

Restoring the financial and social prestige of economies - an alternative way



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POINT OF DEPARTURE: **Present situation**

Current financial situation together with imperative requirements of change.

The need to reconsider individual and each unit missions as part of a world demand to save the international society, no matter the political or development degree.

Research

The general idea of **development differently understood** put us in the situation to treat development in different way (good thing) but sectorial or short time strategies for which finality hasn't work for the long run benefit (bad thing).

The main idea consists in **how the entire society** (via its economic, financial, educational and research components) **enlarges sound deep communication** for to training future generation into accepting and using a parameterised (better) contribution to the sound development of the world.

We think that there is an alternative; one where we **live within the limits of the natural world and more fairly with each other**, locally, nationally and globally; where we focus on the things that really matter, applying our core human values to what is really valuable.

We estimate that the measures proposed would create up to £8.65 trillion of environmental and social value in the coming 30 years.

FACTS....

- The world financial collapse already accepted.
- The intelligentsia has created the dawn of a climate strongly supporting fundamental changes in economics as a discipline, without having significant effect yet.
- The lack of liquidity is more and more seen as strangling only the productive economy instead of showing the societal hidden problems as well.
- The banking system, despite large profits claimed along years is not lending enough to keep stable at least the economic not talking about its social side (unemployment, debts, poverty, corruption).

