

An Integral Perspective on Current Economic Challenges: Making Sense of Market Crashes

Pravir Malik¹

Abstract: Market crises are interpreted in much the same way. Hence action is also always of a similar type, regardless of the market crisis that may have occurred. It is a similar set of tools that are applied to all crises, and usually this has to do with managing the money supply, interest rates, and slapping on austerity measures. But this is a myopic view. Crises are never the same. Presented here is a holistic model that draws inspiration from the journey a seed makes in becoming a flower in more fully understanding the nature of the crisis we may be facing. Action will be different depending on what phase in the journey the economy is assessed at being. In this paper we look at market crises scanning four decades, from the Bear Market of the early 1970s to recent European Union Sovereign Debt Crises.

Keywords: integral economics, market crises.

Established wisdom suggests that one crisis is the same as the next. Hence each of the following crises tends to be addressed in similar ways: the 1973-1974 Bear Market; the 1987 Synchronized Global Crash; the 1990s Japanese Asset Bubble and the South East Asian Crises, the 2000 Dot-Com Crisis, the 2004 Housing Crisis, the 2010 Greek Debt Crisis. However, I propose a contextual framework against which each of these crises has to be assessed. This framework is based on a universal pattern of sustainable progress that is very commonly visible in a range of progressive organizations (Malik, 2009).

This pattern is a re-orientation from a physical, to a vital, to a mental standpoint. Here, the physical refers to a perception in which reality is determined by what the eye can see. In this orientation the status quo prevails, and it is the past that tends to determine the future. Vital refers to a perception in which it is the play of energy that determines reality, and it is usually the strongest as opposed to the most rational energy that wins. Mental refers to a perception in which thought and idea determine reality. This pattern is simply and powerfully represented by the growth a seed makes in becoming a flower. The seed is characteristic of the physical stage in which the status quo can persist forever. It is only through the action of an external agent and the

¹**Mr. Pravir Malik** is an Organizational Development and Change Management Leader with over 20 years of experience delivering significant, high-impact results in a large variety of organizations and corporate contexts. Mr. Malik draws insight into potential futures through a study of global trends and patterns, systems theory, and human potential. He founded Aurosoorya to promote Fractal Systems Architecture as a means to bring about deep organizational and systems change and he has been elaborating the field of Fractal Systems Architecture through a series of books over the last few years. Connecting Inner Power with Global Change: The *Fractal Ladder* was published in 2009. *Redesigning the Stock Market: A Fractal Approach* was published in 2011. A third book, *The Field Guide to Connecting Inner Power with Global Change* is to be published in 2013. He is currently working on a fourth book, *The Flower Chronicles: A Radical Approach to Organization and System Development*.
pravir.malik@gmail.com



subsequent germination that the growth enters the stalk stage. This is characteristic of the vital in that there is a lot of activity, even aggressive at times. The growth may culminate in the flower or mental stage, in which the idea present in the seed comes to fruition.

I start with the 1973-74 economic crisis because that was a result of a major shift in global economic reality when the Gold Standard was abandoned. For a good three decades the global economy had functioned in a relatively predictable and stable way, always maintaining the status quo because all currencies were pegged to the US Dollar. This state of affairs was more like the inert seed of a plant, the physical state where the world is what the eye can see. Little inflation existed, the money supply was fixed, and what happened was the result of stable recycling of possibilities. This state is depicted as the starting point in the seed-to-flower depiction on the vertical axis of Figure 1.

