



Leadership, Inequality, and Economic Crisis

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Abstract

The objective of this paper is to investigate the effects of inequality on the current economic crisis. Inequality is defined as unequal opportunities for economical and educational activities among people of a nation and among nations. In this paper, it is argued that, most of the current economic crisis are generated by the income and wealth inequality through contemporary leadership practices. Leaders in the past and currently could not take appropriate measures to solve the inequality problems and consequently the economic crisis grew and reached the current level. In order to solve the inequality problems and accompanied domestic and global economic crisis, it is necessary to use democratic-global leadership practices. Democratic-global leadership practices include developing a global shared vision, balancing income and wealth distributions, providing equal opportunities for education and employment, sharing production and consumption, and establishing fair globalization and sustainable development. These practices will provide better opportunities for all the stakeholders to participate in production and utilize available resources more productively and equitably. They will together secure the long term employment and sustainable production and consumption for eliminating the inequality. Eliminating inequality problems will help solving the current economic crisis. Otherwise continuing to use present leadership practices may risk all of us an unimaginable cost of human life.

Introduction

The current economic crisis in the U.S. has led many bank failures, wiped out Lehman Brothers, and forced many corporations like American International Group (AIG) and most of the U.S. auto makers to be bailed out. Some of these corporations are close to bankruptcy. The problems of the corporations start reducing capacity and production. Declining production increases unemployment, reduces personnel incomes, savings, consumptions and investments. As a result of these economic activities, many individuals can not pay their debts and banks can not collect their loans and reluctant to lend money. The economic growth started decline and many people are worrying about their economic future. The situation is the same or worse in many industrialized nations including Japan, Russia, Germany, Britain, and Canada, and even worse in many G-20 countries and less industrialized other nations.

Newly elected President Barrack Hussein Obama and the Presidents of G-20 nations start taking measures to find a solution for the current economic crisis. These measures are mostly attempts to generate short term demand by providing small amount of capital for householders and bailout some of the troubled banks and corporations. The total amount provided for this purpose by President Obama is about \$800 billion in USA and less in other nations.

These stimulus plans may generate some limited employment and small demand for the short term but will not solve the economic crisis in the long term. In order to solve the current local and global economic crisis it is necessary to understand the root causes of these problems. If we understand the root causes of the problem it will be well on its way to being solved.

The current economic crisis did not happen in the short time. It happened mainly during the last hundred years. During this period the world's economy has been grew relatively fast and unevenly. The enormous and uneven economic growth generated severe inequality among people of a nation and among all the nations. This economic growth also decreased by the limited world resources and caused inequality between increasing demand and the limited supply of the



world resources. Consequently these inequalities together have been causing the current local and global economic crisis.

During the twentieth century, the income per person rose 22 times in the U.S. and 16 times in Western Europe. However, during the last two decades, the industrialized nations' growth rates were about 3.5 percent. These rates presently are declining. It is predicted that this figure will be 2 to 3 percent during 2009 in the U.S. which is the biggest decline since 1946. The other industrialized nations will decline 4-6 percent. But the income per capita of industrializing nations of Africa rose only 3.5 times, India 4, and China 3 during the same period (Marber, 2009). However, the industrializing nations' growth rates during the last two decades were about 7 percent and will continue to grow with a slower rate (Marber, 1998).

According to corporate life cycle (Adizes, 1988) these data indicate that the industrialized nations have completed their growth periods and are entering the decline period of their economic development life cycle; while many industrializing nations are climbing up on their growth periods. The market share of the industrializing nations for standardized technologies is starting to get larger, but this share is declining for the industrialized nations. Consequently the industrialized nations are moving to develop more capital and knowledge intensive frontier technologies on their technological development cycle (Sen, 1982). However, the amount of employment that has been lost for the standardized technologies of industrialized nations has not been gained by the amount of employment generated by these technologies. The industrializing nations are closing the technological inequality between them and the industrialized nations. Thus closing the technology gap between industrialized and industrializing nations has been causing part of the current economic crisis in the industrialized nations.

