

Maslow's Hierarchy of Basic Needs: An Ecological View

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Abstract

In this paper we examine and build on Maslow's positive theory of motivation which is based on a hierarchy of five basic needs. He says humans live by bread alone only when there is no bread. But, when there is a lot of bread around, then higher needs emerge. The most powerful concept offered by Maslow is the idea of *self-actualization* needs that motivate an individual to strive to be what he or she can be in a never-ending pursuit of excellence.

We discuss these needs in detail and present a *practical* guide to show how an individual may fulfill them in the real world.

The center of gravity of Maslow's theory is clearly the *individual*. His theory is largely concerned with those with whom an individual has a private relationship: family, friends, co-workers, etc.

Yet it is important to recognize the public domain whose impact on our lives has expanded enormously. The local and national communities play a vital role in our lives. We currently inhabit a highly interdependent global economy that is now extensively wired. Global warming poses a serious threat to our planet. Sustainable development and creating green energy technology have now become the clarion call of our times.

To meet these daunting global challenges we need a new worldview: an *ecological* philosophy.

In Maslow's theory the link between satisfying private and public needs is only implicit. So, to make this bond explicit, we have added another dimension—*transcendent* needs—at the pinnacle of Maslow's hierarchy of basic needs.

Introduction

In this paper we explore Maslow's (1987, chap. 2) hierarchy of basic needs and build on it. After organizing these needs into their elements, we discuss how an individual may realize them in real life. Then employing an ecological perspective, we have added another dimension—*transcendent* needs—at the apex of Maslow's hierarchy of basic needs.

Maslow's Hierarchy of Basic Needs

In formulating what he calls a positive theory of motivation, Maslow (1987, chap. 2) suggests a hierarchy of five basic needs. He says the starting point for this theory is the *physiological* needs. When all needs are unsatisfied, humans are dominated by the physiological needs, and all other needs are pushed in the background. Humans live by bread alone only when there is no bread; but, when there is plenty of bread around, then other and higher needs emerge.

Next in the pyramid are the *safety* needs, the *belongingness-and-love* needs, and the *esteem* needs. Maslow divides esteem needs into two sub-categories: *self-esteem*, and *esteem from others*. Finally, at the top of the pyramid are the *self-actualization* needs.

Late in life Maslow realized that self-actualization was not sufficient. So, he added a still higher level of development, *transcendence* or spiritual needs for cosmic identification. This highest need developed into *transpersonal* psychology. (Sundberg, Winebarger, & Taplin, 2002: 219; *italics* added).

Alderfer (1972, chap. 2) has presented an alternative to Maslow's theory. His theory is commonly known as the E.R.G. theory—Existence, Relatedness, and Growth. Although the E.R.G. theory is more parsimonious and refined, we have decided to stick with Maslow's work for three reasons. First, there is no major difference between the two. Second, Maslow's theory is so well known that self-actualization has become a household word (Sundberg, Winebarger, & Taplin, 2002: 219). Third, it is simpler and easier to understand than the E.R.G. theory.

Translating Maslow's Theory into Practice

Figure 1: depicts Maslow's hierarchy of basic needs. We discuss each need below.

Physiological Needs

According to Maslow (1987, chap. 2) physiological needs encompass two main concepts: *homeostasis* and *appetite*. He says that in the U.S. chronic extreme hunger of the emergency type is rare rather than common. He adds that average American citizens are experiencing *appetite* rather than hunger when they say, 'I am hungry.' They are apt to experience sheer life-and-death hunger only by accident and then only a few times through their entire lives. (p. 17, *italics* added).

When one views hunger in such stark terms—as Maslow does—his arguments about hunger do not appear unreasonable. However, such an extreme view of hunger does not seem to be a realistic representation of the problem of hunger millions of poor families face in America every day. In 2005, 37 million Americans—about one in eight—lived below the poverty-level income (Crain & Kalleberg, 2007: 3). Here is a picture of their plight:

One in three of our kids live in families that do constant battle with hunger—whether it's missed meals the last few days before a paycheck, or skipped medical appointments in favor of putting food on the table. These kids are at a constant risk of malnutrition and the lifetime of chronic illness that can accompany it (p. 39).

Safety Needs

Maslow (1987: 18) has made the following statement about the safety needs:

The healthy and fortunate adults in our culture are largely satisfied in their safety needs. The peaceful, smoothly running, stable, good society ordinarily makes its members safe enough from wild animals, extremes of temperature, criminal assault, murder, chaos, tyranny and so on.