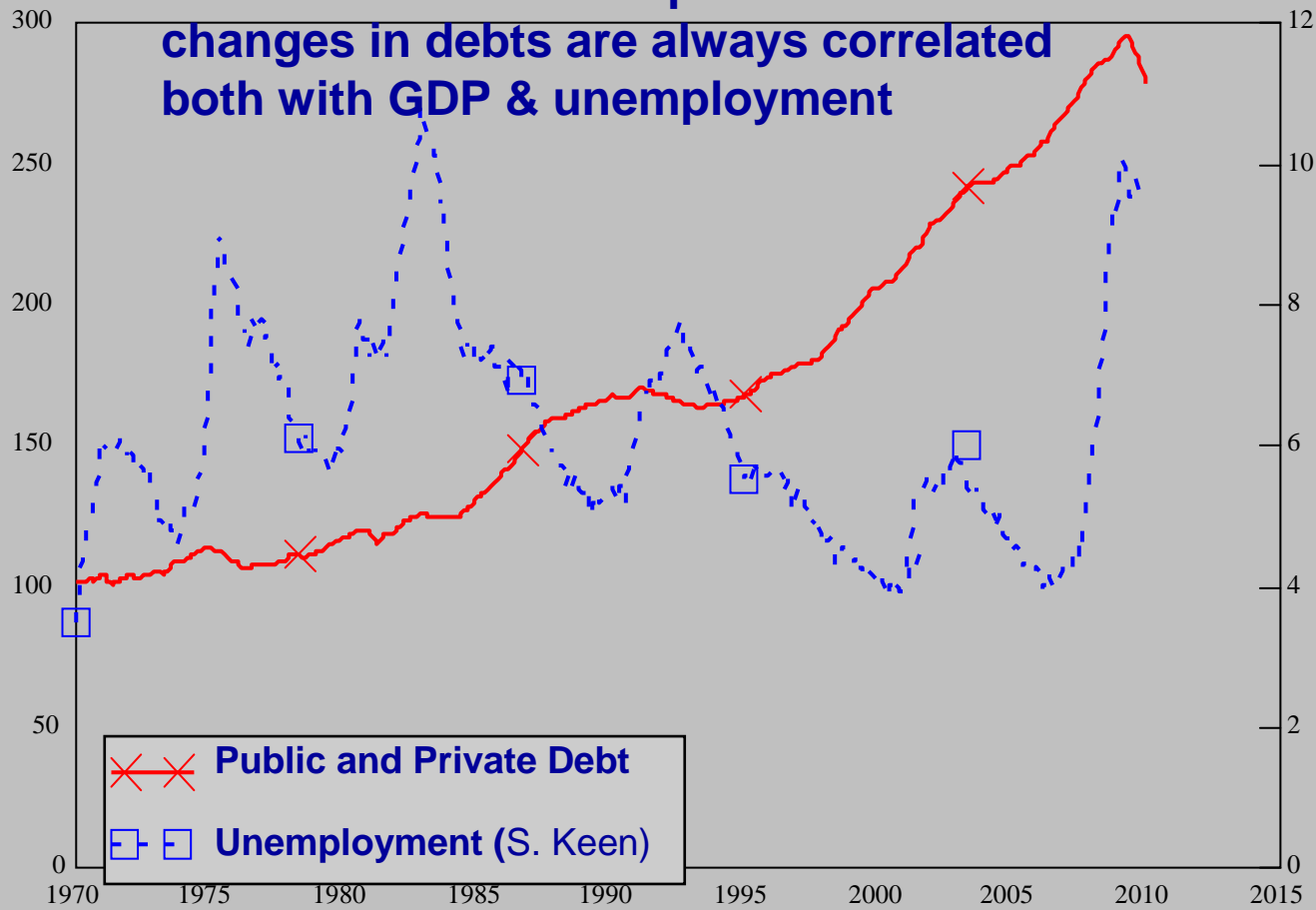


Percent of GDP

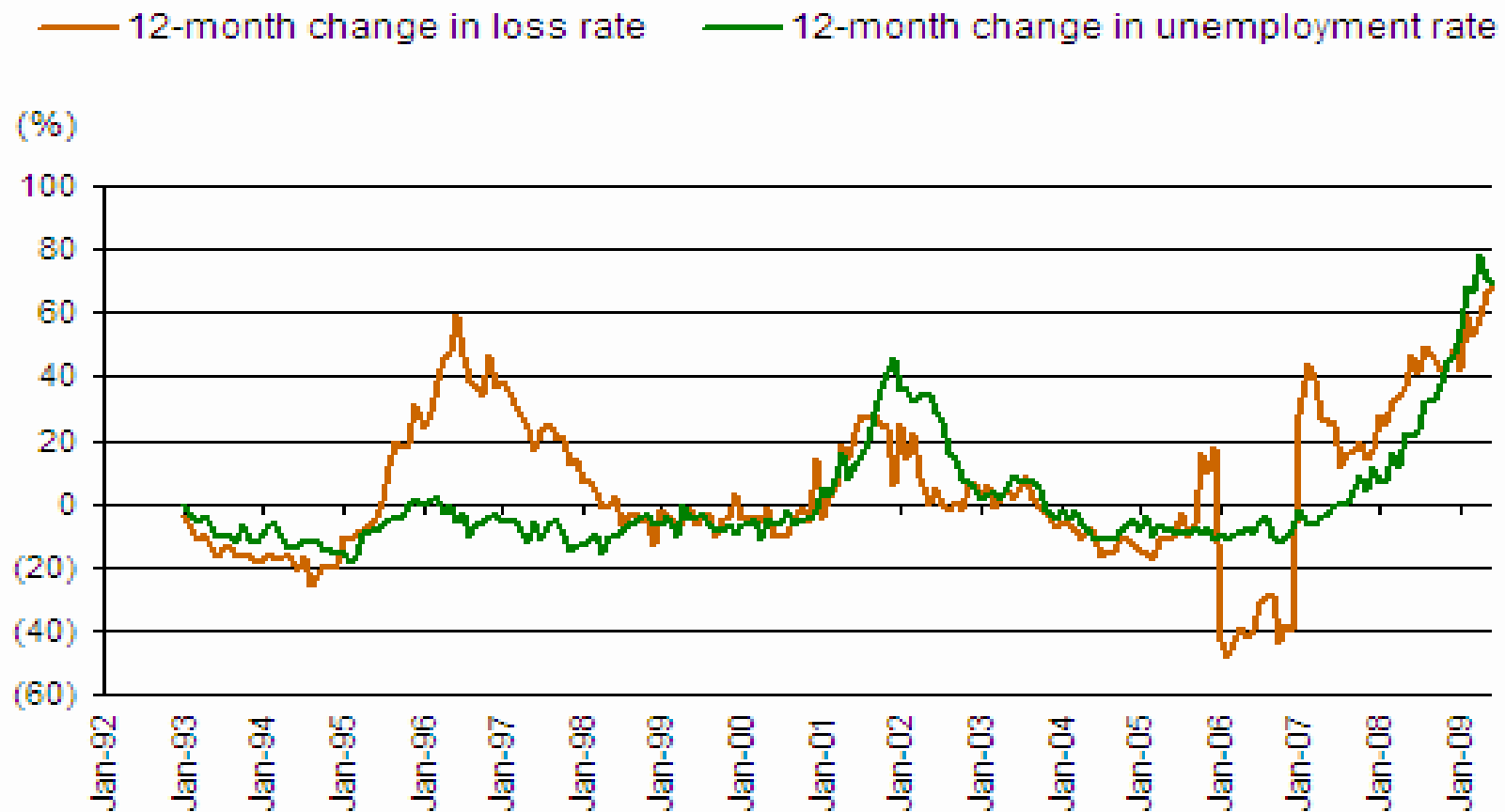
..... And PROOFS

Percent of labor

Statistics and studies proved that the changes in debts are always correlated both with GDP & unemployment

