

## **How can Public Administrations contribute to handle societal crisis?**

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### **Introduction**

The etymologic origin of crisis is twofold: the Greek one (Krisis) that means *a period of extreme confusion or danger* but, also, *a crucial stage or a turning point through out the development of anything*; the Latin one (Crise) that means *wind, individual disturbance, changing phase, without any possibility to come back to previous patterns*. Briefly, the concept of crisis includes the meaning of changing either at societal level or at individual behaviours and so crisis resolution is a challenge that implies fixity of purpose, capability and audacity for searching news and innovating solutions. It's why we can state that the searching of solutions in order to solve crisis has being the main driving force of the Humanity historic evolution, as it was supported by the following statement of Albert Einstein: "Crisis is the best grace that can happen to people and countries, because crisis brings progress... It's by crisis that inventions, discoveries and remarkable strategies are produced... The embarrassment of people and countries comes from the hope that they can find easy solutions for crisis... The real crisis lies on incompetence<sup>1</sup>". As a matter of fact, along of Human history, crisis haven't always led to upper stages of development and several times some civilizations have got lost due to the incapacity or the impossibility of their own elites in order to accomplish the required structural changes for solving the inefficiency of the societal model that is in crisis.

### **Brief typology of crisis**

According to the objective of the present communication it will be centred on crisis issues that hit countries and threaten their economic, social and possibly their political system.

Economic crisis can be cyclical or structural. The resolution of the former follows cyclical adjustment in the prices of production factors that can be supported by public policies oriented either for supply or for demand. The proportions of structural crisis are deeper, namely by causing severe damage at social and politic level. Consequently the resolution of structural crisis requires changes in the very organizational pattern of the productive system, which can induce changes in the social framework and in the

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politic/administrative building. Any of that kind of crisis can be confined to one or few countries, but they can also have a multinational dimension.

Social crisis are frequently due to economic crisis. In that case social crisis are characterised by the emergence and/or by the enlargement of social inequalities and injustices that are often associated to intolerance, exclusion, violence and other antisocial or disruptive behaviours both individually and collectively. Consequently, characteristics of social crisis with regard to demographic dimension, spatial amplitude, duration and intensity, depend on the type of economic crisis to which social crisis is associated. As an example we can state the case of unemployment whose resolution is highly difficult if not impossible when the economic crisis is both structural and multinational, because the possibility of reducing unemployment rates is very limited, namely by increasing emigration, has it happens in Portugal during the sixties and the eighties of the XX century.

Actually, according to the minimalist view on the role of national Governments their only functions should be those involved in national defence, security and maintenance of internal order as well as the administration of justice. However, the analysis of human kind historic evolution shows that the politic systems of countries and societies are only enabling to persist when they are able to assure the proper functioning of their own economic and social systems. More precisely, the acceptance by people of politic power legitimacy, whatever it is, depends on the effectiveness of that power for ruling society in order to ensure enough productivity gains<sup>ii</sup> for satisfying the needs of populations, according to the societal *statuo quo* in terms of the structure and composition of social classes and their ethic values. When the system, more precisely the economic system, stops to assure continuous gains of productivity the balance of power between social groups breaks off the societal *statuo quo*. Consequently, the politic system is questioned and people claims for a new model with regards to the redistribution of wealth and economic power. The achievement of such a movement is either a reform of the politic system and, subsequently, of the economic and social systems or revolts and revolutions whose results are unforeseeable because they can waver between the increase of the crisis, which can lead to the self destruction of the system, and the establishment of a new economic, social and politic order.

As a matter of fact, since the beginning of the Humanity till the advent of the consumption society, the main challenge of societies was to obtain gains of productivity enough for support demographic increase. When this was not possible, the future of

these societies was uncertain; societies could fail even because they were enabling to resist against conquests. The construction of empires was always determined by the objective of appropriating the productivity gains produced by conquered people; so long course trade and war were, frequently, two faces of the same apiece. As the productive capacity was increasing the struggle for redistributing the productivity gains spread out. The result was the enlargement of both the social classes that took advantage of the produced wealth and the social range of the politic power. Such a process accelerated when the technology improvement became the main driver of economic development and brought the politic system to representative democracy.

The acceleration of the economic growth, supported by the binomial technology improvement and competition led to two main issues: growth rates of productivity gains as never before; a new and threatening problem to Humanity, i.e. the crisis of the global environmental system.