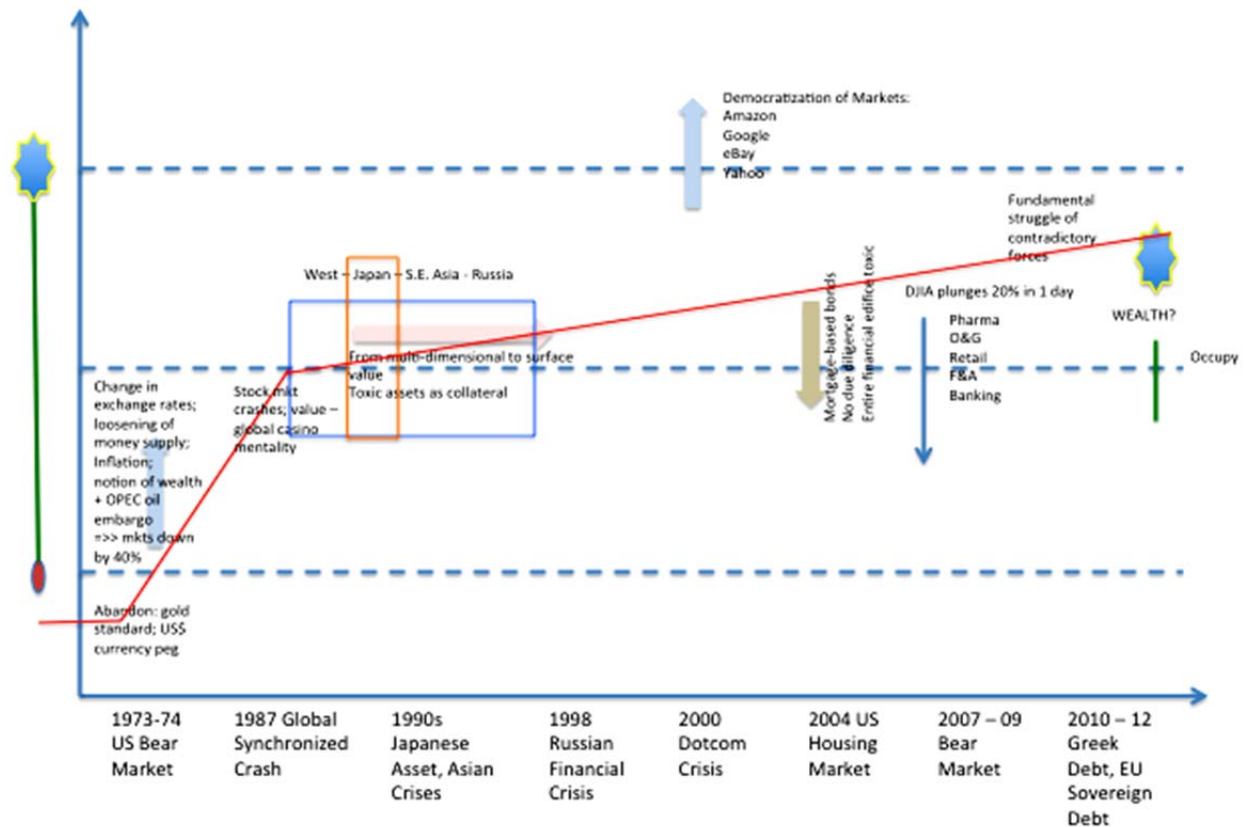


Figure 1: Evolution of Markets and the Seed-Flower Metaphor

However, when the Gold Standard—a monetary system in which the standard economic unit of account is based on a fixed quantity of gold—was abandoned, currencies began to float, and there was a lot more volatility that was introduced into the global situation. What had been known and what we had relied on for decades was abandoned, and no nation could anymore be assured of the wealth in its possession. Hence another standard was sought and the transition from the seed to the stalk stage, or the physical to the vital stage was securely put into place. The physical refers to a situation marked by maintaining the status quo. Activity in this situation is always controlled and predictable. The vital, on the other hand, refers to a situation when boundaries have been removed. Suddenly what had been constrained is allowed to move freely

and this can result in a much more dynamic and even chaotic reality. Hence, economic activity pegged to a fixed amount of gold can be thought of as a physical reality. Economic activity unpegged to gold, naturally becomes much more dynamic and can be thought of as a vital reality.

The oil embargo of 1973 precipitated the emergence of the Oil Standard, giving OPEC far more power on the global economic stage. Prices all over the world began to escalate and dynamics of inflation reentered the global economic situation with force. This resulted in the 1973-74 bear market in the United States and elsewhere and accelerated the destructive vital or stalk dynamics that has had relatively free reign over the last four decades.

By 1987 there was the first global economic synchronized crash. All major stock markets around the world lost significant value at the same time. From a rational perspective this makes no sense. Different regions around the world and different markets should be subject to different market conditions and a more local cyclicality in investment rhythm. For markets and regions around the world to divert from this, it implies that dynamics have become irrational. Such irrationality is a sure sign that the vital level has become far more active since it is now aggressive self-seeking that drives things. Subsequent crises of the 1990s, such as the Japanese Asset Crises, the Asian Crises, and the Russian financial crises quickly came into being as money unleashed from rationality and reason sought a home where it could make quick returns regardless of larger issues of sustainability.

Rationality, reason, purpose, and sustainability are the dynamics that are more prevalent when the flower or the metaphoric mental stage is reached. Reinforcement of such dynamics must be the aim of any policy-maker and regulator. The good news is that impelled by the flower in circumstance, the first decade of the 2000s has seen this urge coming more to the forefront. Hence in 2000 the dot-com crisis was of a very different nature. This signified the possibility of the mental or flower stage where a whole new infrastructure allowing power to shift from monopoly to democracy more practically came into being.

The US Housing Crises that began around the year 2004, powerfully brought to the surface some of the perversities in a finance led solely by the vital-level. This is the shadow that emerges to remind us of where to never go again. The 2007–2009 Bear Market was more of a tug-of-war between the past and the future, with the past, represented by the dynamics inherent in industries such as pharmaceuticals, oil & gas, retail, food & agriculture vying for further attention and investment to continue their self-serving patterns of the past, against the new dynamics represented by the Internet that we all know has begun to arise at the same time.