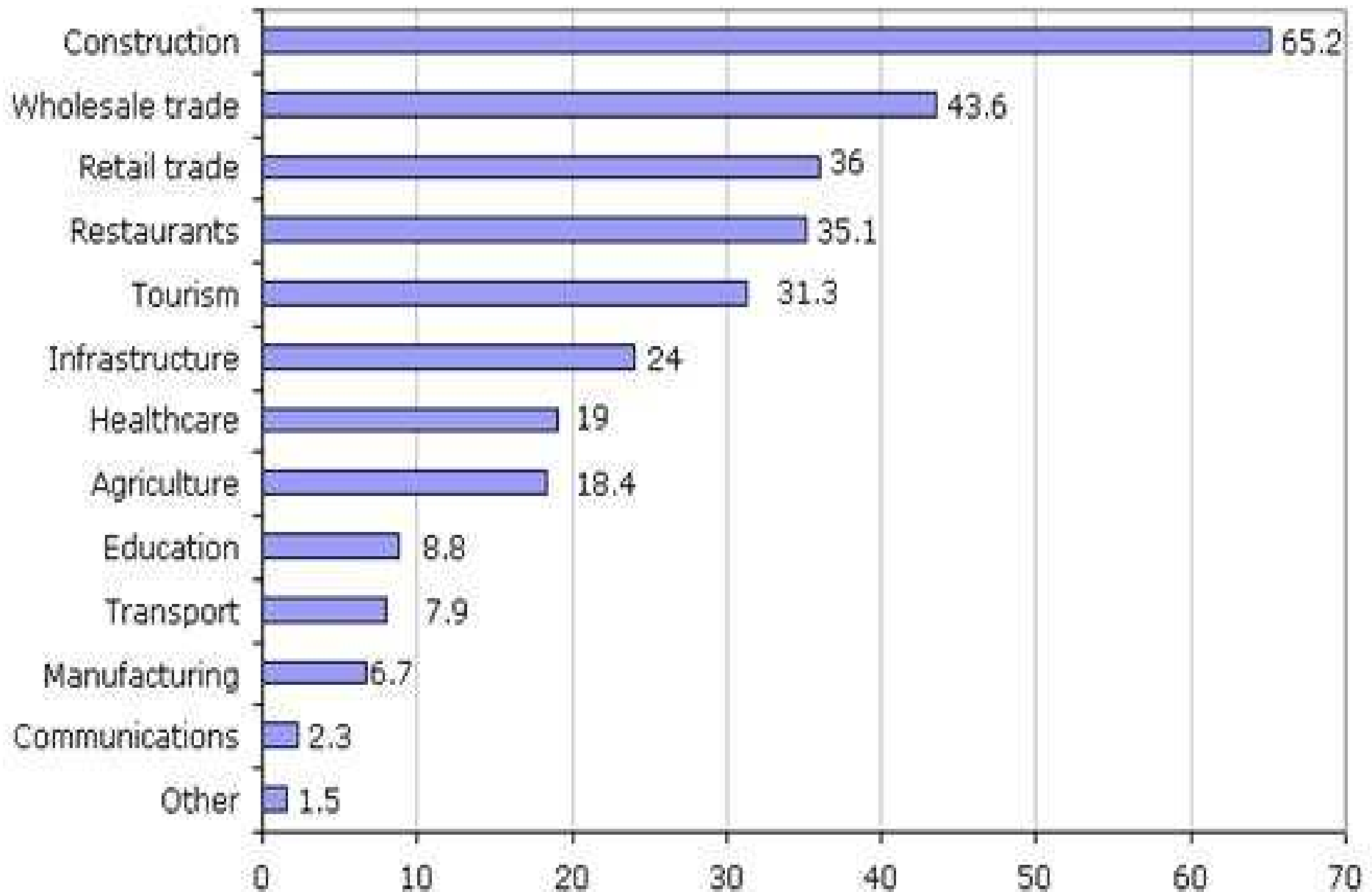


U.S. Credit Card % Change In Loss Rate Versus Unemployment Rate



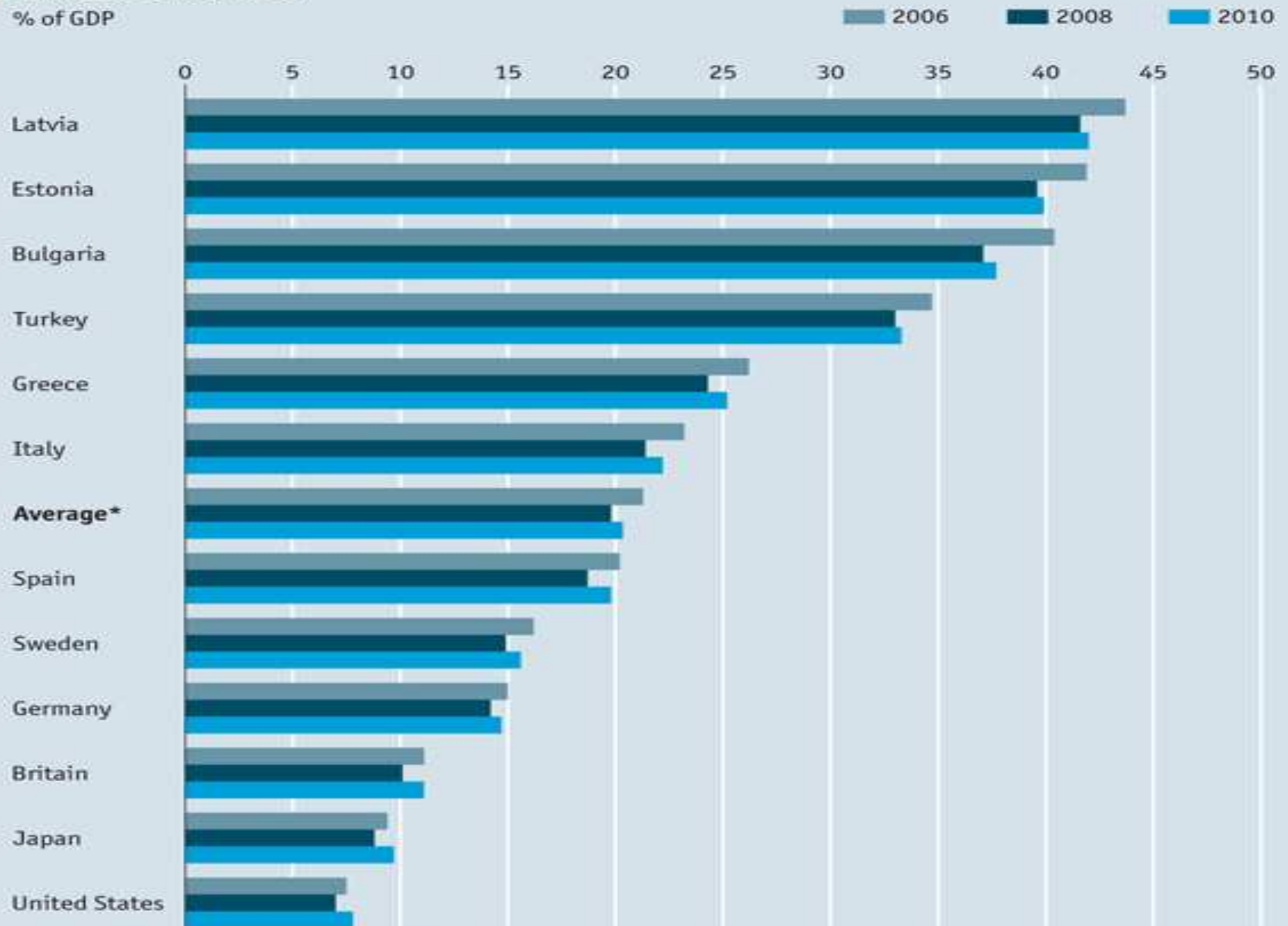
Source: Standard & Poor's and Bloomberg.
© Standard & Poor's 2009.

Contribution of informal and hidden activity at the creation of GDP



Shadow economies

% of GDP



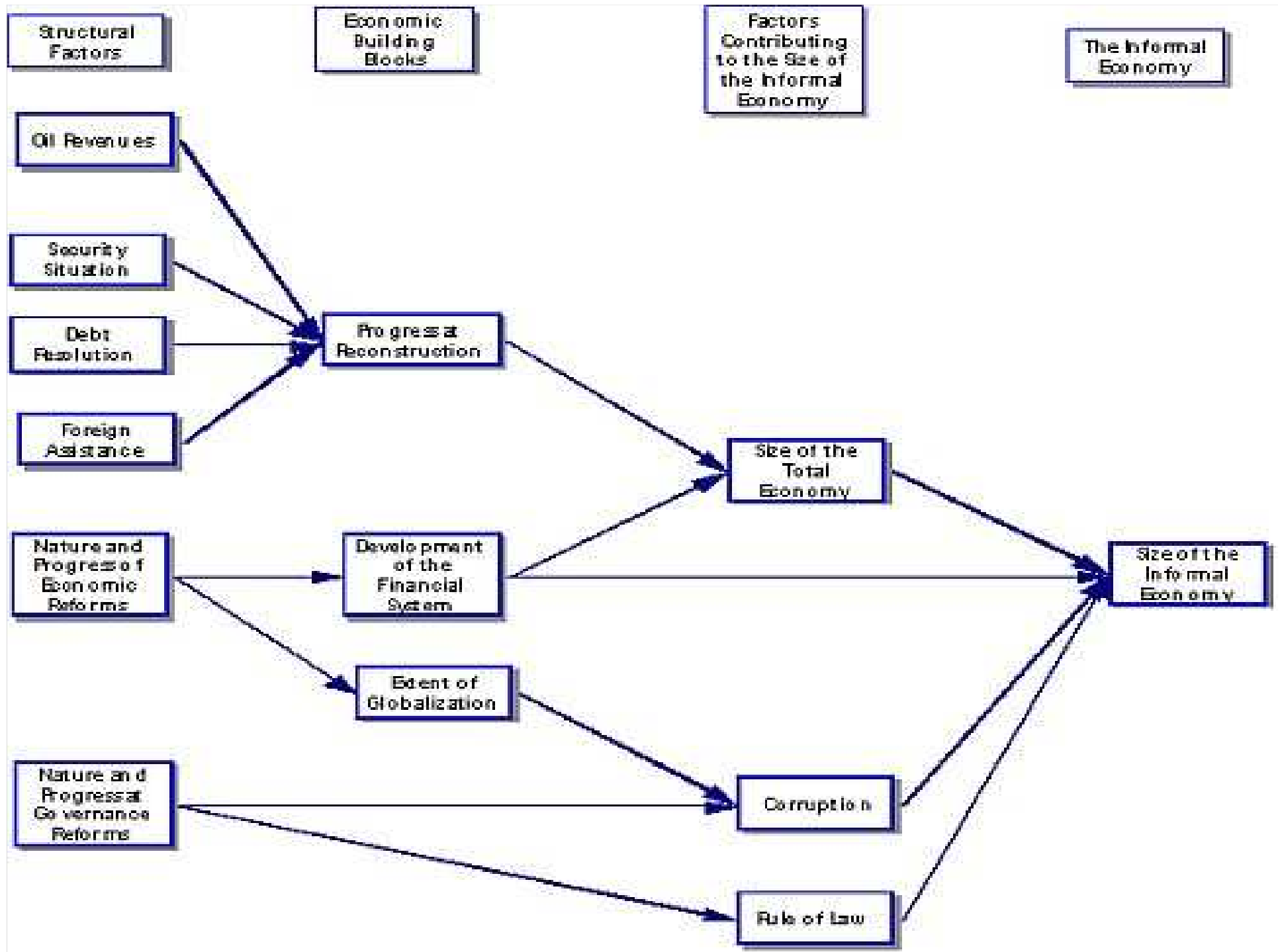
Source: Friedrich Schneider, University of Linz

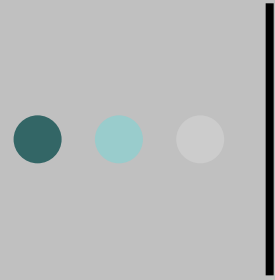
*Of 37 countries



**There is a life beyond the formal economy:
a hidden movement occurring on an international level and
affecting all sectors**

- With a top management oriented to unavailing discussions of economy and life inside the society, the so-called *smart guys* propel a hidden octopus, widespread a networked process of laundering money using the informal support of the legal active procedures.
- The implications of this phenomenon lean to be framed in terms of profit loss for the public sector: tax evasion, non compliance with legal procedures and norms, stressing the labor quality, the economic behavior, and the robustness of the future generations.
- The hidden economy is invisibly running a parallel but strong activity, perfectly patterned, respecting specific customs based on a variant nonverbal definite communication, encouraging unfair competition and hot money/short run and investments.
- **PURPOSE** : characterize the present development status to identify precise roles which market planning, law application and decentralization need to play in the emerging development phase.





False reform against false growth : The changes in debt are so great that it swamped the impact of GDP itself in **determining the level of employment and informal economy** more than ever present due to unrevealed consequences and combination of **digitalization and globalization suppressing more than ever the reform** - sensitised and even superseded by inadequate institutions developed within the last years.