But the root causes of the economic inequality between people and the nations is partly the inappropriate leadership practices. The leaders of the industrialized nations' organizations and the governments could not take necessary measures to develop frontier technologies to generate enough employment to recover the lost employment. Their strategic plans were based, mostly on the short term cost cutting objectives through reducing employment, employment benefits, R&D and product development expenses, and quality improvement operations. The short term policies of the industrialized nations and waiting too long on the standardized technologies that keep losing comparative advantages and not taking necessary measures for the long term for the new products caused the decline of their market shares and the economy.

These short term and biased strategic plans have been feeding the inequality problems for a long time in the organizations and nations. The leaders who are elected by the board of trustees (BOT) of the stockholders in organizations have been favoring mainly the interests of the stockholders (Derber, 1998; Estes, 1996; Galbraith, 1998; and Reich, 2007). The leaders of the governments have also been favoring mainly the interests of their rich political groups who supported them financially and politically. The interests of the employees and the customers have been neglected (Batra, 1996 and Blair, 1994). These kinds of leadership practices caused inequality and result in the current economic crises.

High income and wealth provide the capital, knowledge, technology and production opportunities for the rich, a small portion of the population. But, the low income groups which they constitute the large portion of the population including the workers and most of the consumers have been deprived from the main economical, educational, and production activities. They do not have enough opportunity to gain enough capital to invest in production. They have been the major consumers of the production. But, they have serious income difficulties now to consume the basic goods and services that they need. Some of the people and nations borrowed capital for their consumptions, are in serious debt crisis (Batra, 1996).

The inequality between large demand for world resources such as oil and other raw materials put also high pressure on the growing world production by increasing cost of the production and



prices of the goods and services. Decreasing world resources generate economic crisis for the poor people through its negative impacts on their incomes which depends mostly on these resources.

In order to solve these economic crises that generated by the inequality the leaders of many governments are intervened in many nations throughout the world with the small stimuli plans. These short term plans may help to bailout some of the corporations and generate limited short term employment opportunities. But, they will not be able to solve economic problems effectively in the long term. Besides, taking the tax payers' money and giving it to rich for bailing out their corporations is unethical and will make the bad situation worse. In order to solve the current economic crises, its root causes must be well understood and accordingly taking appropriate measures to solve economic crises.

The objective of this paper is explain the relationship between the inequality, the major economic activities, and the leadership practices and provide some effective leadership practices for solving the current economic crises.

The Relationships between Inequality, Economic Crisis and Leadership

There is a close relationship between inequality, economic crisis and the leadership practices. People who have better opportunities for economical and educational activities usually get larger share of the income and wealth generated by the industrial organizations. While their income and wealth grew, and the opportunities of low income people get poorer and cause the economic crisis. Most people with low income and wealth find it very difficult to satisfy their essential consumption and needs. They start borrowing and their debts grew such a level that they could not be able to pay their loans. Consequently the inequality gap between rich and poor increases and causes the economic crises.

People are equal as a baby when they borne. But, their opportunities for economic development are human made phenomenon after they born. Peoples' economic opportunities partly depend on the family income and wealth and the opportunities for obtaining education. Those born in rich families are positioned to have more economic opportunities with which maximize their advantage. People, who have better economic opportunities, also have better educational opportunities. They have a better chance to go to the best schools and obtain better knowledge and skills. In turn people with better knowledge and skills normally get better paid jobs opportunities which are essential for the high income and wealth. However, the poor people relatively do not have any chance of having equal opportunity for economic well being and education. This makes it difficult to move toward creating a sustainable society of more equitable sharing of economic opportunities.