There is considerable truth in Maslow's statement. But, while his benign assessment of safety may be appropriate for many suburban areas in the U.S., it certainly does not apply to most inner-city urban areas. For example, a person in central Philadelphia is ten times more likely to be murdered than in the outlying suburbs, and twelve times more likely in central Baltimore (Warren & Tyagi, 2003, chap. 2).

Safety needs can be classified in three main categories (**Figure 2**): (1) Security from crime and fear, (2) Protecting property, and (3) Protecting family.

Security from crime and fear

This need can be addressed in several ways. One is to have guns, guard dogs, and burglar alarm. Second is to take Karate or self-defense lessons. Still another is living in a safe locality: (1) Live in a safe neighborhood with good public schools, or (2) Live in a gated community.

In many cities the urban centers have become far more dangerous than the outlying suburban areas. Thus, fear of crime has been pushing a large number of middle-class parents to move into safe suburban areas with good public schools (Warren & Tyagi, 2003, chap.2).

Gated communities—Many conflicting motives and values attract people to gated communities. Most residents living there express a desire for .safety, security, community, and 'niceness,' as well as wanting to live near people like themselves because of a fear of =others' and of *crime*. (Low, 2004: 9-10; *italics added*).

However, security—driven by a fear of crime—is the primary reason why people migrate to gated communities (Low, 2004: 23). Blakely and Snyder (1997: 28) suggest that the attraction of gated communities in America rests on the perception that "being inside becomes a powerful symbol of being protected, buttressed, coddled, while 'being outside' evokes exposure, isolation and vulnerability."

Protecting family

This requires action on three fronts: (1) Protecting children, (2) Financial protection from the unexpected, and (3) Old-age security. We will discuss only the first issue below.

Protecting children—This safety need entails three main concerns: (1) Day care, (2) Auto safety, and (3) Healthy food for children. The following discussion is about topics 2 and 3.

Frank (2000) argues that the popularity of large gas-guzzling sports utility vehicles (SUVs) is driven by the parents' belief that *bigger* means *safer*. A family's safety on the road depends far more on the *relative* size of a car than its absolute size. Thus, as more people drive big SUVs, it induces more families to do the same.

Warren and Tyagi (2003: 46-49) suggest that a change in safety standards has reinforced the importance of big SUVs. According to safety experts, parents with young children under the age of five should harness them not with a safety belt, but into a bulky car seat, or a booster seat, until they are eight years old. They therefore say that a family with three young children will need a big SUV or a minivan.

Volvo has regularly tried to position itself in the U.S. auto market on an image of *safety* (Czerniawski & Maloney, 1999). Michelin, too, has emphasized safety in its ads for tires. Ads of both firms focus not on the parents, but on the object of their affection: their children (pp.53-54). A familiar Michelin ad is the shot of a baby in a tire followed by the message: .because so much is riding on your tires. (p. 177).

Pollan (2008: 10, inside jacket) suggests that vegetables, fruits, and whole grains should play an important role in our diet. However, he says nutrition is not just about eating healthy food; it is also about a family eating dinner *together* because .shared meals are much more than fueling bodies; they are uniquely *human* institutions where our species developed language and this thing we call *culture*" (p. 189; *italics added*).

Belongingness and Love Needs

These needs include: a sense of belonging; love (of family); desire for nice friends, neighbors, and colleagues; and membership in clubs and associations.

The need for a *sense of belonging* means that people seek the approval and affection of their peers. They want to get the feeling that they fit into the social group they think they are part of, and that they .belong.. This includes such things as .the kind of neighborhood you choose to live in, the kind of car you choose to drive, the designer logos on the clothes you wear, what school you send your youngster to, the places you vacation at, etc.. (Sheth, Mittal, & Newman, 1999: 347).

"Esteem from Others" Needs

We have identified three main dimensions of these needs: (1) Attention, (2) Status, and (3) Recognition (**Figure 3**). However, we feel it is not necessary to offer comments on topic # 3.

Attention

Appearance—We consider *appearance* as the best weapon for getting attention. We will discuss five topics on this subject: (1) Dress, outfit, or suit (2) Breast implants, (3) Botox, (4) Wonder Bra, and (5) .Just For Men..

