the international monetary system, basing it on a 'new gold standard.' Since the IMF does not have enough gold, a golden Ramo, backed by the good faith and currencies of all member states, would become the international standard against which all currencies would be pegged, making them more stable and less susceptible to manipulation by traders and politicians. Exporters of oil and other minerals and strategic commodities will be able to set the prices of their exports in Ramos, enabling them to forecast future incomes more accurately. Using the Ramo to price oil will also guarantee fairness; no nation would pay less as the value of its currency appreciates against the dollar; no nation would pay more as its currency depreciates against the dollar. The issuance of the Ramo will mark a new era in our history in which the international community of states will have finally acknowledged that all economies are not just interdependent but largely integrated.

Since budget deficits include interest payments on the debt, many states would see their deficits vastly reduced the moment they pay their debt. The United States, for example, would see its budget deficit decline by approximately 30%; a few states like Germany may even have a surplus. Such a development would calm the financial markets, restore investor and consumer confidence, and give all states a decade or so to restructure their spending and tax policies.

Concerns and Fear of Inflation

Some economists will most likely argue that repaying the public debt in this manner amounts to printing money and issuing credit certificates not backed by solid assets. This is true, but so is the printing of dollars and euros and pounds and other currencies today; these are currencies backed by the good faith of the states issuing them, not by gold or other assets. The Ramo will be backed, not only by one state, but by all IMF member states. Furthermore, if the debt is not paid now, any debt payment in the future will be made in dollars or euros or another currency. All loans are made and repaid in regular currencies that lack material backing. Therefore, the means to pay today as well as later are the same; the only difference is to pay today and free all nations from debt, or wait until the highly-indebted states begin to default one after the other due to the heavy weight of indebtedness and cause the banking, credit and trading systems to stop functioning.

Other economists might argue that creating so much money would ignite inflation and hurt consumers everywhere. This is simply not true. The IMF has no mandate to spend the money it will receive except as outlined above. This arrangement changes the identity of the debt payer, not the amount to be paid or when to be paid. Though the IMF is required to pay debt notes as they become due on behalf of member states, it could arrange, in coordination with concerned parties, to rollover some loans and keep some money as deposits for as long as needed to maintain stability.

There is no doubt that paying some $70 trillion over a 15 year period is a cause for concern; however, existing needs and available financial tools are capable of managing this money and easing all concerns. Trillions of dollars are needed to strengthen European and American banks and enable them to repay loans to central banks. And since paying the debt does not eliminate the budget deficits of most states, borrowing will resume immediately after the debt is paid, but at a slower pace. Moreover, states can issue bonds to reduce financial liquidity and central banks have the power to tighten money supplies, and the IMF is able to play a role in managing international liquidity. However, the biggest demand for investment capital will come from the developing countries, where millions of investment opportunities are expected to be created year after year due to the Sustainable Development Fund, to be outlined in the next section. Moreover, as the IMF pays back loans, it should give lenders the option of getting paid in the same currencies of the loans or in Ramos. This action would limit the increase in the supply of almost all currencies, and pave the way for the Ramo to play its intended international role.

The belief that increasing the supply of money causes prices to rise rapidly and ignites inflation is based on assumptions that have long been invalidated. Such assumptions include the notions that national economies are largely closed, money is not free to cross state borders, and trade is subject to restrictions. The major cause of inflation today is supply shortages of essential goods, not excess supply of money. People often have money but have no desire or need to spend more; therefore money alone cannot ignite inflation. If demand for essential goods increases rapidly or shortages of such goods are suddenly felt, inflation will be ignited, even in situations of tight money supply. Since the world's capacity to produce most goods and services exceeds its capacity to absorb such goods and services, no shortages are expected to occur and cause inflation. Food and energy products are the only exceptions and their prices are beyond anyone's control because shortages are often caused by bad weather, monopoly, price manipulation and political instability.