Since 1976 inequality between real wage workers has soared in U.S. Workers' wage index fell 14 percent by 1995, while executives' jumped 150 percent (Batra, 1996). This ratio increased to 690 in U.S. in 2000 (U.S. News World Report, 2000). Salaries of CEO's of Fortune 500 went up from 35 to 157 times that of production workers (Blair, 1994; and Rose, 1994-95). Average pay of CEO in the U.S. rose 57 percent between 1990 and 2000, while the average worker pay rose 37 percent in the same period (Huffington, 2003). CEO salaries tripled in France, Italy, and Britain and doubled in Germany during 1984-1992 (The Economist, Nov. 4, 1994). During the last two decades, 64 percent of all male earnings in the U.S. went to the top one percent of the population, and only 20 percent went to the work force (Feenberg and Porterba, 1992).

The inequality of wealth accumulation is also severe in the U.S. The top 1 percent of population owned 46 percent of total financial assets, the next 9 percent owned 36 percent and the rest 90 percent owned 18 percent. Top 10 percent of population owned 82 percent of total financial assets, 91 percent of total corporate and business assets and 75 percent of the total wealth in 1997. The rich person on average has 230 times more wealth than a large majority of Americans (Brouver, 1998). The richest 225 individuals in the world (60 Americans) had a combined wealth



over \$1 trillion equal to the annual income of the poorest 47 percent of the world population. The richest people had the asset exceeding the combined gross development of the 48 least developed nations.

The inequality between high-income groups and low-income groups has widened (Danziger and Gottshalk, 1995). The winner-take-all mentality and maximizing the interests' of the owners in organizations deprived the largest portion of the population participate in production. Since the 1970s in U.S.A., inequality of wealth for middle-income earners barely kept pace with inflation, and those at the bottom of scale actually fell in real terms. Inequality of wealth widened with the gaps between haves and have-nots escalating to levels experienced during the Great Depression (Galbraith, 1998).

The economic inequality generates loose-loose situations. Excluding majority of the people from the economic activities generates insufficient consumption. This in turn reduces the investment opportunities and causes the economic decline. During the economic decline the big wealth holders may not have enough incentives to increase the value of their wealth. Decline consumption and production make the economic growth stagnates and decline. During these periods the investors could not find incentives to invest their capital and employees can not find employment opportunity to value their labor. As a result the idle capital and labor generate loose-loose economic situation.

Contemporary leadership practices of organizations and governments played the important role for this process. Their policies mostly favored the interests' of high income and wealth holders which make the situation even worse. Their biased decisions and leadership practices are the main reason of these inequalities. They play the major role for establishing the strategic management and control the main decisions for employment, salaries, and sharing the outcomes of the organizations. Most of the leaders often seek to satisfy the interests of their own and the interests of their affiliated groups (stockholders, investors, and political figures). The leaders acting to satisfy mainly the interest of stockholders can not satisfy the other stakeholders of the organizations. Interests of other stakeholders, especially the employees, customers' and ordinary citizens are often neglected.

These kinds of leadership practices provide the real economic power to small group of population and reveal the unfair and undemocratic society. It is very difficult to maintain equality and democracy with this kind of leadership practices. The winner-take-all mentality and maximizing the interests' of the owners in organizations deprived the largest portion of the population participate in production and consumption. This situation described as a supercapitalism which translates into economical, social and political power held a fraction of the rich (Reich, 2007). It is widely believed that democracy in America is a rule by the rich people for the rich people (Thurow, 1989; and Batra;1996).

Presently the measures were taken by the leaders to eliminate economic crisis were mainly short term and do not consider eliminating the inequality problems. In order to solve current inequality problems and accompanied economic crisis the leaders of the organizations and nations have to utilize democratic and global leadership practices for the short as well as long terms. Some of these leadership practices that help to solve the current economic crises are presented below.

Some Democratic and Global Leadership Practices for Solving the Current Economic Crisis

There is a Turkish saying that "fish starts smelling from the head". This can be interpreted as saying that the causes and the solutions of the problems of an organization or a nation start with their leaders. Currently leaders of many organizations and governments are taking measure to avoid world wide depression. These measures are mostly is an attempt to generate demand by providing small amount of capital for householders and bailout some of the troubled corporations. The total amount provided for this purpose by President Barrack Hussein Obama is about \$800



billion in USA. This figure is smaller for the other nations' governments. They may generate some limited employments and increase general consumptions for the short term but will not be effective in the long term.