In their research on *vanity*, Netermeyer, Burton, and Lichtenstein (1995) found that vanity could take two forms. One is a concern or anxiety, and the other is a .positive view.. So, an individual could either be unhappy with and anxious about his or her appearance; or if satisfied,

he or she could be proud of it: a perception that is often exaggerated.

So, when an individual who is either dissatisfied with, or anxious about his or her appearance, it means such a person is driven by an external need that seeks “*esteem from others*.” However, if a person is proud of his or appearance, then he or she is motivated by the internal need of *self-esteem*.

Physical appearance is of vital importance to most women, because it is generally a fundamental part of their identity. Although many women may be very proud of their physical appearance, it is not unreasonable to argue that the primary stimulus for this constant focus is driven by the basic need of seeking “*esteem from others*”.

Kinsley (2008) reports that in the 2008 U.S. presidential campaign Hillary Clinton had to spend an hour and a half each morning to get ready: doing her hair, putting on her makeup, and thinking about what to wear. In contrast, it took Barack Obama ten, fifteen, or at the most 20 minutes to .put on one of a dozen identical dark blue suits, a white shirt and a red tie..

Although most men don’t pay too much attention to what they wear, there are some exceptions. For example, Tom Wolfe is famous for his trademark outfit. One can visualize him “dressed to the nines in his signature ice cream white suit, custom dress shirt, silk tie, and jazz-age spat shoes.” Obviously, this outfit must be a sense of pride to Tom Wolfe (Sicha, 2007).

The U.S. Food and Drug Administration (FDA) renewed its approval of *silicone breast implants* in 2007 because now they are considered much safer. Nevertheless, implants—silicone or saline—do carry considerable risk (Goldberg, 2007).

Botox was approved by FDA, a neurotoxin, in 2002 for cosmetic treatment of *frown lines* (Abelson, 2002). Some Hollywood directors have complained that Botox’s popularity among actors is playing havoc with *facial* expression. In a variation on the *The Stepford Wives*., it is now rare in certain social circles to see a woman over 35 with the ability to look *angry* (Kuczynski, 2002).

Wonder Bra, a push-up brassiere, made its debut in New York in 1994. In a comment on the Wonder Bra, one woman said: .It has everyone reassessing their assets. ... (Lee, 1994).

Just For Men—The current company website does not have a catchy message. However, one TV ad .No play for Mr. Gray. is quite interesting.

Status

We will discuss the first two topics in this paper: (1) Trophy Mansions, (2) McMansions, (3) Driving a Rolls Royce and (4) VIP Pass at a Theme Park.

Trophy Mansions—The sharp increase in the number of millionaires has spawned an upsurge in the construction of *trophy* mansions with over 10,000 square feet of living space (Frank, 1999, chap. 2). A mansion—more than luxury cars or anything else—shows everyone in the community that you are wealthy (Uchitelle, 1999). Not since the 1920s mansion building is as widespread as it is today.

McMansions—The emergence of *McMansions* provides another striking example of conspicuous consumption (Datta, 2010). As the pejorative nickname suggests, the McMansions are .just too big—for their lots, for their neighborhoods, and for the number of people who actually live in them. (McGuigan, 2003).

“Self-Esteem” Needs

Self-esteem needs consists of three parts: (1) Preparing children for the rigors of global competition, (2) Achievement (professional), and (3) Personal enrichment (**Figure 4**). We will discuss items 1 and 3 below.

Preparing children for the rigors of global competition

Even with both parents working, today’s middle-class couples are having a tough time making both ends meet. The biggest single reason for that is: very high home mortgage costs. This is because many middle—and even upper-middle class—families are acutely concerned about the rigors of global competition, and the vital need that their children go to .good. public schools. This means living in a community with relatively *high* housing costs (Schor, 2000: 11; Datta, 2010).

Personal Enrichment

There are many paths that can lead to personal enrichment: (1) Serving the local community, the country, or the world, (2) Self-development, (3) Self-indulgence, (4) Aesthetics, and (5) Concern for the environment. Of these topics we will discuss only # 3 and 4.

Self-indulgence—We cite two examples: (1) Driving a high-performance sports car, and (2) Affordable luxuries.

Pressured by an increasingly hectic schedule, many busy, stressed-out members of the middle class are allowing themselves the indulgence of small “*affordable luxuries*.. such as \$2 (or \$3) cup of cappuccino, a \$10 six-pack of super-premium beer, a gourmet take-out dinner, and so on (*Business Week*, 1997; Popcorn & Marigold, 1997: 93-103).