The Greek Debt Crisis and the European Union Sovereign Debt Crises and the Occupy movement bring into relief the whole question of wealth. What is it? Is it the one-dimensional metric that has driven the vital development of the last four decades to its current state of obvious instability, or is it something else that is multi-dimensional and factors in culture, spirit, human possibility, as symbolized by the flower?

When viewed in this manner, we can see more clearly what must be done to usher in a period of global financial and business sustainability.

Let us look at some of the particular movements in more details.

The Bear Market of 1973-1974

The Bear Market of 1973–1974 affected all the major stock markets in the world. Major stock markets lost as much as 40% of their value (1973-74 Stock Market Crash, n.d.). This period is especially important because of the many fundamentals shifting at the same time. The Gold Standard and the global currency peg to the US dollar were removed. Global order was therefore undone overnight. Consequently, not having to follow strict rules to keep currency values within bands, exchange rates began to float, with all their attendant changes in loss and gain of value at country and corporate levels.

Further, there was a loosening of the money supply that essentially ushered in a shift from the physical to the vital phase as per Graph 1 above. As though this was not enough, OPEC announced an oil embargo that, in effect, led to the Gold Standard being replaced by an Oil Standard. In the uncertainty and the immediate shifts that followed there was a slow-down in global stock activity. That this should happen is not unexpected. In contrast the recent global financial crisis that began in 2008 is almost the result of these shifts that happened in the early 1970s.

There has been a further loosening of the money supply and many shifts whereby the market has taken over the functions that should be performed by banks. The 1973–74 market is important to consider because, in effect, if some of the changes made then are not reversed then the current phase where we appear to be climbing back up in terms of stock market activity will be highly illusory, and will result in a scenario characterized by multiple-dips of increasing complexity.

The impulse after a slow-down in activity is to increase activity almost exponentially. If the fundamentals are not shifted though, if money supply is not brought back under a rational control, the effects will be devastating on many fronts. All bear markets are not the same. In their book *Crises Economics*”, Roubini and Mihm (2010) argue that all financial crises have the same fundamentals underlying them. In fact, I will argue differently that crises are fundamentally different, and in fact need to be handled differently. The evolution of markets as per the flower model summarized in Graph 1 summarizes this. The essential variability must be perceived against the backdrop of where in the physical-vital-mental progression or landscape the crash or the bear market is occurring and how in fact it is contributing to that universal pattern.

In effect, the money supply needs to be brought back under control. There are many ways to do this. Further, the oil standard needs to give way to a more long-lasting standard that is a source of wealth for global citizens, as opposed to the global elite.

The Crash of October 1987

The Crash of October 1987, when stock markets around the world crashed shedding a huge value in a short time, is also an important phenomenon in this view. The year 1987 is about the time when stock market activity began to enter an accelerated phase. This crash stands out

because it is the first time that a synchronized crash affecting global markets occurred. A synchronized crash implies that a true or deeper value has now been replaced by another notion of value. It is a sure sign that the stock markets were now deeply in the vital phase. It also marked the day of greatest stock market decline, and therefore of irrational loss of value.

The Japanese Asset Bubble

Following World War II the Japanese Government implemented policies that encouraged people to save their income. Having exited from the devastation of the war, there were a different set of energies active and Japanese companies and people worked in unison to recreate the country. Because of this solid, grounded approach, capital was more readily available, and having just exited from the pain there was a hunger to build value. This continued for a few decades and by many estimates Japan became a wealthy country.

However, the global shifts that had begun in 1971 under President Nixon's reign in USA had their effect on all countries, including Japan. Caught up in the fever of speculation the Tokyo stock exchange and real estate markets became hot-beds of investment. Banks became increasingly lax and granted riskier loans. The notion of value shifted from true-creation to one of vital-creation. That is, the notion of true value and worth were lost, and this inevitably caused a massive asset bubble, that fed further speculation and became the source for laxer credit release. Bubbled assets at the heart of the boom became surrogates for cash, and the notion of real value was further bastardized. Of course this was bound to burst. A couple of points: first, all that money should have continued to be invested in things that really matter. Just as reconstruction of the country really mattered for the Japanese following the war, there are a number of things that really matter now. The balance of the world's development depends on this. To maintain the value of money it needs to be invested in such things that matter.

Instead, because Japan in general has a lot going for it in terms of companies whose products are valued globally, it has become a sustainable source for carry trade. In essence the carry trade allows citizens of a country to incrementally sell off their country through devaluing their own currency and asset base. Japanese Yen are exchanged for bets on other currencies. Because of the short-term higher return due to other countries bonds paying higher interest, the longer-term repercussions are thrown aside. Instead of continuing to invest in what really matters in the country, the money is funneled elsewhere for purely vital reasons.