Developing nations need to climb up to the development ladder while developed nations try to maintain sustainability of production and consumption. Both global and local leaders of the organizations and the governments should work cooperatively and democratically to solve the current inequality and economic crises for a long-term. The developed nations should focus on developing the frontier technologies and the developing nations on the standardized technologies where their comparative advantages are.

In order to solve the current economic crisis it is necessary to start democratizing and globalizing contemporary the leadership practices first. The leaders at every level of organizations and governments throughout the world should think and act democratically for local and global affairs to solve these crises. Democratic leadership practices represent the interests of all the stakeholders rather than just the interest of the stockholders. These practices include local and global shared vision, balancing income and wealth distribution, providing equal opportunities for educational and employment activities, and establishing fair globalization and sustainable production and consumption. They will together eliminate the domination of one group's interest over others and generate equal opportunities for income and wealth distribution among all the stakeholders. This way most of the employees will have opportunity to participate in production not just in consumption.

If the corporate leaders could be elected by all the stakeholders or by their representatives they will able to participate in major managerial decisions of the organizations which enable returns to be distributed more fairly. The leaders who are elected and controlled by the board of trustees of the organizations who are elected mainly by the stockholders could not able to distribute returns fairly among all the stakeholders. The leaders should be elected by all to stakeholders or by their representatives to serve for the interest of all the stakeholders including stockholders, employees, customers and representatives of the community and government.

Democratic and global leadership practices provide opportunities for all the stakeholders to participate in major decisions of the organizations for sharing the responsibility of distributing income and wealth for everyone fairly and sustainably. Participating and sharing the major decisions of the organizations will also maintain sustainable and fair production and consumption. The following sections provide some of the democratic-global leadership practices and some solutions of the current inequality and accompanied economic crises.

1. Developing a Local and Global Shared Vision for all the Stakeholders

In order to solve the common local and global economic crisis we need to develop leadership practices based on "we, the united" rather than "we and they, the divided". This is possible by establishing a democratic- global leadership practices with a shared vision for every organization, nation and the world.

Most of the organizations' visions have been the profit maximization based on the argument that the social responsibility of an organization is to make money for the stockholders. Data indicate that the profits have not been shared fairly by all the stakeholders. That kind of vision mainly caused the current inequality problems and the accompanied economic crises. The vision of an organization has to be shared by all the stakeholders and should serve all the stakeholders fairly not just for the stockholders. The shared vision should provide not only the fair distribution of gain and pain but also increase the motivation of every individual to do their best for eliminating inequality and increasing productivity of the organizations.

If we look at the recent problems of 9/11 and the wars in Iraq, Afghanistan, and other parts of the world, and the present local and global economic crisis we feel hopeless. There are violence, and



terror. Suicide bombers have been threatening our freedom, independence and national interests. Against all this, the views of the world leaders have been too simplistic and do not go beyond the philosophy of “you are either with us or against us”.

The process of building and implementing a global shared vision starts with the leaders of the organizations and governments. The leaders have to respect independence, and rights of others in organizations and nations. They should cooperate to solve common problems for a local and global peace, prosperity and happiness. Global unity, understanding, respect and care for one another are necessary for solving the contemporary economic crisis that caused by inequality. A global shared vision is probably the only way to establish unity and cooperation among all the stakeholders of the globe. The quality without equality generates economic and other social and political problems (Chasin, 1997).

The leaders and the citizens of each nation have to work together for establishing the global shared vision to have quality with equality and liberty. This should be the shared vision for every individual, organization and nation. The recent terrorism and wars demonstrated that, common problems can not be solved by any nation alone. Local and global economic crisis are common to all nations. In order to solve common and global problems joint efforts are necessary. Historical and the contemporary activities indicate that even the most powerful nations can not solve the global problems alone. The global problems require globally joint efforts for a fair and successful solution. The leaders of all the organizations and nations have to establish a shared vision together. The organizational and national leaders should not think only the interests of their own and their stockholders but the interests of all the stakeholders locally and globally. The leaders and stakeholders should develop a shared vision together to unite and motivate people, and gather all the available resources to utilize them effectively, efficiently and ethically for solving the inequality problems and the economic crises.