L’Oreal’s famous ad slogan .Because I am worth it!. is another example that invokes the notion of .affordable luxury. (accessed March 20, 2010, <http://loreal17gs.wordpress.com/>).

Aesthetics—Maslow’s (1987: 25) view of aesthetics is philosophical that is concerned with the nature and expression of *beauty*. In contrast, we offer a more environment-friendly and *practical* perspective: such as interest in organic and gourmet food.

Self-actualization Needs

This is the fifth—and the last—of the needs that occupy the top spot in Maslow’s hierarchy. He has described these needs very eloquently in the following words: .what a man *can* be *must* be. They must be true to their own nature....Musicians must make music, artists must paint, poets must write.... (Maslow, 1987, chap. 2).

Radhakrishnan (1957: 112) also supports Maslow's notion of self-actualization needs. According to *Bhagavad-Gita*, a sacred book of Hinduism, one can attain *perfection* if one does one's duty in the proper spirit of *non-attachment*. (*italics added*). An identical point is made by Krishnamurti (2001: 123-24). He suggests that: 'If You Love Flowers Be a Gardener.. According to Buddhist philosophy, a person's *work* essentially forms his or her *character*. It .nourishes and enlivens the higher man and urges him to produce the *best* he [or she] is capable of. (Schumacher, 1973: 52-53, *italics added*).

The need to identify with a certain group or persons is an important part of the *belongingness and love* needs. However, Krishnamurti (*The Times of India*, 2001) suggests that identification is limiting and acts as a .stumbling block in our spiritual, emotional, and intellectual growth.. He says that experimentation and identification do not go together because identification .puts an end to inquiry and to discovery.. So he offers this advice: "Lose your identity to find yourself".

Maslow provides a very powerful picture of what self-actualization means. However, he does not go far enough. Just as humans do not live by bread alone, they cannot be totally consumed by a never-ending pursuit of excellence or perfection. They need to look beyond their individual self, and realize that they also owe something to the society and the natural environment in which they live. That means they need to move *up* from pursuing self-actualization to seeking transcendent needs.

An Ecological View of Maslow's Hierarchy of Basic Needs

Maslow's focus in his needs theory is clearly the *individual*. His theory is primarily concerned with those with whom an individual has a direct relationship: family, friends, neighbors, associates, private clubs, and so on. Similarly, an unrelenting quest of excellence toward *self-actualization* is geared mainly to satisfy an individual's *own* personal needs.

Yet, in satisfying one's need, an individual *may* also satisfy a social need. For example, in trying to be .an ideal mother. (Maslow, 1987, chap. 2) a woman is making a valuable contribution to society as well, because her children are very likely to become responsible citizens. However, this link between satisfying personal and social needs is only implicit.

In addition to one's family, friends, associates, etc., an individual is also part of the local and national communities. The global financial crisis of 2008 has very powerfully driven home a fundamental point: that we are all connected to the global economy in an intricate web. Global warming now poses a serious challenge to the very survival of humankind. The fast pace of economic growth of developing countries, led by China, is accelerating the strain on the world's finite natural resources.

"It Takes a Village"

Using an old African proverb, Hillary Clinton (1996) argues that .it takes a village. to raise a child. She suggests that children and their parents need safe neighborhoods, good public schools, easily available health care, after-school programs, secure places to play, and so on. She suggests that we need to come together as a society and try to raise our children *collectively*.

In a similar vein, Lasch (1995: 7-8) suggests that self-governing *communities*, not individuals, are the central units of a democratic society.

In explaining the philosophy behind the Clinton Global Initiative (CGI), Bill Clinton had this to say (*CNN*, 2008):

[We need to change] the way we think about *citizenship* in this 21st century... We live in an interdependent world where your fate and mine are bound-up with people half a world away, and also uptown in Harlem, Brooklyn and Bronx.

He then offers a view of *citizenship* that is as broad and inclusive as it can be:

I have to give something *back* to the community, my country, or the world. Then we would become our brothers' and sisters' keepers (*italics added*).

It is important to realize that there is a significant difference between Maslow's 'individual,' and the 'individual' characterized above by Hillary Clinton, Lasch, and Bill Clinton. While the former seeks to .keep up with the Joneses,. the latter subscribes to a different way of life: to become =the keeper of my brothers and sisters.'