The carry trade itself funds other irrational bubbles the world over. Further, when relied on, it can cause havoc overnight if relative exchange rates change. This was the situation in Iceland where residents had borrowed money in Euro denominated loans. When the Euro rose Icelanders were unable to repay loans. This caused the Icelandic financial crises of 2008–2009. Further, the reverse appreciation can take place, and this can cause a major financial crisis if other loans are denominated in the appreciating currency. Arbitrage is of course a fact of financial activity. Still, there has to be regulation so that countries do not go bankrupt from relying on arbitrage as a source of value. Real value must be the result of real activity.

The Asian Financial Crises

The Asian Financial Crises were by many estimates caused because of the massive inflows of speculative money that needed a new home for quick returns. In part this was due to the higher interest rates offered by countries such as Thailand, Malaysia, and Indonesia that were at the epicenter of the crisis. Further, given that the Japanese Asset Bubble had just burst, there was a huge amount of money that had previously been invested there that needed a new home. All this money rushed about, driven by the lure of vital-value, of making that quick buck, regardless of true creation or destruction of value.

Naturally with large inflows of capital, asset prices began to rise. Corporations and individuals alike experienced a rise in their vital-level wealth—whether wealth was really increasing can only be judged by anchoring on the mental-level, where it is truer development that is the focus. This perception that all were richer because some asset—whether real estate or stocks—at the center of the bubble continued to rise in escalated vital-level value, caused heightened irrationality and risk-taking on the part of all constituents, including banks that began issuing loans based on the perceived vital-level wealth. When it was realized, however, that underlying development had not really taken place and that many individuals and corporations were naturally beginning to default on loan payments, then there was a massive retraction of capital, and the Asian Financial Crisis came into being.

Foreign investors flooded the exchange market with respective country currency and as a result the value of these currencies began to depreciate. This put even more burden on international loan payments and heightened the default rates on loans thereby causing more bankruptcies and even more pulling out of investments. To try and prop up the currency rate respective governments increased interest rates, which made further loan origination in the country even more difficult. Thus there was a senseless and destructive cycle put into place that naturally exceeded the boundaries of the vital-level notion of wealth to destroy truer mental-level wealth in the bargain.

What this teaches us is that it is necessary to maintain focus on true underlying development. To use mass-scale vital-level euphoria manifesting in a vastly increased demand relative to supply is in fact a highly misleading measure of value. We need metrics that peel these illusionary layers away to focus on what actually is being done with the money, how it is actually being used, and further how that development is in fact development of a true, sustainable, mental-level order. Anything else is going to cause massive turmoil and destroy the hard work and livelihoods of many innocent people.

The 1998 Russian Financial Crisis

The 1998 Russian Financial Crisis was triggered by the Asian Financial Crisis. Russia was a net exporter to Asia providing many commodities required to fuel the Asian Bubble. Such commodities included petroleum, natural gas, timber, and metals. With a sudden drop in revenues generated from these exports the government was not able to fund its debt payments thereby heralding the start of the crisis.

The Russian government was unable to institute market reforms to alter its balance of payments and investor confidence was further eroded with a run on Russian assets and a pulling out of foreign investments. Russia had to inject billions of US dollars to buy Ruble and artificially hold it up. Subsequently its stock, bond, and currency markets collapsed and the only thing that reversed this situation was the sudden increase in global demand for petroleum. This caused a massive trade surplus in 1999–2000, which ended the crisis.

The Russian Financial Crisis sheds insight into what is deemed to be a financial crisis. It is essentially about being able to meet international debt payments. This however, is a narrow view of crisis, and again, is rooted in dynamics representative of the vital-level. The fact is that the economy was already in a reality of deep crisis. The price of fundamentals such as food rose as much as 100%, basic wages of workers could not be paid, and several major banks were closed down. The primary constituent of wealth was commodity-based: the country obviously had not done much to push levels of creativity and build on inherent value in its land. Its basis of wealth was therefore at the physical level—commodities that could be touched and seen.

The suggested flower model demands that development continue to proceed along the physical-vital-mental trajectory. If there is stagnation then crisis must occur to allow the journey to continue. In that, all and any kind of crisis is useful, whether it is defined at the physical, vital, or mental level. But were the perception or interpretation of crisis to change to the mental-level, then the reality that the crisis has existed for a while would more effectively come into relief and would not result in irrational short-term fluctuations that in the final analysis do more damage than good.