2. Balancing Income and Wealth Distribution to Eliminate the Inequality

Currently the production in organizations and nations are owned and controlled by the leaders who are elected or selected by the investors. They have the capital and think that the production system belong them and for that reason they should get the lion's share of the return. Employees are treated as a cost factor. They have been hired to maximize profit and fired to reduce cost. They have been laid off to increase the income of investors and the leaders when the returns are low. These kinds of leadership practices generate income inequality.

Leaders of the organizations should balance the high and low income by increasing the income of low income groups and lowering the high income groups. There is off course no theory for determining the lower and upper level salaries. But in order to eliminate inequality and maintain economic stability the ratio of average high to low incomes should be reduced. In 1990s this ratio was about 6 to 1 in USA and 3 to 1 in Sweden, Belgium and Netherlands (Marber, 2009). These ratios should be reduced by decreasing the income of the high income groups and increasing the income of the low income groups. The progressive tax programs for high income, capital gains, land and inheritance should be used to eliminate the income and wealth inequality.

The leaders should also adopt the programs such as profit sharing, gain sharing and employee stock ownership program (ESOP) to become an owner of the organization. Employee ownership plans save many companies from bankruptcy and increased the productivity over time. The employee ownership and group decision making will increase the fairness and the effectiveness of the decisions through equal representatives of decision makers and having more knowledge. It will also increase the motivation of the employees to increase their productivity and support the decisions of their organizations. Many organizations in Japan, Germany, France and some organizations in the U.S. have given ownership and decision making authority to their employees to participate in management of their organizations. These kinds of activities increase participation in major decisions which will eliminate the inequality among the stakeholders and increase productivity of organizations.



These activities will provide new opportunities for the employees to participate in saving and production which will reduce the inequality and accompanied economic crisis.

3. Providing Equal Opportunities for Education and Employment

Knowledge, skills and values are the main determinants for the high income and wealth accumulation. Education, in great measure, forms the quality of knowledge and skills of the employees. It is the foundation of economic development and reducing the inequality, increasing productivity, enabling to use new technologies, and creating and spreading knowledge. People with better knowledge, skills and values usually get the highest paying jobs and accumulate capital. On the other hand, the people who do not have good economic conditions to go to schools and have a good education mostly end up with low paying jobs and have low income.

The quality of education produces better knowledge, technology, R&D and able people, normally, to get better paying jobs. The average income gap between low educated workers completed six years of education earns 50 percent more than the worker who does not attend school. The gap widens 120 percent for an employee with 12 years education and exceeds 200 percent for those with have university diploma (Hausmann, 1998). These figures imply that income inequality arises from education distribution pattern for the employment.

Employment is the major factor for economic development for individuals, organizations and nations. Employment, ordinarily, is the main source of income and wealth and necessary for life. It is the birth right of every individuals and continuation of their life. It is also the major factor for production. Without employment land and capital can not provide goods and services. It is therefore, to provide equal employment opportunities for everyone is a necessary for productivity and ethical reasons. Currently the employees have been used as a cost factor rather than a production factor. They are employed to produced and laid of to reduce costs when the organizations' profits are low. It is often common practice to lay off employees while increasing incomes of the leaders and the stockholders. This kind of employment practices increase the inequality and economic crisis.

During 1990-1995 announced corporate layoffs were average about 500, 000. These figures are increased during last decade and many corporations planning to have larger layoffs. Many organizations have been forcing their employees to work over times and even Saturdays and Sundays without pay. Some large corporations like GM and others in U.S.A. are giving signals for larger layoffs. Many other organizations throughout the world are in similar or worse situation.

