

21st CENTURY RISKS

Dr Ian Goldin argues that globalisation has brought systemic risks as well as benefits – and the world needs new ways of tackling them.

“Globalisation has brought immense benefits for many, through closer integration and flows of ideas, skills, capital and trade. And it has been facilitated by technological improvements such as fibre optics, containerisation and the vast improvement in computing power over the past 20 years.

But there is an underside, and the biggest risks facing society and business result from the underbelly of this globalisation and technological change. Part of it is growing inequality; a whole group of people has been marginalised from globalisation. But perhaps more dramatic are the systemic risks and fragility brought by increasing interdependence and complexity.

I believe the financial crisis is the first systemic shock of the 21st century. What underpins it – and what hasn't been adequately discussed at the G20 or at national level – is how we can harness the benefits and manage the risks associated with integration and technological change. Financial flows are global, so what happens in one country can send shocks around the world. The integrity of any one piece of the system now matters far more.

We are only going to become more vulnerable to such shocks. Our leaders need to get a sense of the real issues: climate change and new energy sources, pandemics and the threat of bio-terrorism. Yet many

FOUR BIG CHALLENGES

» 1

Develop a global response to the systemic risks posed by globalisation and new technologies

» 2

Reform global institutions and improve public decision-making

» 3

Ensure politicians prioritise the right risks

» 4

Build an appreciation of systemic risk and boost resilience

old issues, which no longer pose a high threat, continue to receive significant funding.

While corporate management is often global, the public sector is locked into an outdated model, which is ill-prepared for dealing with global issues. Regulators are largely national, and global institutions, where they exist, have failed to respond to the pace of change.

Global decision-making

In many areas of our lives, our futures will be determined at a level which transcends national borders. We see this in the financial crisis, but also in climate change, and other areas where externalities, or global public goods, are central. The solutions will often be local: at the community or even household, as well as corporate and national, levels. But first the structure of the solutions must be agreed globally.

Interestingly, the private sector is the only thing that can manage effectively on a global basis. What can we learn from that to inform public decision-making? There needs to be radical reform of the existing institutions, and in some areas, such as pandemics, we have got to step up to the plate. Historically pandemics have been the biggest killers of people, yet the effort we put into surveillance is tiny compared with the threat they pose.

A year ago it would have been very difficult to convince politicians, businesses or individuals to focus on systemic risk. It is now on people's minds, and it is clear that the extent to which one needs to build resilience is much greater than was anticipated.

Businesses have various responses to this. One is “How can we make money out of it?” That's a natural and good response, because it will drive innovation. They have a role as corporate citizens, educating staff, stakeholders and shareholders about the importance of sustainability. And building resilience into their own systems is very important.”

DR IAN GOLDIN is director of the James Martin 21st Century School at Oxford University, which develops strategies to tackle global problems. He is a former vice-president of the World Bank.

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THE PANDEMIC PROBLEM

The increasing threat of disease

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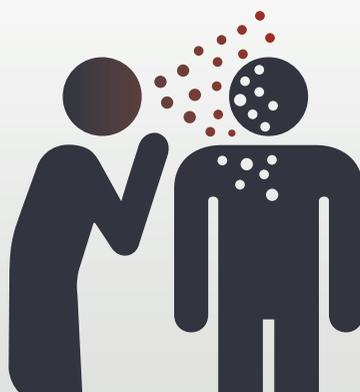
New diseases identified since the 1970s

1,100

Epidemic events verified between 2002 and 2007

2bn

Passengers that travel by air each year



Source: World Health Organization

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