Actually, Humanity has been already confronted to ecologic crisis in the past. Since the glaciation's period and just as example we can mention the climate crisis that hard hit Europe at the beginning of the XIV century; the Irish big hunger and the filoxera crisis both at the end of the XIX century. Those entire crises had catastrophic results on societies because of the unexpected decrease of capacity for achieving productivity gains. However, with regard to the present crisis the question is to know if the productivity gains prevailing system is sustainable.

### **The crisis of the XXI century**

To agree that the present worldwide crisis is only caused by the financial crisis that was deployed because of the USA Mortgage Funds fail and according to consider that the solution for the crisis consists of injecting financial liquidity into banks and other credit institutions that have failed, either it was a technique fail or a real one, is a serious mistake, which can have tragic consequences to society due to the dimension and the deepness of the crisis. To paraphrase it's like to prescribe an aspirin for treating a patient headache that has a head cancer.

Actually, according to many studies produced by economists<sup>iii</sup>, since the middle of the XX century eighties, it was possible to diagnose that the present crisis is an outbreak of epidemics of a systemic problem inherent to the financial globalization process since that process generates an increase of the international financial liquidity without any control and without having any relation to the real economy. The severity of that

problem can be stressed just by the following data: in 1992, the daily average of exchange currency transactions amounts to one trillion dollars while the annual value of world trade was less than four trillion dollars<sup>iv</sup>. The huge difference between the two types of transactions shows the speculative characteristics of mostly exchange transactions<sup>v</sup>.

The situation didn't change since 1992, except that the world account of that kind of transactions became more and more difficult because of the increasing use of offshore centers<sup>vi</sup>. Concerning the hypothesis that the present crisis is an epidemic outbreak of a systemic crisis, it can be sustained by remembering the September 1987 black Monday, when Dow Jones stock market crashed down, the 1989 crisis of pension funds and the subsequent 1990-91 economic downturn, the 1992 Mexican crisis or the 1997-99 Asiatic crisis.

So and because financial system is an economic subsystem, the analysis of both the causes and consequences of the present financial crisis must be done using a multidimensional perspective centred on the evaluation of the development dynamics that led to the globalization of market economy.

### **Development dynamics of market economy**

Considering that market capitalist economy is a system whose resolution of fundamental economic issues (to produce what, how and for whom) is sustained by maximizing capital accumulation, in order to finance the increase of productive capacity, and by the equilibrium between supply and demand through prices, globalization results from the twofold development process of market economy: the geographic enlargement of the capitalist economy; the progressive enlargement of market to any product resulting from human activity, whether material or immaterial.

Some experts consider that globalization process was initiated by Portuguese maritime discoveries while others argue that its advent was the industrial revolution, but both comply with that the globalization point of no return was attained after the 2<sup>nd</sup>. World War, when the most economic developed countries agreed on the reciprocal advantages of free-trade and, subsequently, on the liberalization of international capital flows.

The development dynamics of the capitalist marked economy is based on the growth or death dilemma<sup>vii</sup>, i.e. on the acceleration of competition between economic actors searching for permanent and ever-higher gains in productivity ends to the bankruptcy and to the disappearance of the less efficient.

The consequences of such a model were twofold: concentration of the economic power and the internationalization growth of production, whether goods and services. Multinational and transnational firms were the main actors of that double-process namely by expanding and taking profit from the informatics' revolution. During the world race for higher gains of productivity, countries applying social controls to their economic models were the losers<sup>viii</sup>. As result there was a widespread acceptance of *the smaller State the best State* doctrine, which was used as a powerful argument for reducing the capacity of public intervention either in the scope of markets' regulation and control or with regard to any kind of State intervening economy.

The lost of State capacity for intervening had heavy consequences concerning the counteract of negative market externalities, the production of positive externalities with regard to promote equity and social justice as well as Human rights, namely fundamental rights of second and third generation<sup>ix</sup>.

### **Negative and positive externalities**

Negative externalities happens when both the production or the consumption of some good has adverse effects on other producers/consumers or any other stakeholder, including all the population or classes of inhabitants, and those effects can't be corrected by the mechanisms of market prices<sup>x</sup>. Besides environmental degradation, which is the most quoted market negative externalities, we can refer other examples such as the use of chemical additives in foodstuff production has a devastating impact to public health, as it is the case of obesity epidemics, and the depletion of natural resources. The Balakrishnana Nair's decision, an Indian judge, taken against Coca-Cola activities in Kerala illustrates well that kind of negative externalities. As a matter of fact, on December 2003, that judge enjoined Coca-Cola to cease Plachimada pumping water table, arguing that the importance of natural resources such as air, sea water and forests is so higher to world population that their privatisation will be totally unjustified<sup>xi</sup>.