The idea of a .village. implies closeness among the members of a local community. But Schor (1998: 81) points out a trend that is heading in the opposite direction. She says that as we have become affluent, we have become more *private*. "We rarely linger on the street. We build a deck instead of a front porch. We almost never hangout in our front yards..."

Embracing an Ecological Philosophy

So, based on the above debate, we have adopted an *ecological* philosophy (Capra, 1982; Datta, 1998) to explicitly admit the close link between the individual, the local community, the national community, the global community, and the natural environment (**Figure 5**).

Going one step further, we have extended Maslow's hierarchy by adding another dimension—*transcendent* needs—at the *top* of his hierarchy of basic needs (**Figure 6**).

Transcendent Needs

As **Figure 6** shows, we have divided *transcendent* needs in four major groups: (1) Uplifting the world's poor, (2) Protecting and saving lives, (3) Regulating global financial markets, and (4) Protecting the natural environment.

Uplifting the World's Poor

Because of lack of space, we identify just the names of ten organizations and provide a link to their websites. It is important to point out that the organizations included here are more illustrative than exhaustive:

- (1) "Doctors without Borders" (<http://doctorswithoutborders.org/aboutus/?ref=home-sidebar-left>).

- (2) Partners in Health (PIH) (<http://www.pih.org/who/vision.html>).
- (3) Habitat for Humanity (<http://www.habitat.org/how/carter.aspx?print=true>).
- (4) Muhammad Yunus: "Banker to the Poor" (<http://www.npr.org/templates/story/story.php?storyId=6605060>).
- (5) CARE (<http://www.care.org/about/index.asp>).
- (6) Shelter Box (<http://www.shelterbox.org/about.php?page=1>).
- (7) One Laptop per Child Foundation (<http://laptop.org/en/vision/index.shtml>).
- (8) The Global Water Challenge (<http://www.globalwaterchallenge.org/about-us/challenge.php>).
- (9) The Bill & Melinda Gates Foundation (<http://www.gatesfoundation.org/Pages/home.aspx>).
- (10) The Clinton Global Initiative (<http://clintonglobalinitiative.org/NetCommunity/Page.aspx?pid=1399&srcid=-2>).

Protecting and Saving Lives

We have divided this topic in two categories: (a) Recognizing heroic deeds, and (b) Saving Lives.

Recognizing heroic deeds

"Without concern for their own safety, these heroes lay their lives down so that we may live". Thus spoke Abraham Lincoln in honoring the U. S. soldiers after the battle of Gettysburg in 1863 (Maldonado, 2007). Yet it is also essential to realize that several other groups, too, lay their life on the line for their country or the local community on a regular basis. Some examples are: the National Guard, fire fighters, rescue squads, cops who serve high-crime urban areas, etc.

One cannot imagine a more overpowering example of heroism than the 343 New York firefighters who lost their lives during the terrorist attack on the 110-storey twin towers of the World Trade Center, New York on September 11, 2001. When they entered the burning towers they knew the buildings could collapse anytime; yet they bravely walked into the jaws of death and saved the lives of hundreds of people trapped in them (National Commission on Terrorist Attacks Upon the United States (2004: 311; accessed June 8, 2010, available at http://www.myhero.com/go/hero.asp?hero=Firemen_schr_NL_07_ul).

Saving lives

Other notable examples of extraordinary contribution to society are: a life-saving miracle drug; donating a kidney, or part of a liver, by a live donor.

Regulating Global Financial Markets

Many analysts consider the massive meltdown of the financial markets in 2008 as the worst financial disaster since the Great Depression (Elliot, 2008). The "TNT" was the collapse of the U.S. housing market and the failure of the \$1.2 trillion subprime mortgage derivatives—collateralized debt obligations (CDOs)—that major Wall Street banks had created and aggressively sold around the world. But the .rocket fuel. was the credit default swap derivatives—CDS—a market 50 times bigger than the subprime mortgage market (Kroft, 2008; Dinallo, 2009; Amerman, 2008).

J.P. Morgan's Innovation: Credit Default Swaps (CDS)

In 1994 a team of brash, young, idealistic bankers from J.P. Morgan—many with degrees in mathematics and computer science—got together in Boca Raton, Florida to address a problem that has bedeviled banks for ages: the risk of loan default. With .the heady arrogance of youth. they all believed .that they held the secret to transforming the financial world. (Tett, 2009: 4).