Leaders of every organizations and governments should try to provide equal opportunities for every citizen to eliminate the income inequality. The leaders of the U.S. government spent the largest amount of capital for the defense purposes, the stronger nation on earth. In 2009 the U.S. defense budget was about 700 billion dollars and the education about 60 billion dollars. The military spending of the U.S. is almost equal to the rest of the world's military spending. It is more than 8 times of the second spender of China (Marber, 2009). It is argued by many economists that military spending generates negative economic value and education multiplies the productivity of employees.

The U.S. yearly military spending could provide 30 million students' university scholarship. The U.S. military easily cut back without jeopardizing its security. The new leadership in the U.S. should cut down the defense spending and increase the financial helps for those who can not afford education.

The leaders of every public and private organization should also provide and maintained equal opportunities for employment. Hiring for short them purposes and firing when the profits are low is not productive and ethical. The leadership practices should provide opportunities for sharing the employment for a long term. This will increase the moral, loyalty and productivity of employees.



This in turn increases the returns and decrease the inequality and economic crises.

4. Sharing the Production and Consumption

One of the main sources of inequality is generated through unequal production and consumption of the people throughout the world. In the U.S. the largest corporations dominated the markets in almost every sector (Derber, 1998). These corporations are owned and controlled mostly by the rich groups of the population. Top 10 percent of the population owned 82 percent of total financial assets, 91 percent of total corporate and business assets, and 75 percent of the total wealth in 1997. The rich person on average has 230 times more wealth than a large majority of Americans (Brouver, 1998). The majority of people do not have any opportunity to participate in production. Consequently they do not have a chance for sharing the output of the production which is the main source of income for consumption.

The inequality gap of production and consumption among developed and developing nations is also causing economic crises. U. S., Germany and Japan produce about 70 percent of the total goods and services of the world production (Knox, 1998). The richest 20 percent of the world's population consumes 86 percent of all the goods and services. The poorest 20 percent consume only 1.3 percent. Meanwhile more than 1.1 billion people live on less than \$1 a day (Huffington, 2003). The inequality in production and consumption is also increasing with an increasing population of the world. However the world's resources are decreasing (Marber, 2009; and Sach, 2008). Increasing production and consumption and decreasing limited resources of the world are causing instability and serious inequality and related economic crisis and environmental problems.

Poor nations have been in depression for a long time and now spreading out of their borders with observable indicators such as 9/11 violence, terrorism, wars, environmental destruction, disease, and other social and political problems (Marber, 2009; Sach, 2008; Kloby, 1990; and Chasin, 1997). It is time for a change and curbing unequal production and consumption-drive lifestyle.

In order to solve inequality and economic crisis the leaders and the people throughout the world need a radical change in production and consumption. This process requires some attitude adjustment, pain, and sacrifice which will resolve the economic crisis by slowing down the high production and consumption. We can not afford gas-guzzling large cars and consume more than the environment can provide sustainably. It is also necessary to reduce the military investments world wide, especially for the U.S. military power which is nearly 20 times more than the world average (Marber, 2009). The military investments generate negative economic value. Cutting down the military production and being less militaristic abroad will mean dedicating more time and resources for eliminating inequality at home and abroad. Alternative to this will be destroying the environment, financial system, and more terrorism.

The evidence in some Scandinavian nations suggests that the high level spending in the social-welfare states rather than military is very effective in reducing the inequality and promoting prosperity. The social-welfare states have achieved high level of income, low rate of poverty, and a more equal distribution of income than the free-market societies (Marber, 2009). The social-welfare model is sustainable. In the U.S. democracy has not brought home the benefits for the bulk of the population, but instead has favored the super-rich. The 2 percent of the U.S. national income could address the inequality in U.S. This is just half of the spending in Iraq war. Tax cut of rich amount to 2 percent of national income each year. By reversing tax cut and ending the Iraq war could correct the inequality for poor. The U.S. has one of the highest gross national product and also has the highest poverty rate (Sach, 2008).