False competition against performance and excellence: The massification of the fight for profit contributed to **acceleration of competition** in a more technical then performing way bringing to us more dangers than values, more worries than satisfaction.

We are now facing the imperative need to mark awareness for sound responsibilities against formal duties to demonstrate excellence via diversity following an alternative way of sound prestige sized by value matrices as all institutions are together closed to major change and capable of resisting all attempts at serious reform (academia, companies, media, ONG and politics).



HOW



- strengthening the capacity of identifying the inadequate behaviour
- increasing the societal immunity
- innovation and seriousness in work via standard
- avoid manipulation in applying law and norms, avoiding the lack of timing in introducing the real required reforms internationally compatible and recognised. Increasing the formal contribution to the world benefit, via excellence print-off
- **new rankings** to calculate contribution by **real value print-off** at sight
- **new parameters** to analyse multidimensionality the relevance for community

A rough outline of how these goals could be realized has to be provided with an agenda for practical implementation in diminishing the informal economy as a preliminary model of a social prestige matrix and approach to differentiate assumed prestige and solved responsibilities.



Other systems of ranking countries: **Human Development Index, Happiness Index**


- There is no correlation between Human Development Index, Happiness Index with GDP Index.
- In 2004 Ronald Inglehart, Michigan Univ. ranked the first 82 happiest countries: Porto Rico, Mexic, Danemarca, Irlanda, Islanda, Elveția, Columbia, Belgia și Canada.
- "New Economics Foundation" did a similar analyze for 178 countries where Cuba is situated on the 2nd place, followed by several Latin-American countries (Romania is the 120st).
- The ranking refers to the way the success can be measured and the ability to provide an agreeable standard of living by respecting in the same way the own environment

Indicators of Economic Development

Development

Normative concept

- ❓ Poverty?
- ❓ Inequality?
- ❓ Progress?
- ❓ Sustenance?
- ❓ Self esteem?
- ❓ Freedom?
- ❓ Sustainable?
- ❓ Primary/Secondary/Tertiary?




Human Development Index


Socio-economic measure

Non-monetary factors also included


Life expectancy - Longevity



Literacy rates - Knowledge



Standard of Living (Purchasing Power Parity PPP)



Growth

National Income


- ❓ Reliability of data?
- ❓ Distribution of income?
- ❓ Quality of life?
- ❓ Impact of exchange rate?
- ❓ Black/informal economy?

Gross Domestic Product (GDP)

Real GDP versus Nominal GDP




Gross National Product (GNP)

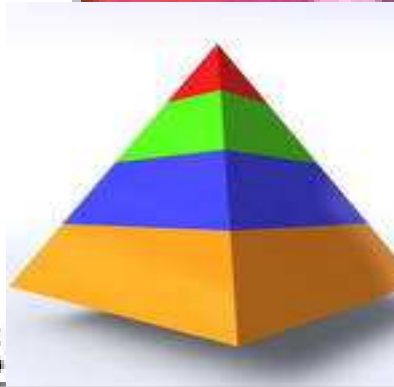
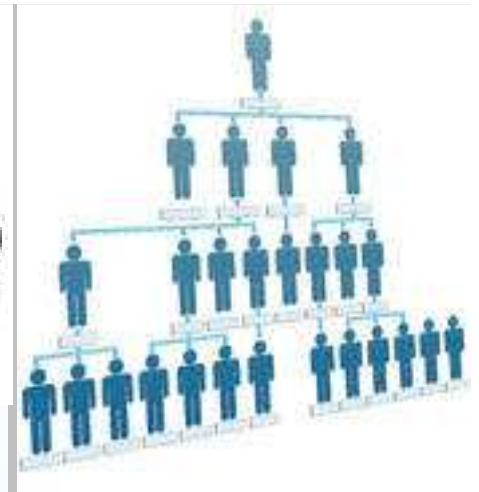
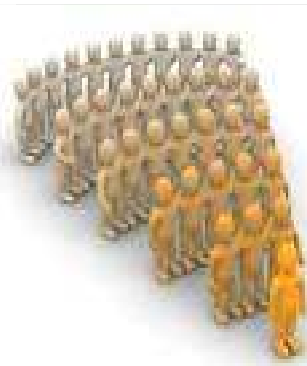
Per capita

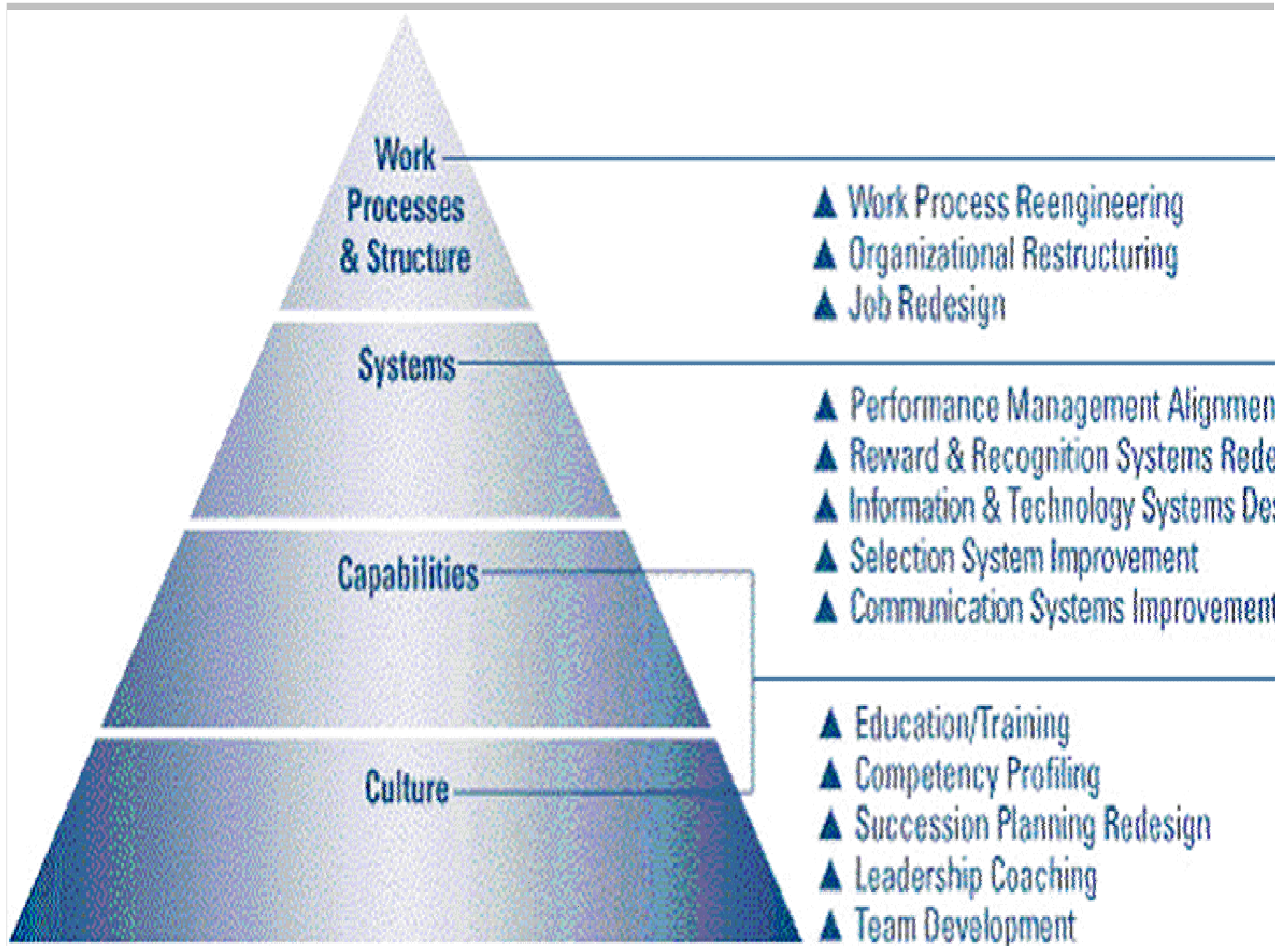


Other measures?