The team introduced a derivative called credit default swap (CDS): an insurance policy that would enable a bank to transfer default risk onto a third party in lieu of payment of a regular premium. They argued that this would revolutionize banking because it would allow banks to *separate risk from lending*. This savvy maneuver would free up the bank's capital reserve, permit it to make more loans and remove the credit risk from its books (Tett, 2009: 44-45, 56).

Later, recalling the event, Mark Brickell, then 40-year old J.P. Morgan's managing director, made the following memorable comment (Philips, 2008):

I have known people who worked on the Manhattan Project. And for those of us on that trip, there was the same kind of feeling of being present at the creation of something *incredibly* important (*italics added*).

Like Oppenheimer and his team of nuclear physicists in the 1940s, little did Brickell and his group realize that "they were creating a monster" (Philips, 2008).

The Morgan team's utopian dream of separating risk from lending was too good to be true because it meant that "you could have your cake and eat it too!" But, Tett (2009, inside cover) says that catastrophe followed only "when the Morgan team's derivatives dream collided with the housing boom, and was *perverted*...by titans of banking that included Citigroup, UBS, Deutsche Bank, and...Merrill Lynch...through hubris, delusion, and sheer greed" (*italics added*).

The first practical application of the Morgan team's vision, "BISTRO" (Broad Indexed Secured Trust Offering), introduced in December 1997, was a dramatic success. The team was so happy they felt they had "stumbled on a financial version of Holy Grail" (Tett, 2009: 51-56). Soon the technique was copied throughout the industry, and by 2007 the CDS market had exploded to \$60 trillion (Leopold, 2009: 94-95; Tett, 2009: 225).

In 1998 insurance giant AIG agreed to J.P. Morgan's overture to insure its super-senior risk; little did it know that this deal set it "on the

path to near ruin” (Tett, 2009:62-63). AIG did not realize that credit default swaps were *far* more complex and dangerous than subprime mortgage derivatives, and because of their *size* could “potentially cause more havoc in a matter of days than the subprime mortgage derivatives caused in their first year” (Amerman, 2008).

In September 2008 AIG was unable to cover its massive CDS losses. The U.S. government, considering it too big to fail, invested \$180 billion in AIG (Kroft, 2008).

Wall Street Pushes Risky Subprime Mortgage Securities

The double-digit rise in prices of existing homes from 2000 through mid-2005 encouraged speculation (Soros, 2009: xv-xvi). With Wall Street’s voracious appetite for highly profitable subprime mortgages, many lenders virtually ignored their standards and began lending to unqualified buyers “who were one refrigerator away from default” (Kroft, 2010).

Relying on Li’s Gaussian copula model, Wall Street banks began to believe that default risk in subprime mortgages could virtually be eliminated simply by a process of *diversification*: by pooling individual mortgages into bundles and *slicing* them into tranches, each with a different risk and return profile (Barnett-Hart, 2009: 7; Tett, 2009: 97).

So Wall Street introduced new CDOs—collateralized debt obligations—which were backed by “low-rated corporate bonds, emerging market debt, and subprime mortgage loans”. The argument was that in the event of a major flood the top half of a ten-story building would be protected by the bottom five floors. The highest or the senior level was deemed the safest and the lowest level—called equity tranches—the riskiest (Partnoy, 2009: 262, 265). Wall Street and the rating agencies also believed that “even the lowest quality bonds would not all default *at the same time*” (Barnett-Hart, 2009: 95; *italics* in the original).

Amazingly, Wall Street successfully convinced the rating agencies that the top (subprime) tranche—e.g., a pool of BBB-rated subprime mortgage loans—should be given AAA rating (Partnoy, 2009: 262). These subprime senior securities offered significantly higher returns than ordinary AAA bonds (e.g., GE). Therefore they generated a high demand among many institutional investors who generally bought only AAA-rated bonds (Leopold, 2009: 84-88; Krugman, 2009: 149-50). In a highly profitable venture, the largest investment houses and banks

successfully unloaded billions of dollars of subprime equity tranches (junk bonds) onto state pension funds of public employees (Leopold, 2009: 89).