Developed nations lose their comparative advantages during the standardized periods of the technologies that they originated. Developing nations transfer these technologies and gain comparative advantage through cheaper resources. Consequently their share of these technologies increases while developed nations' share decreases (Sen, 1982). Therefore



developed nations have to develop new technologies to generate new comparative advantages and new employment opportunities through focusing on the frontier technologies with new R&D, innovations, new knowledge and skills. On the other hand developing nations should focus on the standardized technologies for sharing the production and consumption. This process will reduce the inequality problems of production and consumption between developed and developing nations. The universities should be encouraged and supported to be an active part of this process for both developed and developing nations. They will mutually gain from this process and generate win-win situation for both developed and developing nations.

The local and global leaders of both developed and developing nations should create an environment in which the sustainable production and consumption is possible. The agreements of global partnership for sustainable development discussed in international meeting in Doha in 2001 and in International Conference in Mexico in 2002 (World Development, 2004). These kinds of global agreements should be increased to establish the global cooperation for sustainable production and consumption. The new leaders should establish new organizations to provide credit for investment and education similar to Muhammad Yunus' microfinance revolution through Grameen Bank .

The leaders of organizations and nations start giving up wasteful production and unfair consumption and adopt sustainable production and consumption. For this it is necessary to decrease spending today and increase saving for tomorrow. Small changes in our lifestyle today may provide security and prosperity for tomorrow.

5. Establishing Fair Globalization and Sustainable Development

Globalization provides opportunities for better resources and new markets. Industrial organizations and nations have been obtaining many benefits through globalizations. However the major benefiter from the globalizations have been the major industrialized nations including U.S.A., Germany and Japan (Isaak, 2005; Stiglitz and Charlton, 2005; and Marber, 2009). The nations engaged in globalization increased their income and wealth considerably from the globalization (Carney, 1995; Marber, 1998; and Garten, 1997). Some of the newly industrialized countries (NICs) also increased their economic growth considerably through globalization. However, the distributions of these benefits within the nations are quite unequal. Theories of comparative advantages suggest that, nations could improve welfare of the population through globalization (Smith, 1776; and Ricardo, 1817). However the degree of benefits mainly depends on the nations' technological, economical, managerial and political conditions. The nations that developed these conditions can provide superior comparative advantages and consequently benefit more from the globalization.

The existent unequal technological, political and economic conditions among nations generate inequality of unequal globalization. Unequal globalization increases the inequality of income and wealth among nations. The global leaders should take necessary measures to reduce inequality caused by globalization. Otherwise the inequality grows and may work against trading nations in the long term. The quality without equality generates economic and other social and political problems (Chasin, 1997).

Developed nations including North America, Western Europe, Japan, and Australia consume and use the largest portion of the world's energy and other resources. They also produce waste and pollute the environment. (New York Times, January 2, 2008). Presently the U.S. has the 22 percent of the global output and China 14 percent. But, it is estimated that China's percent of global economic output will surpass the U.S. with 28 percent in the near future (Marber, 2009).

Developing nations are also increasing their production. Limited world resources can not supply these demand sustainably. It seems that the limited world resources can not supply continuously increasing world development. The environment which belongs to all of us, giving warning signals that it can not supply continuously growing demand of increasing world population.



The leaders should act collectively and abandon the individual self-serving interests and adopt fair globalization and sustainable development. The new leaders should revise the biased rules and agreements of the UN, NATO, WB, WHO, WTO and establish new principles, rules and regulations based on equality and liberty rather than power. The new leaders need a cooperation of public and private sectors.

Conclusion

The current leadership practices of most organizations and governments have been providing unequal opportunities of education and economic activities between small group of rich individuals and majority of the people. Excluding majority of the people from the major education and economic activities generate inequality problems which cause the major part of the current economic crisis.

The economic inequality reduces the opportunities for investment, employment, saving, and consumption. The cause and affect relationship between these major economic activities slow down the general demand of the economy and causes an economic decline. During the economic decline, some of the big wealth holders can not have enough economic incentives for an investment. Consequently some of the employees loose their jobs and can not support their consumption and needs. The lack of investment and unemployment generate economic crisis.