At the physical-level crisis does not really exist so long as commodities exist. Perception of this nature will in fact cause major long term crises in that the bases of sustainability will most likely be compromised in the one-pointed pursuit of extraction of commodities, regardless of impact on environment. At the vital-level crises exist only when there is default on payments. The wrong levers of wealth are therefore being focused on. It is only when the focus is on the reason and more holistic development that truer wealth can manifest and that the compromising of this wealth can more effectively be managed. Risk can be called out in advance and subsequently the right developments and investments made. But this can only be if the mental-level metrics replaces physical-level metrics such as estimated availability of raw materials, and vital-level metrics such as real estate and stock prices. Mental level metrics, such as true development, true citizen happiness, true state of the environment from a sustainability perspective, true level of creativity, have to become the focus of attention and the levers by which decision to invest or not are made.

The claim that the Russian crisis was short in length is in fact a paradox. The longer-term effect on global sustainability of high-levels of perhaps even irrational extraction, driven by vital-level dynamics, will be disastrous. Wealth of the world will be reduced as a result of trying to maintain the semblance of vital-level health and wealth. The fact that Russia was not at the time heavily integrated with the global financial environment, in contrast to the South East Asian economies for instance, created the perception that its crisis was of a shorter duration. At the vital-level this is no doubt true, and its very physical-level focus buffered it from having to go through the fate of some South East Asian countries. But these narrow perceptions representative

of the physical and vital level are misleading and can easily cover up the seriousness of a situation gelling in the background. On the positive side its crisis is no doubt pushing it to move more to the vital level where more energy comes alive on a larger scale. Indigenous industry and creativity gets a kick-start. The dangers of this phase are of course huge. Hopefully Russia can learn from the lessons of the rest of the world though, to temper the negative effects of the vital phase through more mature regulation.

Dot-Com Crisis of 2000 and US Housing Crisis of 2004

The massive inflow of money leading up to the 2000 Dot-Com Crisis was in fact highly beneficial in this environment, because the Dot-Com phenomena was fundamentally about moving away from many of the irrationalities of vital-level monopoly toward the possibilities of a more diverse individual-level creativity. Plays such as Amazon, eBay, Yahoo, Google, and more recently Facebook and Twitter upset the balance of vital-level dynamics to bring another set of possibilities to bear. Of course there was a lot of wasted money and vital-level euphoria that caused a boom and a bust. But the net-net has been huge. Innovation of this kind, that is grounded in how activity, work, process of socialization are fundamentally altered, and in real greater freedom for the individual and different scales of collectivity, is of a real kind. People, communities, posterity benefits as a result of such risk and such flows of wealth. This must be contrasted to what has been termed as innovation in the financial field though. Innovation in the financial field is often not based on real tangible development.

The recent US-based housing crisis is a perfect example. Sub-prime type mortgages were securitized. Traditionally mortgages were one-to-one transactions; i.e., a bank gave a loan to an individual to buy a house after significant due diligence, and the buyer of the loan then made principal and interest payments to the bank until the loan had been paid off. The bank owned the reward and the risk. With mortgage-backed securities however, an Investment Bank created a Special Purpose Vehicle to pool mortgages together that it then sold to generate additional revenues. Thus, the originating lender of debt was first rewarded for issuing the mortgage. There was no risk they took on and therefore the level of due diligence and risk monitoring was completely removed. That mortgage was then pooled with many other such mortgages and marketed as a robust investment opportunity.

After all according to portfolio theory, which anyway is more applicable at the mental as opposed to the vital level and therefore quite inapplicable in current times, pooling assets will minimize overall risk and therefore in theory there is no more need to conduct due diligence – just keep adding in assets of different types, even if they are different types of mortgages, and all will be well. Securities were created and these securities were sold to investors around the world. Obviously the value of money gets inflated as a result. The buyers of the securities now in effect get paid a monthly payment by the would-be homeowner. The buyers of the securities can further sell financially-manufactured products based on that same tangible asset, and the value of money is further inflated. At the end of the day, if creation of money is not backed by an equal creation of tangible value then the world suffers in the bargain. But all recent financial innovation has been of this kind. A whole breed of mushroom-type activity is set up (Malik, 2011), and all the while everyone thinks everyone is getting richer. Financial returns of these mushroom companies increases. This draws more funds, and more of the same irrational type

cycles are initiated. A mega-bubble is created that ties everyone to illusory assets—when this one bursts, then real trouble results.

The 2008 global financial crisis was the result of over-dependence on toxic assets of this nature. They were toxic because they were not based on any real tangible value. There is one level of toxicity when adequate due diligence has not been performed—this of course was the case. There is another level of toxicity when the very same tangible product, the house, is used to inflate the flow of money in the economy. Creation of securitized mortgage and other products assured that. There is a third level of toxicity when highly leveraged funds such as hedge funds now focus their resources on the securitized products thereby in effect severing all links with reality. For now the game is focused on the illusory bubble and the asset at the center of this, the toxic securitized products, becomes collateral and a starting point for a whole array of additional financial innovations. The fourth level of toxicity is that such assets are viewed as assets rather than liabilities, in the first place. This points to the toxicity of the financial system itself which allows such meaningless valuations to drive, what is at the end of the day, highly destructive activity negatively affecting the lives of millions of people.