Positive externalities like negative externalities can't be accounted by prices and so the market is not able for assuring either the production or the distribution of goods and services that create positive externalities. As example of positive externalities we can mention the case of massive programs vaccination because by reducing the numbers of people that can catch a specific illness protect both the vaccinated and the non-vaccinated people. In the aggregate, public policies for improving citizens' health,

education, safety and social security produce positive externalities but can't obey to market rules. Actually, the pro-privatization movement, which peak was attained in the eighties and the nineties of the XX century and led to the application of market rules to health services, reduced the access of the poorer and the most vulnerable people to health cares. Such an evolution conduced to growth inequalities between peoples and countries<sup>xii</sup>, and opened the door to negative externalities in the case of epidemics or pandemics. An indicator of such a reality is the increasing numbers of people infected by Koch bacillus (tuberculosis) or by other diseases that can be neutralized by medicine<sup>xiii</sup>.

Those examples show also that public services privatization options can interfere with fundamental matters of Human rights as the access to these rights is a pre-condition for enjoying them.

### **The fundamental Human rights**

Till the beginning of the XX century, Fundamental Rights were limited to individual civil and politic rights. As a matter of fact, this first generation rights were not universal because they didn't include most of the people, namely, women<sup>xiv</sup>, people under colonial rule or under autocratic or absolutist regimens.

In the process of the XX century the first generation of Human rights became universal, progressively, and other fundamental rights have being deployed and sanctioned by international Treaties and Conventions and then they have being transposed to most of national fundamental laws. These new rights that are named the second generation Human rights are, namely, the social, cultural, economic and collective rights as it is the case of the workers fundamental rights.

Later on, as consequence of the decolonization movement, of the technologic revolution on communications and of the awareness on environment threats, emerge the Human rights of third generation that concern development, peace, environment sustainability, communication and the ownership on the common Human heritage. Finally, as a result of the globalization process, we have the fourth generation Human rights, which are the rights to democracy, to information and to pluralism<sup>xv</sup>.

As Human rights are sanctioned by both International and National Fundamental Laws, Governments are in charge of enforcing them. However, the realization of that responsibility is more and more difficult because of negative externalities due to the neoliberal economic model that rules the globalization process.

Actually, the deregulation of the global financial market took off Governments the privilege to create and to control the creation of money that is now a product issue from the expansion of credit generated by the financial system<sup>xvi</sup>. So, there is a dilemma that led to the present crisis and is undermining the representative democracy system: the continuous excess of international liquidity produced by global financial markets gives rise to speculative bubbles as, at the same time, Governments face a continuous financial scarcity that hampers them to assure citizens for enjoying social, cultural and economic Human rights.

### **The hypertrophy of international liquidity**

This subject needs a larger discussion regarding causes and consequences of that hypertrophy as it is a main issue and public opinion is not informed enough on it.

At the beginning, i.e. since the end of the sixties till the middle of the eighties of the XX century, it was considered that the excessive production of money resulted from the financing of Government deficits by Central Banks. The main example of such a policy is USA. Actually, as the dollar was the most common currency used by international transactions and so currency reserves of most countries were and are accounted in dollars, United States was not, and it is not yet, subject to any kind of restrictions imposed by the IMF. Meanwhile it was a huge problem. By instance, in 2004, the USA foreign debt reached 7.200 thousand millions dollars<sup>xvii</sup>, i.e. 66% of USA GDP.

Critics to States' in debts were sustained by economists of the Chicago School. They supported that liberalization and deregulation of financial and monetary markets was the best way for controlling the increase of monetary mass. That School supported also that economic development depends on credit banks' supply. In practice, monetarist policies allowed securities, bonds and currencies to be transacted as specific commodities and that credit ceased to be submitted to prudential rules<sup>xviii</sup>, namely, regarding security provision rates. The result was the excessive and non-controlled increase of international liquidity as monetary multiplier accelerated, which was also pushed by the web revolution as credit can be granted at light speed. At present, some data points to the following evaluations: 97% of USA<sup>xix</sup> and of UK<sup>xx</sup> supply of money was created by bank credits.