- Number of Doctors per head
- Number of Fridges per head
- Number of TV's per head
- Number of cars per family
- Disease Indicators
- Economic activity per sector
- Stress levels
- Crime levels
- Health Care data







Work
Processes
& Structure

- ▲ Work Process Reengineering
- ▲ Organizational Restructuring
- ▲ Job Redesign

Systems

- ▲ Performance Management Alignment
- ▲ Reward & Recognition Systems Redesign
- ▲ Information & Technology Systems Design
- ▲ Selection System Improvement
- ▲ Communication Systems Improvement

Capabilities

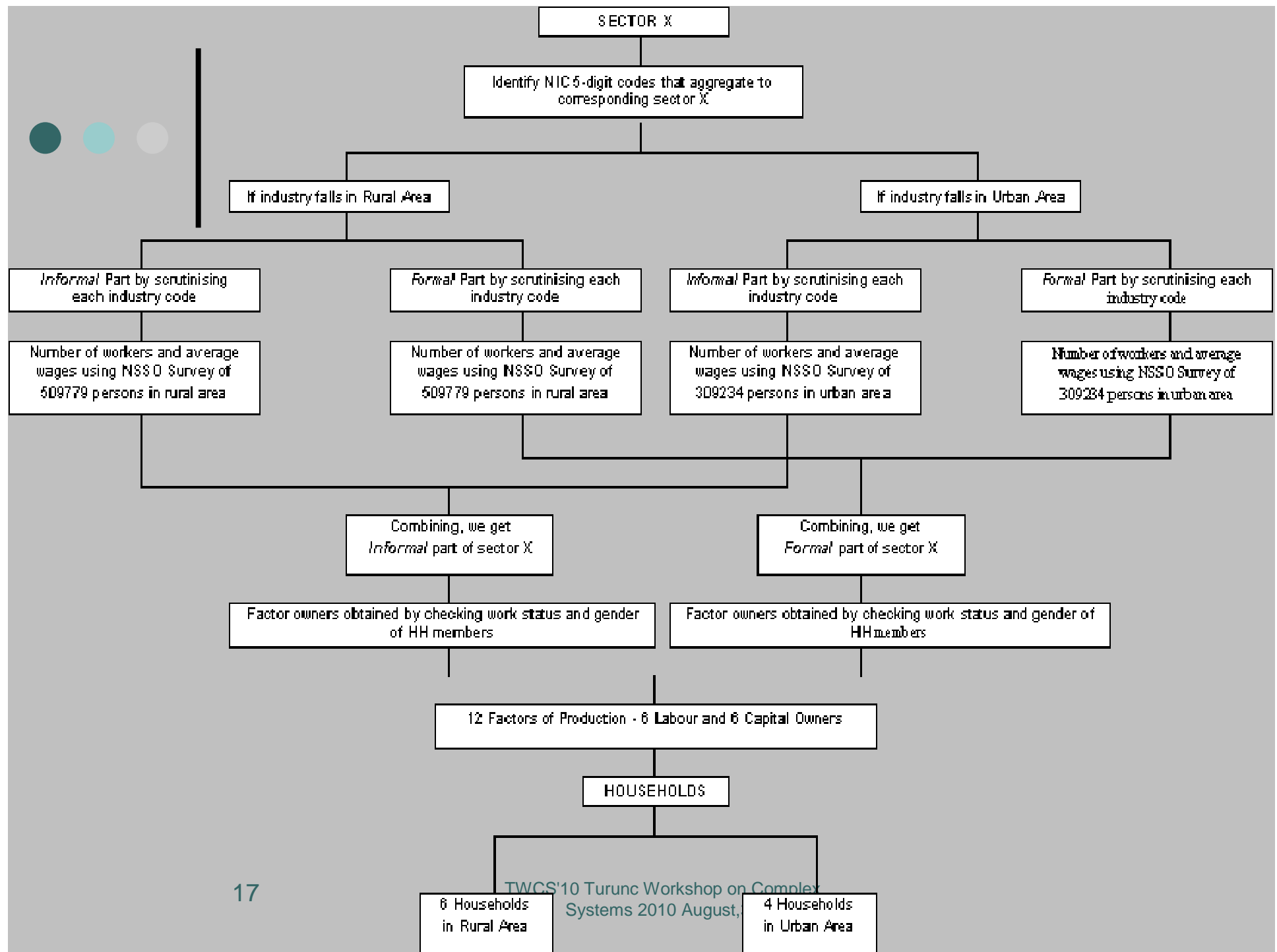
- ▲ Education/Training
- ▲ Competency Profiling
- ▲ Succession Planning Redesign
- ▲ Leadership Coaching
- ▲ Team Development

Culture

Table 4.1.