Clearly, when these two bubbles are contrasted—the Dot-Com bubble and the bubbles that followed it—discrimination as to where to invest has to come to bear. If all we focus on is the claims of organizations that they are generating huge profit, because they happen to be at the center of a financial innovation type bubble, at the end of the day that is like spreading a cancer through society because destructive wealth-diminishing type activity has overtaken productive activity. Claims by companies, and fluctuations of stock prices can hardly be taken at face value. A deeper penetration, a deeper, more meaningful array of metrics that indicate the truer ground-level value needs to be front and center, and become the arbiter of whether or not to invest in a particular stock. This will require corporations to become truly more accountable to society.

The U.S. Bear Market of 2007-2009

The U.S. bear market of 2007–2009 was declared in June 2008 when the Dow Jones Industrial Average had fallen 20% from its October 11, 2007 high (US Bear Market 2007-2009, n.d.). The underlying reasons for the bear market are of course related to the underlying levels of toxicity already described, and elaborated by the many shortfalls already pointed out in previous chapters.

It is useful to note though, that the Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 large companies on the New York Stock Exchange. A price-weighted index is where the relative price drives the weight of the company in the index. That is, stocks are included in proportion to their quoted price. Companies on the DJIA primarily from the food processing, oil & gas, pharmaceuticals, banking, and retail sectors. Many of the companies represented are quite frankly yesterday's as opposed to tomorrow's companies. From this point of view, since we are operating at the vital-level, there is going to be a bias to support companies that are perceived as hot in terms of returns. In other words, we will be funding the continued acceleration of hot-spots. Money will go where money is, and will not necessarily be driven by the truer underlying value of a company, that will tend to be better captured by following a fundamentally-weighted index.

Capitalization-weighted indexes tend to be more like price-weighted indexing but vary in that it is the market value of the company as calculated by number of shares outstanding that gives it its relative weight in an index. From this point of view, capitalization-weighted indices will also be biased toward the vital consciousness. If something is attracting a lot of money, it will attract more, regardless of truer underlying value. Underlying value may be there, or it may not, but that tends to get obscured in this perception. Note that if we were in a reality of Efficient Market, truly operating at the mental-level, then both price and capitalization weighted indices would likely be a superior approach to fundamentally-weighted index since the wisdom of many different stakeholder groups would influence demand for a stock.

In research conducted by Arnott, Hsu, and Moore (2007), forty years of back-tested Indexes weighted by any of several fundamental factors including sales, EBIT(earnings before interest and taxes), earnings, cash flow, book value, or dividends in U.S. markets outperformed the Standard & Poor (S&P) 500 by approximately 2% per annum with volatility similar to the S&P 500. In non-U.S. markets, fundamentally based indexes outperformed capitalization weighted indexes by approximately 2.5% with slightly less volatility and outperformed in all 23 MSCI EAFE² (Europe, Australasia, Far East) countries. Even the fundamental indexation, from a sustainability perspective, is narrow, and more sustainability-oriented indexes that get to the true drivers of long-term wealth-creation need to become the arbiters of whether we are truly in a bear market or not. The point is, we may declare a bear market but that is hardly the case because we are just looking at the wrong metrics of development. What the decline of the common indexes may really be telling us is that an old vitally-driven world is drawing to an end. But we still do not have adequate metrics in place to see the dawn of a newer mentally-driven world. Stock markets need to be driven by these newer mentally-driven indexes so that we may hone in on, and rightly invest in tomorrow's world.

There has also been some significant legislation in the US that has exasperated the global financial crises, increased volatility in markets, and further obscured sense in the stock market. Significantly, the Gramm–Leach–Bliley Act (Gramm–Leach–Bliley Act, n.d.), also known as the Financial Services Modernization Act of 1999. It repealed part of the Glass-Steagall Act of 1933, opening up the market among banking companies, securities companies and insurance companies. The Glass-Steagall Act prohibited any one institution from acting as any combination of an investment bank, a commercial bank, and an insurance company. The Gramm–Leach–Bliley Act, by contrast, allowed commercial banks, investment banks, securities firms, and insurance companies to consolidate. It also allowed traditional investment brokers to create and sell high-risk investment products to traditionally low-risk commercial banks.

Considering the sub-prime mortgage crisis just discussed, what this means is that through the action of Investment Banks, the toxic assets were now widely distributed and in effect became an intricate part of the global financial landscape. It was inevitable that much of the edifice would have to crash, given that it was being rebuilt on such a flimsy foundation.

² The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. The EAFE acronym stands for Europe, Australasia, and Far East. The index is market-capitalization weighted.