In the late 1990s Mr. Allan Greenspan, the former chairman of the Federal Reserve began to raise interest rates in fear of inflation. Since I saw no inflation coming, I wrote a short article under the title, "The Ghost of Inflation," in which I argued that inflation no longer presents a real threat to the industrialized states; it has become a ghost to be feared, but not to be seen. There are many forces that have transformed inflation from a real threat to a mere ghost; they include the internationalization of capital and investment markets, free trade and the ever-growing industrial capacity of Asia. While it may be unwise to declare that inflation is dead, inflation has lost most of its teeth; it may be able to bite, but it cannot hurt. Unfortunately, none of the newspapers that received the article at the time bothered to publish it. Had it been published, the unintentionally engineered recession of 2000 could have been avoided; and the situation we are in today might have been different.

Germany, which fears inflation more than any other state, spent hundreds of billions of dollars within a few years on German reunification without igniting inflation. Moreover, in response to the Great Recession and the 2008 financial crisis, the US government and the Federal Reserve increased the supply of money by more than $2.5 trillion within months, also without igniting inflation. Nonetheless, Inflation remains a threat to poor states struggling to feed their populations and grow their stagnant economies, and where states are largely corrupt and essential commodities are monopolized by small groups of greedy merchants. The plan to pay the debt of all nations is also a plan to deal with the threat of serious inflation. It provides developing states with the capital and knowledge and technical assistance to develop their economies and improve food security and transform their cultures. Nonetheless, no plan can guarantee that corruption and price manipulation will disappear; the issue of moral hazard will stay with us for as long as we live. No rich or poor nation is immune to it.

It is now widely accepted that the cost of bailing out any state will be shared by the banks and investment funds that made the loans. This makes all lenders fear losing a significant portion of their assets and discourages them from lending even to each other. The issuance of the Ramo and the repaying of the debt remove all risks associated with possible state defaults. Meanwhile, the establishment of the Sustainable Development Fund will expand international trade and stimulate all economies and thus create millions of new investment opportunities for investors to exploit.

Would the repaying of the debt and the creation of the Ramo have a negative impact on the US dollar? The answer to this question is yes and no. The issuance of the Ramo would stabilize the dollar and free all currencies to play their traditional economic and monetary roles; it should also make it difficult for politicians and traders to play one currency against another. With the Ramo being the world's reference currency, each state, including the United States, will be able to revalue and devalue its currency at any time to manage its trade balance, exports and import. Nonetheless, the Ramo is expected to weaken the attractiveness of both the dollar and euro as reserve currencies. Since both currencies have been weakened by the financial and debt crises, the Ramo is needed to supplement them and foster the international monetary system.

Sustainable Development Fund

The rapid economic development of several Asian states has caused the industrial production capacity of the world to surpass its absorption capacity, creating a wide gap between the global supply of and demand for most goods and services. Without expanding global demand to narrow this gap substantially, it is not possible to create enough jobs for the unemployed in the West, contain trade deficits and stabilize the world economy. And without growing the economies of developing states and making the global economy fair, it will be even less possible to produce enough food to feed the world's poor. If helping poor nations was a luxury in the past, it is a necessity today. Political stability will not be sustained, and radicalism cannot be contained without economic growth and a fairer distribution of income among social classes and nations. Economic aid and charity cannot create enough jobs for the unemployed to undermine radicalism in poor states or increase global demand to enable the American and European economies to resume healthy growth and deal with their social problems. Since our world has become a global village, no nation is able to live in affluence for long unless other nations feel at least financially comfortable; and no nation will feel secure unless its neighbors feel largely secure as well.

Despite the fantastic increase in China's and India's industrial capacity, they still have millions of people without work. Every new industrial job created in those countries will further aggravate the imbalance between the global supply of and demand for most goods and services. Failure to acknowledge this fact and act accordingly, will heighten the vulnerability of the world economy to recurring recessions and financial crises; it will also worsen trade gaps, increase budget deficits and public debts, and deepen social and political problems everywhere. The history of the last three centuries demonstrates that when production increases, consumption increases as well, but not enough to absorb all that is being produced. This is why the balance of trade is never balanced, economic recessions continue to occur, and disputes among nations have never stopped.