Developing the Knowledge Economy

Objective	Actions	Action By	Timescale	Key Performance Indicators
<p>Develop a world class centre of excellence for the knowledge economy – Waterford Knowledge Campus</p> <p>Develop a 163ha knowledge Campus at Butlerstown where world class research and innovation can be fostered through academia, entrepreneurship and collaboration with foreign direct investment</p>	<ul style="list-style-type: none"> • Agree a Memorandum of Understanding between IDA Ireland, Waterford Institute of Technology, Waterford County Council and Enterprise Ireland to develop a Knowledge Campus where industrial and academic clusters can be developed. • Prepare a Masterplan for Waterford Knowledge Campus that facilitates knowledge transfer between industry and academia and represents excellent practice in sustainable development, including renewable energy. • Prepare a Strategic Plan for Waterford Knowledge Campus, illustrating the principles of management of the Campus, the networks that will be developed and the focus on the changing nature of knowledge. • In the long term, manage the campus in a manner whereby knowledge and innovation remain the core principle of the site. This will be achieved by developing sectoral networks and improving industry – academic links. 	<p>WCC (Lead) WIT IDA Ireland Enterprise Ireland Private Sector</p>	<p>Oct 2009 June 2010 Dec 2010 Ongoing Bi Annual Review</p>	<ul style="list-style-type: none"> • MoU Agreed • Masterplan Agreed • Strategic Plan Agreed • No of FDI • No of Business Start-ups • No of Students • No of Academic Courses • No of Patents • Level of R&D Funding • Level of Public & Private Investment in Knowledge Campus
<p>Develop excellence in education in emerging economic sectors.</p> <p>Ensure that education institutions and training providers deliver excellence in the courses and research provided and that the academic and training agenda is at the forefront of emerging economic sectors.</p>	<ul style="list-style-type: none"> • Participate in a high level academic review group to identify emerging economic sectors and their academic requirements. • Further strengthen links with international centres of excellence. • Provide unskilled, semi-skilled and skilled workers that they can up-skill according to evolving needs of industry. • Improve the participation in technology, maths, science, and engineering in primary and secondary school levels. 	<p>WIT/WCC /Academia(Lead) FÁS County Waterford VEC Department of Education & Science</p>	<p>Oct 2009 – Dec 2014 Bi Annual Ongoing Oct 2009 – Dec 2014 Ongoing Oct 2009 – Dec 2014 Ongoing Oct 2009 – Dec 2014 Ongoing</p>	<ul style="list-style-type: none"> • No of new areas of academic research • No of international links • No of international students in Waterford • No of training courses provided. • No participating in courses. • No programmes put in place to improve awareness of sciences and technology in primary and secondary schools. • No of primary and secondary level students engaging in programmes.
<p>Enhance Access to Third and Fourth level education in County Waterford</p> <p>Provide an improved range third and fourth level courses to meet the needs of an advanced knowledge economy and improve standard of living for residents of the County.</p>	<ul style="list-style-type: none"> • Advocate the development of a University for the South East. • Investigate the scope to deliver additional third level courses on an out reach basis in centres throughout the County. • Support access to third and fourth level education particularly for disadvantaged socio-economic groups. 	<p>WIT/WCC /Academia (Lead) WCC Local Communities Private Business</p>	<p>Oct 2009 – Dec 2014 Ongoing Oct 2009 – Dec 2014 Ongoing</p>	<ul style="list-style-type: none"> • Progress on University for South East • No of academic courses provided in County Waterford (outside Knowledge Campus)
<p>Improve Industry – Academic Links</p> <p>Ensure that the skills of graduates meet the needs of industry.</p>	<ul style="list-style-type: none"> • Facilitate structured collaboration between industry and academia on a sectoral basis throughout the County. 	<p>WIT (Lead) EI IDA Ireland</p>	<p>Oct 2009 – Dec 2014 Bi Annual Review Ongoing</p>	<ul style="list-style-type: none"> • No of programmes that emerge. • No of companies engaged
<p>Provide training opportunities in areas throughout the County.</p> <p>Enable up-skilling by reducing the requirement to travel to training opportunities.</p>	<ul style="list-style-type: none"> • Develop locally based training programmes, potentially located in community facilities throughout the County. • Facilitate liaison between industry and training agencies to justify and develop an increased number locally based courses. • Define the specific needs of employers and employees. • Provide informal training courses that match the business needs of various sectors. 	<p>FÁS (Lead) WCVEC Chambers of Commerce WLP WCEB Local Communities</p>	<p>Oct 2009 – Dec 2014 Quarterly Review Ongoing</p>	<ul style="list-style-type: none"> • No of courses provided. • Location of Courses • Level of participation on Courses





Mobile Operators

Payment Processors

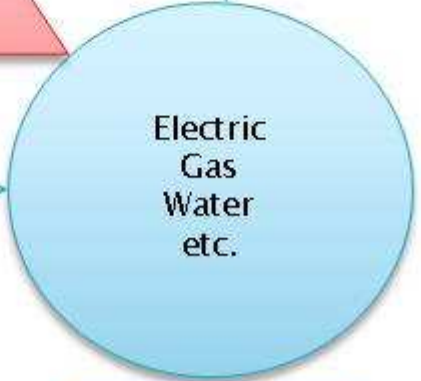
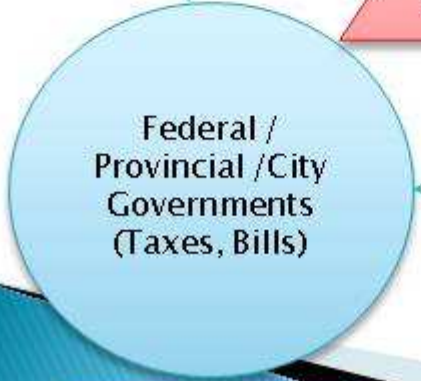
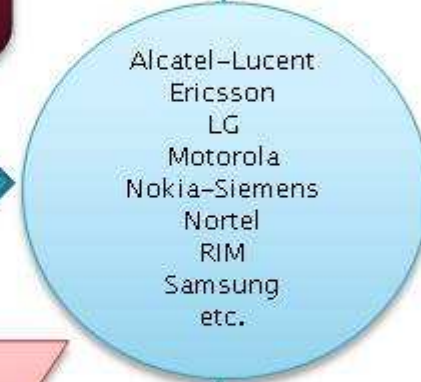
Banks & Credit Card Issuers



Ministries + Regulators



Equipment Manufacturers



Government

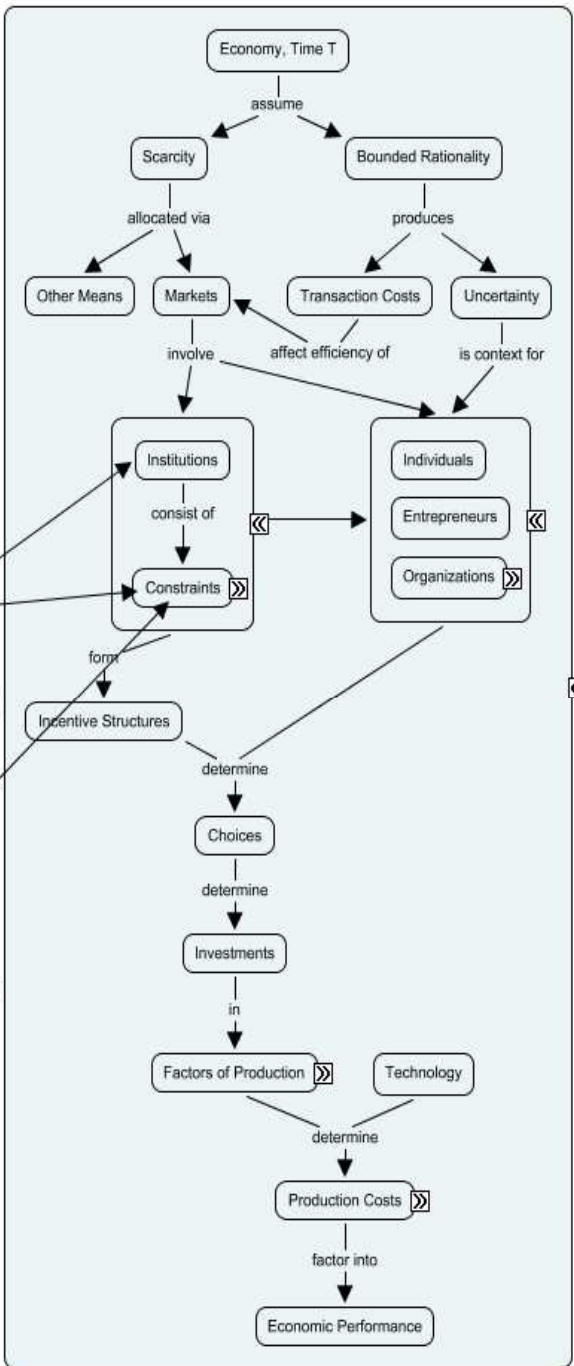
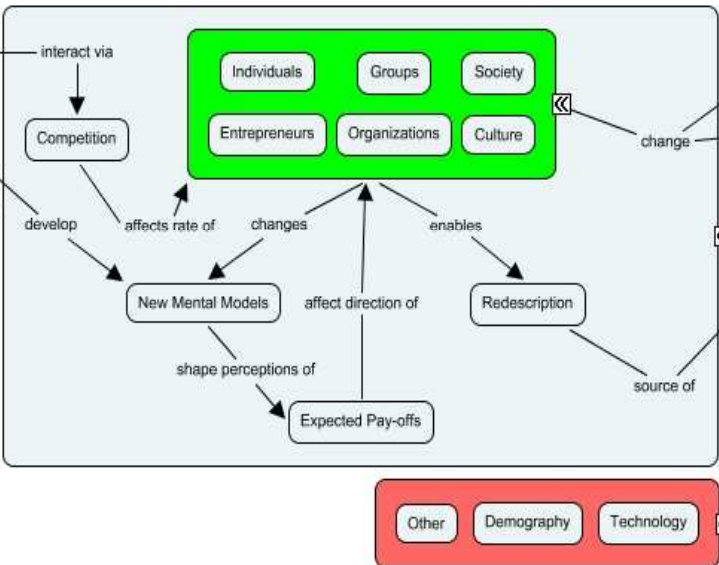
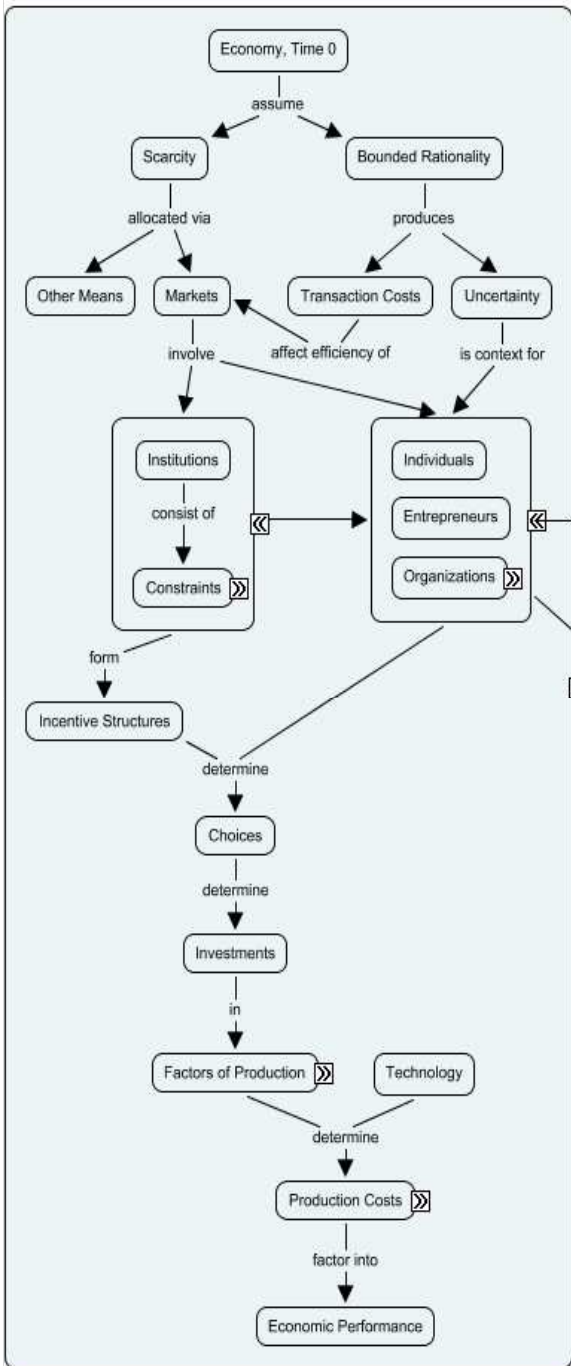
Other FIs