The Sarbanes–Oxley Act of 2002, also known as the 'Public Company Accounting Reform and Investor Protection Act' and 'Corporate and Auditing Accountability and Responsibility Act', is a United States federal law enacted on July 30, 2002, which set new or enhanced standards for all U.S. public company boards, management and public accounting firms. The bill was enacted as a reaction to a number of major corporate and accounting scandals including those affecting Enron, Tyco International, Adelphia, Peregrine Systems and WorldCom. These scandals, which cost investors billions of dollars when the share prices of affected companies collapsed, shook public confidence in the nation's securities markets. The act contains several sections, ranging from additional corporate board responsibilities to criminal penalties, and requires the Securities and Exchange Commission (SEC) to implement rulings on requirements to comply with the new law. The SEC adopted dozens of rules to implement the Sarbanes–Oxley Act. It created a new, quasi-public agency, the Public Company Accounting Oversight Board charged with overseeing, regulating, inspecting and disciplining accounting firms in their roles as auditors of public companies. The act also covers issues such as auditor independence, corporate governance, internal control assessment, and enhanced financial disclosure. Some have denounced this act stating that it has caused capital flight from the US because of the additional onus on companies to comply with this. This is a typical vital-level response, and in the scheme of things, so long as we continue at the vital-level, is absolutely necessary to help keep sanity and further disastrous break-down typical at the vital-level.

The Greek Debt Crisis of 2010

The Greek Debt Crisis of 2010 brings up some very fundamental questions. Issues of national sovereignty, and therefore centuries-old wealth as established by deep cultural and spiritual values made evident in the uniqueness of a nation, versus adherence to stability measures at the regional collectivity level of the European Union come face to face in such a crisis. So too does the notion of wealth itself. Is wealth the one-dimensional trait as captured by modern-day currency, or is wealth multi-dimensional, transcending today's notion of it? Answers to these questions need to determine the limits and rules with respect to investment and speculation. This is true of financial markets in general, and also may suggest how stock markets are to be redesigned.

Is all of life tradable? Or should limits be placed on what can be speculated on and what cannot. If an institution opens itself to seeking for loans, how far should the consequences of default go? Like the story of Shylock the money-lender in Shakespeare's Merchant of Venice, what does a pound of flesh mean? Is it okay to reduce the soul or spirit of a country to nothing? Are austerity measures sending many into a state of poverty and compromising deeper spirit, the blood in Shylock's pound of flesh, and therefore off limits in trading or speculative relationships? What is the responsibility of a country to its people? It is almost as though the very basis of money-creation has to change. A rich, cultural community should have the bases for creating money based on its richness. It is a failure of government if this cannot be done. If natural talents and indigenous ability of a country cannot be utilized to mobilize creativity, then the government needs to pay for that in some way. This may be through social rebellion, as in the riots that plagued Greece following announcement of austerity measures.

The US Government's handling of the financial crisis that has hit USA over the last several years is a case in point. The Government has set new standards of intervention that seem to be progressively adopted by other Central Banks around the world. Its primary goal has been the facilitation of the flow of money in the economy to counter any possibility of deflation. Hence, not only has the Federal Reserve been a lender-of-last-resort to established commercial banks, thereby extending them an unprovisional line of credit to minimize the possibility of bank-runs, but it has also become the lender-of-last-resort to non-depository financial enterprises. Even those financial enterprises that were at the center of causing the crises in the first place were in effect 'forgiven'. Given the goal to assure flow of money and business transaction, and given the extent to which the financial world is in a sense a monopoly, a domino-effect that may hit innocent business could not be allowed to occur. The Federal Reserve in effect bought all the toxic assets on the balance sheets of US-based financial institutions (Roubini & Mihm, 2010). Because the US is a leader in the world by contemporary standards, the US dollar still commands respect and has proven to be a currency of investment amidst the global uncertainty spawned by the global crisis. This is so even though it lay at the center and was the starting point of the global crisis. Through these actions the US has preserved its infrastructure and asset base, and at a deeper level, its current culture, that very well could have become the target of internationally-led takeovers. In fact, the Federal Reserve has also extended swap lines so that Central Banks in troubled countries have been able to exchange their currencies, whether it be Swiss Franks or Japanese Yen or British Pounds, for the US Dollar, thereby in effect forgiving US Dollar-denominated loans in respective countries, while further strengthening the place of the US in the world. While this is admirable, at the same time the viability of money created to back toxic assets is clearly questionable. Such a deal has to have its negative effect sooner or later. Let us hope that something is quickly done to allow more 'positive' money to be created.