One major consequence of the excess production liquidity is the continuous threat of adrift in inflation. That threat has been conducting to restrictive policies for public budget and for wages, aiming at reducing inflation pressure on the demand side.

## **Budgetary policies**

The argument used to justify restrictive budgetary policies is the need to control public deficit, which is due to the fact that the growth of public expenditures is higher than the growth of public receipts. Within this context, restrictive budgetary policies are centred on reducing public expenditures what has being prejudicing the efficacy of social public policies, namely those aiming at improving equality of opportunities, reducing poverty and discrimination of the more vulnerable social groups. As result there is a remarkable increase of social inequalities and even of poverty with dramatic consequences especially in countries whose economy is weak.

So, the question is why public receipts from taxes didn't increase, since it's highly limited for States to get into debt by fearing inflation<sup>xxi</sup>. Consequently, limits to increase public income comes from the impossibility or the incapability to increase the basis of taxation what can be explained by the fact that the present system of taxation is no more efficient because it didn't comply with globalization challenge, namely, the fast growth of transactions done by web while present taxation systems continue to be based on the geographic localization of economic activities and agents<sup>xxii</sup>.

Due to the dematerialization of companies' headquarters, the possibility of speedy delocalization of productive units and the fluidity of financial capital the tendency for increasing taxation receipts is on families' consumption (indirect taxes) and on families' incomes – mainly wage-earnings<sup>xxiii</sup> that are linked to social contributions. Such a tendency should produce a drop in wage-earning families' purchasing power if they couldn't accede to credits. The result was that families got into excessive debt<sup>xxiv</sup> and so banking system became frail by itself.

## **Labour market deregulation**

The continuous increasing of the international competition led to an enormous pressure in favour of labour market deregulation, including the loss of labour rights, the proliferation of precarious jobs and subsequently the flexibility of labour market rules. Nordic European countries are the exception to such tendency as for these countries labour market flexibility was conceived for supporting families, namely regarding the uses of time<sup>xxv</sup>. However, as a general rule, the deregulation of labour market resulted in

discharging employees, lowering wages<sup>xxvi</sup>, increasing working time and reducing families' time for enjoying their own members.

These consequences generate others with heavy social costs, by instance, the increase of non-functional families, youth delinquency, scholarship failure, psychological and psychiatric illnesses, lack of interest on public affairs and politics.

Discussion on those subjects, namely concerning the issues on the uses of time, are developing an increasing awareness about societal costs of labour flexibility whenever it is carried out only to obtain efficient gains by institutions that are not concerned by families' well-being. So, some institutions are engaged in a total different approach aiming at conciliate families' well-being with productive efficiency, having reach very interesting results<sup>xxvii</sup>.

### **What solutions for the crisis?**

The complexity of the present crisis, due to the multiple factors that are involved and to the complicated inter connexions between those factors producing the continuous reinforcement of all the crisis process, demonstrates that it is a systematic crisis. According to that understanding, it is urgent to change the present economic development paradigm, based on the neoliberal model, to a new and sustainable development paradigm in order to improve citizens' participation, justice and social cohesion in accordance with the Fundamental Human Rights, i.e. a model based on democratic and inclusive economy<sup>xxviii</sup>.

The concept of democratic economy presupposes the decentralization of the economic power as well as a fair distribution of wealth. Although such a concept can be considered as utopian, it's possible to make it clear by using the following words of Bertrand Russell, written in 1940: *we consider as being out of legitimacy that a Royal family to order a country or to give some territories to a nephew with everything, including inhabitants, however we consider as to be normal that a family, like by instance the Rockefellers, has an huge economic and politic power and that it can use just as it could wish by selling or offering their ownerships, including people working there, as if these ownerships were personal fiefs*<sup>xxix</sup>.

The development of the democratic economy model lies down on the following three pillars: inclusion of people in the productive process; people's fair access to results of collective work; universal access to information.

### *The first pillar of democratic economy*

Historically, the construction of Human Kind is intrinsically linked to socialization by team – working, which achievement has been forever influencing education proceedings. Consequently, the exclusion of people out of the productive process generates cases of alienation that can cause diverted social behaviours such as: civic insensibility, domestic and ethnic violence, delinquency and criminality. Briefly, the lack of people participation in the productive process leads to their social and civic exclusion and so to the impoverishment of democratic life, which major indicators are the increasing rates of electoral abstention.