The current economic crisis should be seen as a warning for neglecting to solve the inequality problem. In the past inequality problem have been neglected and hope that it will be reduced while economies grow. Currently it became clear that to fight for reducing inequality is necessity not because personal morality demands it, but local and global economic stability and security does as well. This situation has to be fixed before it gets worse.

Most of the leaders started taken the short term measures to solve the crisis locally and globally. It seems that these short-term measures are based on the understanding that many banks have given too much credit to consumers. So that, now the borrowers can not pay back their loans and can not continue to maintain their accustomed high consumption lifestyle. This is just a symptom of the current crisis. The real reason of the current economic crisis is the inappropriate leadership practices of the organizations and governments that generated present situation.

In order to solve the current economic crisis in the short and long terms the contemporary leadership practices have to be changed. The leaders of every organizations and government should change the contemporary authoritarian leadership practices and adopt the democratic and global leadership practices. The democratic leadership practices based on democratic principles will provide equal opportunities for education and employment, balance the income distribution and wealth accumulation by providing opportunities for the ownership of the organizations, participation in major decisions, sharing the gain and the cost of the organizations. Government leaders should also increase the financial support for the education, training employees and securing employment.

The leaders of corporations and nations should work together to adopt the social responsibility, quality with equality, liberty and justice as a shared vision for all the organizations and nations. They should cooperate to reinvent the global cooperation by being a friend of every citizen and nation rather than seeing each other as an enemy. They should seek global cooperation rather than depend on the individual military power alone. They should adopt new trade policies based on the shared vision to establish fair globalization and sustainable development.

It is necessary to mobilize science and innovation build on lessons from the past. Universities should involve actively for educating leaders, managers and people in general to understand the value of shared vision and solving the current economic crisis scientifically and ethically. The leaders of public and private sectors should cooperate and promote sustainable production with sustainable technology.



The environmental problems affect everyone especially the poor people most who are dependent on the environmental resources for their livelihood. We share the same planet, the same finite resources and increasingly the same wants and needs. The leaders should abandon the self-serving biased visions of organizations and nations and adopt the global shared vision. The leaders need to understand universal commitments to multilateral cooperation and sustainability. The new leaders should revise the biased rules and regulations of the UN, NATO, WB, WHO, WTO and establish new institutions based on principles of quality with equality and liberty.

It is necessary to mobilize science and innovation build on lessons from the past. Universities should involve actively for educating leaders, managers and people in general to understand the value of shared vision and solving the current economic crisis scientifically and ethically. The leaders of public and private sectors should cooperate and promote sustainable production with sustainable technology. They should revise international organizations with the new shared vision and establish global network to connect not just one place, or one culture, or a region or a religion but to multiple facets of our world. With the new President, America and rest of the world have the opportunity to lead the change toward peace at home and peace on earth with new thinking and new lifestyle rather by force and self destructions. Bring together of everyone and work together like an ebru (diversity, colorful), respect international laws, and rights of every individuals and nations.

The comments of one the greatest leader of all times Mustafa Kemal Ataturk could help for all the global leaders for establishing a vision shared by all people locally and globally. The part his comments for this issue are given below:

Every nation should accept the rights of life, independence, freedom, equality, peace and prosperity of other nations. It is necessary to respect others' rights and cultures, and international laws for achieving peace at home and peace on earth. All of the people of the world are relatives with each other and this will continue. The people should think the independence, prosperity, and happiness of the other nations as much as they think of their independence, prosperity and happiness. All the wise people believe that nothing can be lost for working with the other nations, because working for the other nations' independence, prosperity, and happiness is just like a service to for your own independence, prosperity, and happiness. Even the most powerful nation can not establish peace and prosperity at home by itself without establishing global peace and prosperity. We have to think of the whole world like a body, and every nation is a part of this body. If there is a problem in one part of the world, we should not say we do not care. If there is such a problem, we should consider it like our own problem (Sen, 2009).

No problem can be solved by a leader alone; democratic and global leaders should have the responsibility and cooperation for solving the local and global economic crisis. As one leader has said it "we are either at the table on these issues or we are at the menu".



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