When we think about the Greek debt crisis, the question is, does Greece too not have a right to preserve its infrastructure and asset base and deeper culture? Because commercial enterprise is prized in today's world, and the institution of business is generally placed on a pedestal, we recognize and acknowledge the power held by USA. But every country has its strength and uniqueness, even though it may not be commercial. Why shouldn't then, their cultures be held intact and upheld? Greek people, as have the people of Mexico, S. America, S.E. Asia, Russia—wherever recent financial crises has struck—have been subjected to austerity measures and many have been permanently displaced as a result of bankruptcies. Arguably the social and environmental capital of these countries have been permanently negatively affected in the bargain. Does this mean that a country has to be commercially dominant to guarantee its place in the world? Because of its inherent commercial strength the USA was able to preserve its way of being, pretty much untouched. If countries such as Greece have from the outset established a different social contract with their people and have followed deficit spending as a result, it too should be able to wipe the slate clean and 'forgive' its accumulated errors, whether through innovative monetary or fiscal policy, as has USA, or simply as an application of what is to me an inherent principle of existence, whether for a person or for a country. And it should be able to do this on the promise of its unique wealth it brings to the world—not commercial wealth which frankly is incredibly one-dimensional, but on the bases of increasing the multi-dimensional wealth and therefore longer-term sustainability of the world.

If a country is to use fiscal policy to solve its ills, then the choice of where it invests money is critical. Road projects are well and good. But there are many environmental and social issues that need to be urgently addressed, whether of building up environmental capital through the replenishing of ecosystem services, or of building social capital through the creation of robust communities, for example. If Government is going to pull money out of thin air, such acts should be quickly grounded to create real benefit and a source of future wealth, at the very least, for the country. Deficit spending that is going to yield substantial positive returns even if they are 5, 10, or 20 years in the future should hardly be penalized. In the vaster scheme of things such social and environmental investments increase the wealth of the world. For is not every single resource we utilize in every single enterprise of any kind a part of the earth, and even of the splendor behind things? To therefore reinvest in it, as opposed to groundless financially-based securitization, Ponzi, and other financial-innovation type schemes is money well spent.

Greece as part of the European Union (EU) is unable to freely exercise monetary policy. This is part of the deal of becoming a part of the EU. Slapping on austerity measures in exchange for better borrowing rates from EU originated loans means, in effect, that even Greece's freedom to exercise fiscal policy is being curtailed. As a country, when one compares a Government's range of responses to crises between USA and Greece, for example then, it is clear then that Greece is fast losing control over its country and its people. It is being subsumed into a global financial protocol and machinery that recognizes bottom-line financial return only, and under this trajectory Greece will not be Greece for much longer, but just another clone in a senseless monopoly seeking for a headless and irrational world-dominion. If this is not a tragedy then what is? Clearly this has to be stopped in its tracks.

In a Financial Times article Niall Ferguson, the author of *Ascent of Money* (Ferguson, 2010), reflected that it is poignant that the financial crises of the West have started in Greece, the birthplace of Western Civilization, and is spreading from there, just as Western Civilization spread from there. Let us hope that this crisis is viewed as more than a spreading financial crisis, to get to what it really is—a failure to perceive and align with the deeper and truer meaning of wealth. Stock markets have to be redesigned to facilitate the emergence of such wealth.

Concerns over a European Sovereign Debt Crisis also arose with respect to Spain, Portugal, and Ireland, in addition to Greece. As one steps back from this, the question is what is the EU about? A union must be based on more than economic convenience. It is the short-fall of our times that economy is placed above the possibilities of the human spirit. No doubt excellence with respect to economic matters is desirable. But let us make sure that the economic is such that such excellence is based on something enduring. If a country has to sacrifice part of itself, and lead many of its people toward displacement, then the Union is likely not integral enough. For countries to come together in a sustainable way, all aspects of wealth have to be developed. Investments should recognize this, and creation of money should be based on such a holistic generation of wealth. Likely the intent of the EU needs to be expanded and deepened. Financial and stock market action that supports such an expanded and deepened purpose behind the EU is what should be focused on.

Conclusion

Hence, the fundamental direction implicit in the nature of subsequent market crises is such that it fully unveils the meaning of wealth. A seed gives rise to a stalk which gives rise to a flower. Our arbitration of wealth has been primarily one-dimensional and so long as this orientation continues the entire 40-year build-up from the early 1970s until now will be repeated, only with much higher intensity. It has been said that the current global financial crisis of the last few years is much like the Crash of 1929, also known as the Great Depression. This is true, and also not. The Crash of 1929 was on a much smaller scale. With the changing of the times and the surfacing of a far more integral and global consciousness the last four decades have been such that financial dysfunction has been united, in a manner of speaking. When we solve this current tug-of-war between the vital and mental orientations, the world will be a better place for it. The truer, and multi-dimensional meaning of wealth will have been unveiled. All that will remain to be done is for policy and regulation to allow such multi-dimensional wealth to be actively pursued and to persist.

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