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Utility Companies

Concept by Fasih Masood
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Focus Question: How Do Economies Evolve Over Time?





Coming back to the purpose of this paper to build a new conceptual model of perceiving and administrating the identified and accepted prestige in connection to long run implications and risks - based on societal open dialogue.

- **From economic evolution to social make-ups**
- **The relation between the real economy and the hidden economy: misrepresentations and consequences**
- **Towards a sound development via a complex spiritual acknowledgment to pay our long-run ecological debt**

A Diverse Economy

<i>Transactions</i>	<i>Labor</i>	<i>Organizational Form</i>
MARKET	WAGE	CAPITALIST
<i>ALTERNATIVE MARKET</i> <i>Local trading systems Alternative currencies Underground market* Co-op exchange Barter</i>	<i>ALTERNATIVE PAID</i> <i>Cooperative Self-employed Indentured* In kind</i>	<i>ALTERNATIVE CAPITALIST</i> <i>Environmental ethic Social ethic State enterprise Non-profit</i>
<i>NON-MARKET</i> <i>Household flows Gifts Indigenous exchange Theft*</i>	<i>UNPAID</i> <i>Volunteer Housework Family care</i>	<i>NON- CAPITALIST</i> <i>Communal Independent Feudal* Slave*</i>

The shaded area represents activities (excluding those marked with *) that we might place in the 'community economy' (see below).



In order to achieve it,
the general perspective on market behavior must take a step forward.
Therefore we bring into consideration the
Capitalized and Returned Added Value Index (CRAVI).

We reconsider our initial proper indicator modified with José Luis Iribarren's **Customers' Network Value Concept** into a new way to capitalize and return added value to different sort of individuals, groups and society.

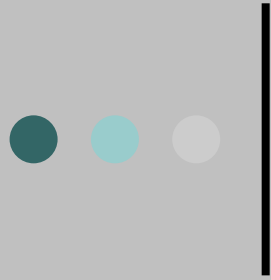
Individual Capitalized Value (ICV) attempts to capture the value provided to the society/company by skills and word-of-mouth activities.

Such value is generated at commercial level in the form of diminished promoting expenses due to the fact that individuals do their own promotion by deep motivation.

With this approach, the purposeless driven individuals do have a value for other peoples' goals and may be worth being marketed to.

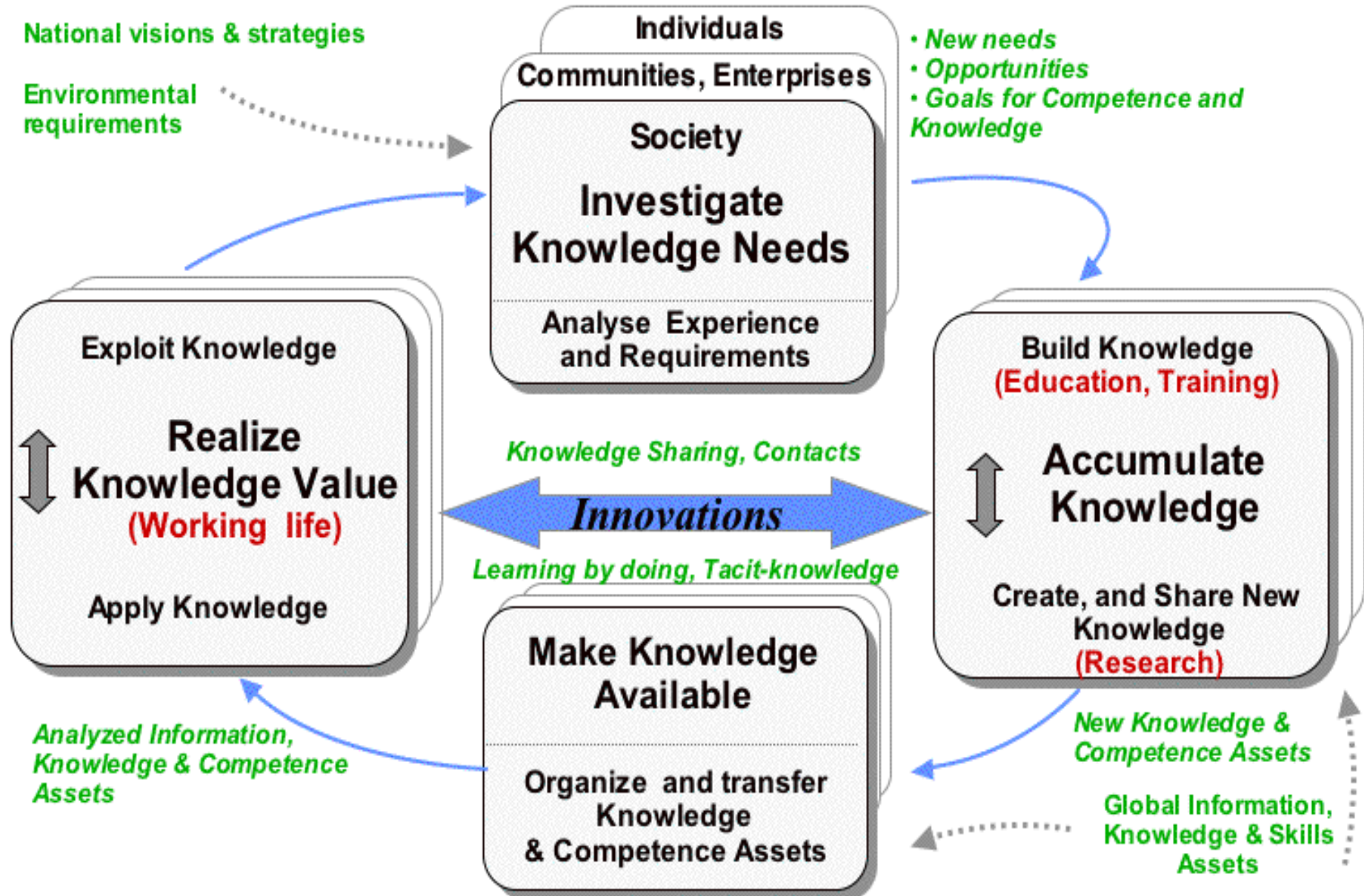
The challenge, however, is how to determine the states of their **Societal Network Reskilling** states compute them into the models. Let's take a quick look at some approaches for detecting and measuring **Individual Network Value: personal, societal, environmental**. CRAV model requires behavior attributes relevant for prediction of customer's value.

