

Failings in the Management of World Affairs



Andrew KILNER

Abstract

This paper is a sequel to the previous one (HMM, Volume 5, Issue 2, 2015) evaluating possible improvements in the management of companies and national economic affairs. It extends the analysis to consider international problems which have now come to dominate the world scene.

Keywords: management, organization, leadership

JEL Classification: M10; M14; F10; F20; F33; F42; F50; Q50

Background

In the Management Excellence (ME) book of 2010** there was already a chapter devoted to this topic. In classical management process fashion it was based in turn on the key elements of leading, organizing, controlling and planning. It thus identified weaknesses in the conduct of our leaders which were often due to the inefficient political systems in place or to organizations constructed in ways which led to ineffectiveness of action and inability to pursue even a modest amount of planning. Similarly it highlighted the lack of controls in crucial matters of financial transactions, trade etc.

Within the book were established lists of problems needing to be addressed categorised under the headings of:

A. Issues for International Action

B. Issues for Individual (developed) countries

This list available on the link http://resappmanexcell.homestead.com/Major_Issues.pdf is attached as an Appendix to this paper and serves as a basis for further and updated analysis as follows.

Major Issues in 2015

It has become convenient to group these under three main headings which will be discussed in turn.

1. Economic & Social

Two basic causes were at the root of our problems and they failed to be controlled by relevant organizations as cited below.

Firstly the financial crisis triggered off by the subprime scandal of 2007/8 not mastered by the likes of the IMF, Federal Reserve, EIB, EU until several years later, and even then by preferentially saving the banking institutions and the assets of the rich at the expense of imposed austerity measures on citizens and small firms.

Secondly globalization which having originally brought the benefits of variety and lower prices, was allowed by the WTO and EU to go too far thus harming the productive economies of western nations just trying to recover from the financial crisis.

The combination of the two above factors has brought increasing levels of citizen poverty to every country-even those like Germany & Poland who were able to maintain some growth in national indicators like GNP during the recessions elsewhere.

These poorer classes have naturally reduced their consumer demand and seek ever lower prices which, coupled with competition from the increased number of global suppliers, heavily cut down company margins and discourages investment in conventional goods. The explosive situation in the French pork, beef and milk sectors is a good illustration.

Unfortunately our leaders seem unable to understand this basic situation still 'hoping' for recovery in growth and employment - even though the majority of new ventures which do create some growth tend to destroy more jobs in other sectors than they themselves create.

Catering for the new poor who seek lowest cost services (car sharing, flat rental, autocars etc.) seems to be a profitable activity for many entrepreneurs but these will seriously reduce the return on past infrastructure investment made by traditional companies in sectors like hotels and railways.

The EU had proposed massive new investments in infrastructure etc. but how are these to be funded as most nations are running deficits and companies are finding other less risky but non value creating destinations for their funds (TV publicity, financial dealings etc.)

Furthermore, much infrastructure investment has tended to go into facilities for amusement or office type projects based on past expansion forecasts now unlikely to be realized.

In conclusion, national and EU politicians have to become realistic and admit that future prosperity is limited - and that is not yet counting the demands of the environmental and geopolitical issues discussed below. However, as we all know, refusing to be optimistic and able to solve all problems has not been a recipe for winning elections!

2. Environmental

Despite so much recent evidence, there are still many people who say global warming and its various effects on climate, are just perennial fluctuations rather than structural problems which need urgent attention. At the other extreme, numerous famous scientists like Frank Fenner said that it was already too late to reverse the situation in 2010 and the substantial population increases would accelerate the oncoming disasters. To these has to be added the subsequent tendency to withdraw from nuclear power following the Fukushima accident.

It is hard to place specific blame on our lack of action during so many years as countries have naturally been seeking to improve their economies since the period of the end of the second world war and are now hoping to agree to a targetted programme at the COP21 conference in December 2015.

However what can be criticized is again their unrealistic optimism in that people will be willing to give up various aspirations like acquiring cars, that governments will give up available natural resources like lignite, shale gas which enhance their competitiveness, and that the huge necessary funds can be found to pay for the transition (as at time of writing even the COP21 organizers are short of money!).

3. Geopolitical

This is the area receiving most current attention because of the large number of conflicts and killings taking place all over the world. There are now 50 million displaced refugees and ,in financial terms, costing almost 15% of generated national product.

Of course conflicts have always been part of world history because of man's desire for power, territory and wealth and on a much larger scale during the two world wars. What seems to be different now is that instead of one global conflict we have a large number of smaller ones.

Most of these are not started by invasions and declarations of war, but by internal rebellions often based on the laudable aims of democracy and freedom from corruption and therefore outside the outmoded scope of resolution by the United Nations, the main body existing for this purpose.