As mentioned earlier, the debt obligations of all nations are estimated at $72 trillion. The 10 percent debt management fees would generate about $7.2 trillion, of which about $6 trillion would come in hard currencies. $2 trillion of the fees would be used to launch the educational and humanitarian initiatives, and $5 trillion to launch the Sustainable Development Fund (SDF). A societal development plan would be prepared by the World Bank for each state, and money would be spent over 20 to 25 years to purchase whatever is needed to foster national development plans. The following goals define the mission of SDF:

1. To help all nations build modern roads and railroads and airports, bridges and dams, as well as electrical grids and water and sewage systems, and basic industries;
2. To modernize agricultural farming techniques and irrigation systems as well as water management, train farmers and develop rural communities and industries;
3. To build enough schools, hospitals and clinics, and train enough teachers, physicians and nurses to meet the needs of urban and rural populations;
4. To design special training programs to enable workers to acquire the right attitudes and skills in order to keep a growing economy functioning properly;
5. To support national universities and establish specialized research institutes committed to identifying national and local problems and finding home grown solutions;
6. To increase the size and effectiveness of civil society organizations, and train judges and media professionals to help empower the courts to fight corruption, enforce the rule of law and protect people's rights;
7. To improve the quality of education and healthcare and environmental awareness;
8. To facilitate the creation of a large and confident middle class as well as a new, socially responsible entrepreneurial class;
9. To strengthen food security programs at the national and international levels; and
10. To launch a genuine sociocultural transformation process in each state.

The educational fund is intended to train the world's future leaders. Though our world has become a global village, it lacks a leadership committed to the general welfare of this village and its inhabitants. What we have today is a largely narrow-minded leadership that thinks small and works to divide rather than unite peoples; and because of this, it has failed to convince the village's many tribes to stop fighting. Students attending the global university system would be chosen on the bases of their grades and aptitude tests, and the educational fund would pay for their education. To enable students gain a global outlook and learn about other cultures and peoples through living, all students would be required to spend their college life at two or more campuses. Universities would try to have equal numbers of undergraduate and graduate students, as well as males and females. And while undergraduate programs concentrate on educating young people to be global citizens committed to peace, equal opportunity, social justice and environmental protection, graduate programs would concentrate on research in all fields, with emphasis on developing innovations to make our lives more enjoyable, our global economy sustainable, and our world more peaceful.

The humanitarian fund is intended to meet the needs of all regions and peoples affected by natural disasters such as tsunamis, hurricanes, earthquakes, floods, starvation, epidemics and war, including refugees. The fund will have its own staff and system to deliver assistance wherever it may be needed, as well as the necessary supplies to respond immediately and comprehensively to emergences. The fund will work with other national and international organizations to meet the urgent needs of suffering people, and will act as an agency to evaluate and accredit not-for-profit organizations working in the field of relief and assistance.

Since development is a comprehensive societal process, no economic development plan can succeed in traditional society without being preceded by or accompanied with a sociocultural transformation plan. Economic change, sociocultural transformation, and investment in education healthcare, which SDF intends to do, would increase women's awareness and free them from the chains of ignorance and traditions and empower them to become active workers and members of society. And these developments, in turn, would cause population growth rates to decline substantially, leading the demographics of most developing nations to approach those of Western Europe by the end of this development phase. Therefore, the full implementation of the Ramo plan should reduce world population growth rates to near zero within 30 to 40 years, and place the world economy on a truly sustainable growth path.

As societal development proceeds and begins to produce tangible results, most developing nations will enter a stage of "rising expectations," causing demand for necessities such as food and energy to increase rapidly and fuel some inflation. But since one of the major objectives of SDF is to raise agricultural productivity and strengthen food security, shortages of food supplies and bursts of inflation should be mild and short. On the other hand, spending $7 trillion over a 20-25 years should create hundreds of millions of jobs and expand demand substantially to absorb almost all supplies of goods and services on the international market, and therefore, vastly reduce the chances of a new worldwide economic recession. Millions of these jobs would go to European, American and Asian young men and women working for multinational corporations and not-for-profit organizations helping poor nations develop and industrialize. SDF should also lift at least 2 billion people out of poverty, enable not less than 1 billion more to join the ranks of the middle classes, and train millions of scientists, engineers, thinkers and artists to keep the world economy growing and enrich the lives of all peoples.