Peoples' integration in the productive process meet the 2<sup>nd</sup> generation Fundamental Human Rights, in particular, under the right to work and so their effectiveness is highly influenced by active public policies oriented for creating jobs. Such a statement is generally well received by everybody. The difficulty is to move from theory to practice, especially when technological innovation under the pursuit of organizational efficiency have led to downsizing with the systematic cutting down of position jobs.

The sharing of working-time with reduction of day's work and working hours, as a public policy, has been tested by a few countries, namely Canada, France (1996 Robien Law), Sweden and Norway<sup>xxx</sup>. The problem regarding such a policy is the increase of labour costs to companies. The resolution of this problem implies a fair share of costs between employers, employees and the State, taking also into account the benefits for each side. On the whole, benefits result from the decrease of unemployment, the increase of workers' time for attending to their families and themselves as well as for participating in cultural, civic, leisure activities and others that can contribute to the improvement of individual capabilities. Workers less stressed and having more time for affection are workers happier, healthier<sup>xxxi</sup>, more productive and more innovators that are essential capabilities for performing well in the knowledge society.

At societal level these policies found expression in the development of both human potential and human capital as well as in other results that have a highly positive impact, as it is the case for the decrease of demographic aging. As a matter of fact, the reduction of day's work that was undertaken under the public policies for supporting families has been contributing to birth-rates' growth in Denmark and Sweden. Besides, public income is positively influenced by public policies for promoting employment

through the sharing of working-time due to both the increase of taxation receipts, either on families' incomes and families' consumption, and the decrease of public expenditures on social contributions and health cares. Accordingly, the companies' labour costs due to sharing working-time can be either compensated by the increase of productivity or supported by the decrease of their tax rates. Moreover, a fair and negotiated decrease of wages can be undertaken as it happens in France by a 1% reduction of wages, under the application of Robien Law.

Public investments on sectors of activities that need high qualified human capital, either in quantity or in diversity, as is the case for education, training<sup>xxxii</sup>, culture, health, safeguard and development of natural and estate capital, it's another kind of public policies that can reduce unemployment and improve the population quality of life, on the short, medium and long term. As example, it can be mentioned that culture and cultural tourism account to 3,1% of employment and 2,6% of GDP in the Europe Union, reason why investments on culture and creativity is considered as an efficient tool for materializing the Lisbon Agenda<sup>xxxiii</sup>.

### ***The second pillar of democratic economy***

The materialization of the 2<sup>nd</sup> pillar of democratic economy, i.e. people's fair access to collective (national) wealth created by work and by investments, it's a necessary condition for achieving social cohesion and so sustainable development. Public policies that are under that scope are regulation and control of the financial system, minimum and maximum personal incomes, promotion of fiscal equity both for people and companies.

Public policies for regulating and monitoring the financial system<sup>xxxiv</sup>, have to be oriented for stopping the creation of liabilities without any control, namely through credit on consumption and on speculative transactions, in order to prevent the destruction of personal savings and of pension funds, the excessive household indebtedness and the creation of "fake" millionaires, as well as to prevent the undesirable inflationary pressures.

At present, the setting of a minimum income is performed by many countries as a way to limit situations of extreme poverty. However, if we consider the first pillar of democratic economy we can conclude that better than to guarantee a minimum income is to give people the possibility to get a decent job<sup>xxxv</sup>, i.e. a stable job (not a precarious one) sufficiently paid and that provide social security.

With regard to establish a maximum income it intends to avoid scandalous executive pays, the more so scandalous as less they are attributed in accordance with obvious and objective results. A good example on such a measure is the plan of Breedem that was appointed by court to put an end to the scandals of a USA multinational, in 2002<sup>xxxvi</sup>. The Beedem's solution was to impose a ceiling to global executives' pay and so he is considered to be the father of the first maximum wage, in the United States. Another face of this problem is that it is related to fiscal equity whenever executives enjoy privileges paid by companies that account them as expenditures or investments free tax. Briefly, fiscal equity depends on legislation that rules taxation abatements, accountancy proceedings, practices of auditor and supervision.

### ***The third pillar of democratic economy***

Access of everybody to information, which is the third pillar of democratic economy, has two main sides: the production and diffusion of information; the capability of people to accede and to understand information.

Concerning the first side, it is required that Governments, Public Administrations, companies and any other agent whose activities has consequences on peoples' life, produce and diffuse all and every important information for society, in general, and for people, in particular. That information has to be objective, reliable and easy to understand. The diffusion has to be wide and attainable by everybody.