The present value of the future added value flows attributed to the individual relationship discounted at the applicable rate, **Individual Profitability (IP)** as difference between the revenue earned from and the costs associated with the individual relationship during a specified period. **CRAV models require behavior attributes relevant for prediction of individuals' value in order to predict short-term individual behavior: regency – period of time since last education skill or purpose taken; frequency – number of targets assumed; value contribution obtained.**



- The valuation exercise is highly instructive because it reveals that, for as long as we fail to account for hidden forms of value creation, we will continue to rush headlong towards destroying the very conditions that make civilisation possible. CRAV could then go against GDP + HDI + HI.
- By creating the conditions promoting inhabitants' well-being across the three various dimensions, we can see the individual measurement such as life satisfaction increase too and in ways that really matter.

A Model for Knowledge & Competence Management





Other models using Data Mining creates short-term predictions based on Neural Networks or RFM clustering:

$$P = [p_{ij}] = \begin{bmatrix} p_1 & 1-p_1 & 0 & \dots & 0 \\ p_2 & 0 & 1-p_2 & \dots & 0 \\ \dots & \dots & \dots & \dots & \dots \\ p_{n-1} & 0 & \dots & \dots & 1-p_{n-1} \\ 0 & 0 & 0 & 0 & 1 \end{bmatrix}$$

$$R = \begin{bmatrix} NC - M \\ -M \\ -M \\ \dots \\ 0 \end{bmatrix}$$

$$[P^t]_{ij} = P(R=j | R_0=i)$$

$$V^T = \sum_{t=0}^T [(1+d)^{-1} P]^t R$$

$$\lim V^T = [I - (1+d)^{-1} P]^{-1} R$$

- Customer targeting: A Neural Network Approach Guided by Genetic Algorithms,
- Bayesian Neural Network Learning for Repeat Purchase Modeling in Direct Marketing,
- Fuzzy Target Selection Using RFM Variables. By combining CRAV with RFM through Markov Chain Models (MCM) longer term prediction could be allowed and generalized at economic and social level. MCM is a finite state machine with a probability measure assigned to each transition state (RFM variables are used to define the MC states while continuous variables must be discredited). bb



Where:

- P = Transition probabilities matrix
- R = Recent flows vector
- V = individual value vector
- D = Financial discount rate/contribution rate
- T = Total time steps
- CRAV in the presence of WOM introduces the Contributors' Network Value concept where
 - · Individual Value = Intrinsic Value + Network Value
 - · Intrinsic Value (CLV) based on probability of goals attained
 - · Network Value (NV) based on influence of others' probabilities of objectives attained
 - · Ignoring Network Value can result in incorrect marketing decisions, especially in a society/market with strong network effects



$$P(X_i | \mathbf{X}^k, \mathbf{Y}, \mathbf{M}) = \sum_{\mathcal{C}(N_i^u)} P(X_i | \mathbf{N}_i, \mathbf{Y}, \mathbf{M}) \prod_{X_j \in N_i^u} P(X_j | \mathbf{X}^k, \mathbf{Y}, \mathbf{M})$$

- Calculating the Network Value: Modeling the Social Network as a Markov Random Field
- Under certain assumptions:
- Network Value: Estimated Lift of Profit function of conditional probabilities of customer states

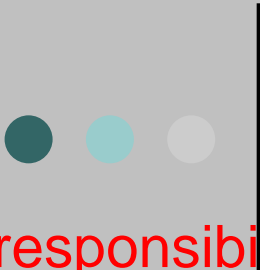
$$P(X_i | \mathbf{N}_i, \mathbf{Y}, \mathbf{M}) = \frac{P(X_i | \mathbf{N}_i) P(\mathbf{M}_i | X_i)}{P(\mathbf{Y}, \mathbf{M}_i | \mathbf{N}_i)} \prod_{k=1}^m P(Y_k | X_i)$$

Where:

- $|\mathbf{M}|$ = Number of 1's in \mathbf{M}
- r_i = Revenue when marketing
- r_0 = Rev. without marketing
- c = Cost of marketing

$$ELP(\mathbf{X}^k, \mathbf{Y}, \mathbf{M}) = \sum_{i=1}^n r_i P(X_i = 1 | \mathbf{X}^k, \mathbf{Y}, \mathbf{M}) - r_0 \sum_{i=1}^n P(X_i = 1 | \mathbf{X}^k, \mathbf{Y}, \mathbf{M}_0) - |\mathbf{M}| c$$

Where:
 $|\mathbf{M}|$ = Number of 1's in \mathbf{M}
 r_i = Revenue when marketing



As a home message this concept is followed by a **Decalogue of principles** to reinvent us to see the world and act through motivated awareness and

responsibility assumed as *preoccupation with possessions, more than anything else, prevents us from living freely and nobly (Thoreau):*

1. *Appropriate the real culture of the market.*
2. *Drive ethically.*
3. *Act with dynamism and social strength*
4. *Be part of the management/ administration policy.*
5. *Wear the excellence.*
6. *Develop the sense of belonging.*
7. *Develop the individual.*
8. *Be trustful, courageous, creative and worthy of esteem or respect*
9. *Connect to the myth of the individual gives the limitless rights that people can enjoy in complete patterned freedom.*
10. *Keep yourself different.*



It became clear that the innovation factor is the key
(Mark Emmert)

- **Smart people**
- **Great ideas**
- **Correct assessment**
- **Active collaboration**

supercharges the social engine to move the economic train.

For this not only governments, but also academic and business communities have to work together to let livability and vitality go hand in hand.

This way the environment would become a great place to live and work in.