Within the coming 20 to 25 years, several industrial societies in the West and East are expected to reach a state of **equilibrium**, where national economies and domestic demand grow at a slow pace. Several factors are contributing to creating this reality; many states have already built the big projects that had to be built, have population growth rates at near zero, with aging populations that prefer leisure over work, and whose needs are limited and desires hardly growing. In addition, I believe that within the same period few other nations will enter a largely permanent state of **diminishing expectations**, where people expect less in the future and are resigned to accept the less that is expected to come. These anticipated developments will have a moderating impact on global demand for goods and services as well as natural resources. Japan is a good example of a nation about to enter a permanent state of diminishing expectations; Germany is a good example of a nation approaching a state of equilibrium; France, Italy, Spain, the United States, China and many other states are not far behind.

If the public debt is not repaid now, it is doubtful that it will ever be paid; the sheer size of the debt and interest payments have already become crippling, while the economies of all highly indebted nations are suffering. This may be the last chance to solve this problem in its entirety before we face wholesale defaults no one can manage, and the consequences of which no nation can escape. The captains of the international monetary system at the IMF acknowledged during a closed meeting in January 2011 that they do not know how to deal with a new financial crisis, or what might trigger such a crisis, or how it might unfold. Nevertheless, they believe that the mounting public debt is likely to instigate the next crisis.

Concluding Remarks

In the early 1980s, a $1.2 trillion Third World debt was considered a serious threat to the international financial system, leading the rich states, the World Bank and the IMF to intervene and force the indebted nations to adopt economic reform programs that caused many of them to lose a decade of economic growth. If the 1980s were a lost decade for several African, Asian and particularly Latin American nations due primarily to having borrowed approximately $1 trillion, the decade that started in 2006 could be catastrophic for the Western states which have already borrowed $44 trillion. In fact, Japan lost the 1990s and the United States and Italy have lost the first decade of the 21st century, while Greece, Spain, Portugal and Ireland are likely to lose more than a decade. The experience of Latin American states seems to indicate that a nation that loses a decade of economic growth is unlikely to fully recover and resume growth as the lost decade ends. The European and American debt crisis and the West's general loss of competitiveness are slowly being transformed into a deep social crisis.

For example, If Greece, which has a population smaller than the officially unemployed Americans were to default, several European and American banks and investment funds would fail, causing many nations and countless individuals holding dollar and euro assets to become utterly poor or poorer overnight. The ensuing global social and economic and political consequences would be devastating. In fact, a default by any nation is more likely to cause a run on many European and American banks and interrupt most life activities.

Experience dealing with economic, social and political issues is normally a good thing to have; nevertheless, all experience is limited in scope and time. If we were living in a traditional state in Africa or the Middle East where societies change very slowly over time, past experience would be all that a leader needs to manage the challenges his community may face. But in a world that changes every second, experience rooted in the past is more of a liability than an asset. 'Experts' tend to think of the future as an extension of the past, leading them to stick to outdated ways of thinking. The newly published records of the last 2006 Federal Reserve meeting indicate that the 'experts' failed to foresee the housing bubble. "The Federal Open Market Committee members weren't stupid, lazy or uninformed. They could draw on a massive staff of economists for analysis. And yet, they were clueless." (Robert J. Samuelson, "Why the Fed slept?" The Washington Post, January, 23, 2012). Since we have never lived in a world as complicated and integrated and transient as the one we live in today, tools used in the past have become largely dysfunctional. Putting the ‘experts’ in charge to deal with an evolving crisis in a shifting situation is a mistake; it is an attempt to recycle unrecyclable ideas and use unusable tools. Global challenges require global answers; and new times require new ideas.

Each idea, theory, system and road map has a life of its own that could be interesting or dull, productive or sterile, short or long, but never perpetual; eventually all such things will die. While most systems and road maps die naturally due to old age and loss of energy; others die rather abruptly due to transformational changes that overwhelm society and render old ideas obsolete. Nevertheless, some systems, such as capitalism possess a great capacity to change and prolong their productive lives. Others, like dictatorships are born sterile and live largely unproductive and violent lives until their death. However, every system and road map is a product of a particular time and place and stage of societal development, and therefore it cannot have universal application or perpetual life.