Moreover and in order to fulfil the requirements associated to the second side of the question, Governments have to develop public policies aiming at assure the real access to information of people that have problems of illiteracy or due to some kind of disabilities, namely by promoting the equality of opportunities for people with special needs, as well as education, culture and life long learning.

### **The role of Public Administrations**

The materialization of public policies oriented to the implementation and the development of the democratic economy requires the will and the determination of Governments but, also, public financial capacity and competent, motivated, creative and responsible Public Administrations.

Will and determination of government rulers are personal characteristics related to behaviour capabilities and emotional intelligence. However, within the scope of a specific program of reforms, the right use of those capabilities depends on the

knowledge that government rules have about the need for implementing those reforms, the concerned social context, costs and benefits resulting from the reforms and the subsequent schedules of priorities concerning the reforms as well as the results monitoring. Accordingly and whatever are the individual capacities of government rulers it's possible that they have to receive complementary and specific training for achieving the complexity of reforms under the democratic economy model.

The diagnosis of training needs for government rulers and the elaboration of the required training programs are activities to be undertaken by public institutions that are in charge of training public officers and managers or by Universities. It must be said that such kind of practices are already being applied by some countries such as United States, Sweden and Brazil<sup>xxxvii</sup>.

The increase of financial capacity of States requires the increase of public receipts and the decrease of public expenses. However, the implementation of reforms leading to democratic economy is not consistent with blind cut-off public expenditures. To make cuts in public expenses they must be evaluated in terms of cost-benefits and taking into consideration direct and indirect impacts on the objectives of the reform program. Moreover, it will be required to rationalize public proceedings in order to reduce resources dissipation and to promote a more efficient management.

As it was already referred, the increase of fiscal receipts faces huge difficulties due to the inefficiency of the present fiscal system regarding the economic globalization. So, although the drop of unemployment due to the implementation of reforms conducting to democratic economy could contribute to the increase in tax revenues of labour, it is necessary to undertake a fiscal reform aiming to a more equitable taxation. In this context we have to state the fiscal reform proposed by President Obama<sup>xxxviii</sup>, which supposed the taxation of USA multinational profits obtained abroad, in particular those made by subsidiaries located in offshore tax havens. As a matter of fact, before in 1972, after the economist Tobin<sup>xxxix</sup> proposal of a tax on international financial transactions there was a large debate on the opportunity and the feasibility for implementing international taxes.

Green taxation<sup>xl</sup> is another experience of fiscal reform that is undertaken by European countries according EU directives on environment protection. However, even in this case results show the need of Governments' international articulation.

All these kind of reforms imply higher requirements to Public Administrations concerning the development of their capabilities in large areas of activity. The first one

concerns the ability to inform objectively government rulers on societal context that will be affected by reforms, either at national and international levels. The second one concerns the development of negotiation capabilities with all the actors that will be involved in the reforms, either at national and international levels. The third one concerns the capacity to report to the government rulers the results of the reforms, including citizens' opinion on the reforms. The fourth one concerns the capacity to inform citizens on the reform expected results as well as on the constraints that can occur during its implementation in order that citizens could contribute to monitor all the process. It must be pointed that the citizens' participation is a central issue for the accomplishment of the two main conditions for assuring the sustainable development of democratic economy: accountability on the process of achieving programs and public policies, including public expenses; transparency of all the making policy process. Consequently, Public Administrations have and will have a determinant role in the resolution of the present and future crisis, namely by achieving the two main objectives related to the public mission that justify its own existence, i.e. to implement and to monitor public policies; to report to politic rulers the population's needs and the results of public policies on the sustainability of the economic, social and politic system as well as on the development of human potential.

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## Abstract

Economic crisis give rise to high societal costs but to processes of change, too. The present crisis that was engendered by the USA Hedge Funds fail concerns a wide range of factors that self interact and interact with other crisis which are obviously systematic, as it is the case of the climate crisis. Consequently the efficiency of the present economic development model, which is based on the persistent prosecution of higher productivity rates, has to be questioned. The analysis of the main characteristics of the present crisis, namely those concerning economic externalities, the threat to fundamental Human rights, the hypertrophy of international liquidity, the lack of financial resources for States and the increasing of social inequalities, shows that it is a structural crisis and points to the need of changing the prevailing paradigm of the societal system. One possibility is to undertake reforms leading to the implementation of the democratic economic model, but for that it's required to have Public Administrations with specific and wide competences.