New and different methods have therefore to be devised for dealing with them. Two specific cases will be selected for discussion.

a) Syria. The time for action was at the beginning when Assad started killing peaceful demonstrators in the streets. Because of Russian blockage of military action, serious efforts should have been made to persuade President Poutine to have this stopped, firstly in a friendly way but eventually by threats to arm the rebels. Later on another opportunity presented itself namely enforcing a no fly zone for Assad's bombers by missiles on US warships off the coast. Receiving no help from us one cannot blame the rebels accepting assistance from the islamists who were subsequently dominated by Daech fanatics which has led to them causing havoc all over the middle east. With no UN or US action, the burden in terms of refugees has fallen on the EU with the naively incorporated idealistic principles which had been conceived at the time of its creation.

b) Ukraine. This is in some ways the reverse of the Syrian case. Following the Maidan revolution of 2014 it was essential to pacify the feelings of the eastern regions by promising them more autonomy or perhaps even a form of federalism on the Belgian pattern. The EU should have more strongly pushed Kiev in this direction, which could perhaps have also included Crimea and thus avoided the Russian annexation.

In the event, some response to the Russian move was essential and stopping the delivery of the two French built warships was quite appropriate albeit at a considerable financial cost. The NATO exercises in countries near the Russian border were also appropriate (in contrast to their subsequent shameful decision to allow the Turks to re-awaken their conflict against the Kurds-our only effective ground fighters against Daech).

However the EU formulated ban on exports of consumer products was stupid as it mostly affected innocent Russian people and also western producers particularly of food items, who were already having a difficult time. In the longer term, this has permanently lost us important markets as Russian producers are effectively starting to fill the gap.

Conclusions

In reading this brief review the conclusion has to be that "things are running away from us". Little has improved since our book of 2010, much criminal activity is continuing or getting worse (corruption, drug trafficking...) and serious new problems have arisen.

True that the financial crises seem to have been mastered and Greece saved for the moment but most world economies (including the previously applauded BRICS) are in bad shape so that unemployment and poverty levels are increasing. New conflicts are adding to the misery of millions of people who, if they manage to avoid injury, face living in destroyed cities unlikely to ever be rebuilt because no funds will be available. Capital, more and more in the hands of the rich, is rather flowing to non-risky ventures like TV sport or exotic infrastructures. All this while population in poor countries (especially Africa) is expected to greatly increase adding to problems of climate, air pollution, food/water shortages etc.

What has happened in recent years is that many national problems have now become international and we lack effective international organizations to deal with them.

In Europe we created the EU but not altogether on a sound basis: unlike the USA states too many countries with widely different internal situations. As criticized in the ME book, the EU has given us little protection from external threats but pushed so much to increase competition among internal members that whole sectors of production are now being destroyed. Its policies have accentuated the gap between Germany with large trade surpluses and most other countries with deficits.

Their most recent directives regarding allocation of refugees does not take sufficient account that Germany needing manpower is in a quite different situation to most of the others (especially those in the south & east), who are much poorer with high unemployment levels - where therefore the migrants would not face a bright future. And at the end of the day, how many of the 50 million world refugees is the UE supposed to take?

It will not be easy to correct these shortcomings in the short to medium term but this is essential if the optimistic (80% in France), hopes of the young are to have any chance of ever being realized.

**<http://www.businessexpertpress.com/books/achieving-excellencemanagement-identifying-and-learning-bad-practices>

Copyright A. Kilner, September 2015

Appendix

MAJOR NATIONAL & INTERNATIONAL ISSUES

(adapted from the management excellence book of Prof. Kilner published by business expert press** in 2010)

Issues for International Action

The following issues go across national frontiers and can only be resolved by cooperation between countries:

Political instability, terrorism, organized crime, drugs

Financial instability & speculation requiring controls

Pollution, climate change, and natural disasters

Water shortage, waste disposal

Future energy sources: oil, nuclear, renewables, others

Raw materials & basic foodstuffs (shortages, rising prices)

Extreme poverty & health factors in less developed nations

Issues for Individual (developed) countries

The importance of the following issues varies by country, and each country can, to a large extent, search for its own solutions:

Corruption, black economy & taxation shortfall

Political systems needing modification to increase voter interest and reduce abstentions or conflicts

Controlling the economy by sole use of the interest rates parameter

Declining standard of living (and spending power) for all but the very rich

Unemployment (particularly youth & seniors)

Undesirable jobs with few applicants

Altering demographics & retirement funding problems

Immigration: pressures, needs, social integration

Security against local crime

Delocalization of manufacturing and services

Trade balance: increasing imports and declining exports

What to produce & develop? Hence appropriate education and training requirements

Budget deficits impacting spending on health, education, housing

****<http://www.businessexpertpress.com/books/achieving-excellencemanagement-identifying-and-learning-bad-practices>**

(Copyright 2010, A. Kilner)