When systems and road maps die naturally, strategic thinkers are usually able to track the deteriorating health of such systems and develop new ones to replace them. However, when systems die abruptly, it is difficult for thinkers to realize the extent of change in time to develop new systems. During transitional periods that connect one civilization to another, an atmosphere of crisis usually overwhelms reality, causing people to lose their sense of direction, which limits their capacity to think clearly and develop new road maps to replace the ones that are being invalidated. Traditional thinkers, being a product of the dying times and ideas, usually devote their energies to defending the failing systems and inventing information and arguments to prove their validity. In such situations, the lag time between the death of the old systems and the birth of new ones is prolonged, causing the crisis to be extra painful. Responding to societal transformations requires new thinkers and new ways of viewing reality; these are times of evolving crises that cannot be managed by recycling outdated ideas.

The globalization of capital, investment and trade markets has caused worldwide economic changes that led to undermining the power of traditional monetary and fiscal tools to deal with economic recessions and financial crises. While stimulus programs and near zero interest rates have failed to revive stagnating economies, austerity programs are only able to make a bad situation worse. Austerity measures tend to hurt the people who need help most and undermine the abilities of states to invest in vital social programs. For example, it seems particularly harmful and short-sighted to raise public university tuition fees and reduce allocations for public schools. These are self-defeating policies; while they save some money in the short run, they guarantee more poverty, less human and social capital, less social mobility and weaker middle classes in the long run.

At the same time, it is hard to imagine how capitalism and democracy could be saved while the public debt grows rapidly, unemployment remains stubbornly high, the income and wealth gaps keep widening, the middle class continues to shrink, poverty spreads and educational standards decline. No nation can live on borrowed money or time forever; eventually, every nation will have to grow its economy and increase exports to generate enough revenues to balance its budget and repay its debt. Western nations need first to repay their debt; second, expand world markets; third, regain lost economic competitiveness; and fourth, rebuild their middle classes and manufacturing sectors. Since these issues involve other nations, solutions have to be sought within a global context; global problems require global solutions; unique issues demand creative thinking.

Attempts to deal with the European debt crisis as an isolated issue will not succeed; likewise, plans to facilitate the exit of one state or more from the euro zone are more likely to cause a run on banks in more than one state. Christine Lagarde, the IMF Managing Director, warned, “We could easily slide into a 1930s moment… ultimately leading to down-ward spiral that could engulf the entire world.” (Howard Schneider, Taking Germany to task, The Washington Post, January 24, 2012) In fact, it was reported in late December, 2011 that the United Kingdom had drawn contingency plans to evacuate British citizens, estimated at 1.5 million, residing in Greece, Spain and Portugal if a run on banks were to occur. No state or group of states is able to manage a run on banks and restore financial stability in time to prevent a global recession, especially since the first, third, fifth, sixth and eighth largest economies in the world are highly indebted and have low credit ratings. The debt issue and the euro zone crisis are mere symptoms of a chronic disease; and no symptoms can be treated without treating the disease itself.

In times of social and political stress and economic uncertainty, people tend to lose their self-confidence and sense of direction. As a consequence, they begin to doubt the utility of the value systems and lifestyles that got them in trouble in the first place and to modify their attitudes according to a new mental model characterized by "diminishing expectations," leading them to become inward looking and socially and politically more conservative. Meanwhile, a feeling of economic decline leads them to expect less in the future, and to be content with the less that is expected to come. Such a phase causes economic recovery to be slow and painful and less inclusive. **Diminishing Expectations** is defined as "a historical era characterized by a general human presentiment that the future does not promise as much as the past did, and a resigned acceptance of the less that is expected to come." (Mohamed Rabie, *The New World Order 1992*, 18) Nevertheless, diminishing expectations do not present problems only; they present opportunities as well. However, problems are usually easy to identify, while opportunities are hard to recognize, leading most people to concentrate on solving problems and overlooking opportunities. While stiff measures are usually viewed as necessary to address pressing vulnerabilities, opportunities are often ignored as risky endeavors.

In contrast, during eras of **Rising Expectations** people tend to concentrate on opportunities that exist, and ignore vulnerabilities that keep emerging. Voices calling for paying attention to the vulnerabilities are usually met with stiff resistance because people tend to view them as unwarranted anxieties that dampen optimism, causing the ability of intellectuals and concerned scientists to identify problems and warn the public of their probable implications to be constrained. And while the rich are allowed to exploit the opportunities and gain more economic and political power, the poor are left to languish in poverty and negligence. Due to the unsubstantiated fear of dampening optimism, decision makers usually avoid making the necessary corrections, leaving problems to fester until they reach the crisis level. This is what happened during the Bush years that paved the way for the housing bubble and the financial crisis of 2008, and what happened in Europe over the last four decades.

During the brief era of rising expectations which stretched from 2002 to 2006, the American people spent more and saved less; many in fact spent more than their incomes because they were able to borrow from banks using their homes and stock equities. For 8 years, starting in 2000, Americans spent and invested about 6 percent more than their GDP, because foreigners sent to America about $2 billion a day. In contrast, during the era of diminishing expectations that began in late 2007, Americans spent less and saved some of their incomes. In light of the continued high unemployment and economic uncertainty and lack of confidence in the future, bringing the level of optimism to the 2006 level has become a daunting task. And without expanding consumer demand, most producers of consumer goods seem unwilling to take the usual risks and invest to create new jobs. A vicious circle has thus been created, where producers wait for consumers to increase spending to invest more, and where consumers wait for the new jobs to get the income to increase spending.

While the rich are doing everything possible to keep what they have, the rest are being asked to pay for mistakes made by the political and economic elites which have for decades been accumulating wealth and power at the expense of everyone else. Since the poor and the middle classes gained almost nothing during the last 40 years, they are unable to pay the price needed to correct previous mistakes. As a consequence, the economic situation in the United States in particular has become oppressive causing a social crisis to develop slowly. The latest public polls indicates that over 60 percent of the American people say they are poor or feeling poor, while about 66 percent see “strong” conflicts between the rich and the poor.

As mentioned earlier, the world society is passing through a transitional period from the industrial age to the knowledge age. The Ramo plan is an attempt to address the short term, the medium term and the long term challenges related to this transition. The plan’s main objective is to facilitate the transition of the 20th century industrial society to the 21st century knowledge society. And as the plan deals with the problems and fears of change, it gives special attention to the opportunities associated with change. Paying the debt of all nations is meant to address the short term issue by solving the debt crisis and enabling states to regain confidence to address other economic and social problems. The sustainable development fund is meant to address the medium term issue of expanding world markets to enable all industrial states to produce and export more and grow their economies without fear of a new recession. As the fund provides enough capital and knowledge to help developing nations industrialize and transform their cultures, it facilitates the transition of traditional society into an industrial one. The establishment of the educational and humanitarian funds is meant to address the long term issues related to creating a new world characterized by stability, fairness, peace and hope. As a consequence, the full implementation of the Ramo plan will help us reach the desired goal of transforming our world into a stable, peaceful and enjoyable one.

Years ago, power was defined more in military terms and less in economic ones. Today, power is defined more in economic terms and less in military ones. While no military power can be built and sustained without a strong economy, military power has lost its capacity to achieve strategic objectives using violence only, as the wars in Iraq and Afghanistan have demonstrated. The longer it takes to solve the debt crisis, the more complicated other economic and social issues will become; and this in turn will strengthen the chances that a wider global economic crisis will occur and cause far reaching strategic changes. Such a development is likely to force all major world powers to devote a great deal of their energies to protect their interests instead of cooperating to grow their economies and foster world peace and stability. Since all states are in one boat sailing against strong winds, avoiding an impending global catastrophe demands that all powers cooperate and share sacrifices; and that all thinking leaders and leading thinkers of the world think collectively and creatively and humanely to guide our boat to safety.

Mohamed Rabie

Dr. Rabie is an author and a professor of international political economy. He has studied, lived and taught in 4 continents, lectured at more than 60 universities and research institutes worldwide. He has published 26 books and more than 50 academic papers, and over 1,000 newspaper articles. In addition, he has participated in over 80 conferences throughout the world. Dr. Rabie's interests, writings and activities reflect a strong commitment to peace, freedom, justice and human development, as well as to dialogue among different peoples and cultures.

professorrabie@yahoo.com

www.yazour.com

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