When Wall Street banks could not sell some of the high-risk bottom equity tranches in different CDOs they then combined them into another pool called “CDO squared,” and repeated the process with “CDO cubed” (Leopold, 2009: 92). So, every time a new pool of the riskiest bottom tranches was created, it would yield a new crop of a senior tranche with AAA rating.

But soon Wall Street started running out of risky assets. With the repeal of the “bucket shop” anti-gambling law, as mentioned below, Wall Street came up with another ingenious idea: a CDS based on a new *synthetic* or virtual CDO that *mirrored* a regular pool of existing mortgages. These synthetic CDOs allowed banks to sell layers upon layers of securities based on the same junk debt. When the housing market collapsed, the loss from the subprime mortgage-based CDOs rose from \$300 billion to a trillion dollars (Leopold, 2009: 79,101).

Wall Street banks bought huge amounts of the so-called .super-senior. subprime tranches of synthetic CDOs. According to the computer models, these AAA-rated securities .were senior enough to be safe from even Noah’s-era flood.. And, .across the board,. banks financed these risky assets through short-term borrowing (Partnoy, 2009: 265; Kashyap, Rajan & Stein, 2008).

Interestingly, J.P. Morgan was one company that opted out of the subprime mortgage business because it considered the business too risky (Tett, 2009: 103; Kroft, 2010).

Credit Default Swaps: From Reducing Risk to Speculation

During the early part of the 20th century in America people lined up at betting parlors, called “bucket shops,” to place *bets* on whether the price of stocks would go up or down *without* actually owning the stock. It was this unregulated speculation that led to the stock market crash of 1907. So, states all over the country outlawed this gambling activity which became a felony after the law became effective (Kroft, 2008; Dinallo, 2009).

Amazingly, federal legislation known as the Commodity Futures Modernization Act of 2000 rolled back what was illegal for almost the entire twentieth century (Dinallo, 2009). Partnoy (2009: 258), a former Stanley Morgan trader, and now a law professor at University of San Diego, believes this was “one of the greatest mistakes in the history of financial markets.”

One dramatic example of this new gambling activity, as mentioned earlier, was the creation of *synthetic* CDOs which allowed anyone to bet on mortgage securities *without* owning one. But the companies—e.g., AIG, Bear Stearns, and Lehman Brothers—that insured these side bets put no money behind their commitments (Kroft, 2008).

Some securities packaged by Goldman and Tricadia were so vulnerable that they failed within months after they were created. Goldman, Deutsche Bank, and Tricadia used the CDOs to place unusually large negative bets that put them at cross purposes with their own clients (Morgenson & Story, 2009).

Commenting on this situation, Sylvan Raines, an expert in this field, says that when .you buy protection against an event you have had a hand in *causing*, you are buying fire insurance on someone *else’s* house and then committing *arson*. (Morgenson & Story, 2009; *italics* added).

Michael Lewis, a former bond trader at Solomon Brothers and the author of *Liar’s Poker* (Kroft, 2010), says it is incredible that a bank could advise customers on what to buy and sell, and at the same time bet on the securities they’re trying to sell them.

Major Factors That Contributed to the Financial Crisis

First, the CDS derivatives were so complex that hardly anyone understood them: not even Soros; Rohatyn described them as potential .hydrogen bombs.. Warren Buffet presciently predicted that these derivatives were .financial weapons of mass destruction, carrying dangers that,

while now latent, are potentially lethal. (Goodman, 2008). Second, they were *private*—opaque—contracts between two parties that were totally unregulated, and whose market value could not be determined (Philips, 2008). Third, the participants in this market were tied to each other largely within the .financial world's version of a black box. (Morgenson, 2008). As Warren Buffet has noted, this led to a concentration of a large amount of risk among a few companies, so that the .troubles of one could quickly infect the others. (Goodman, 2008).

Lack of independence of credit rating agencies

Lewis (Kroft, 2010), says that the bond rating agencies were .handmaidens. of major Wall Street banks who paid them for rating the bonds; and higher the rating, higher the payment. Second, lacking expertise the rating agencies allowed Wall Street banks to design the computer models they used to rate bonds. And that is how when Goldman repackaged the worst subprime mortgage loans they earlier couldn't sell they were still able to get AAA rating from Moody's.

Most critical factor in credit derivatives: Systematic risk

When a recession occurs it can result in real losses which have to be borne by *someone* in the system. While an individual business may be able to transfer default risk to another, the .entire financial system *cannot* successfully pass the risks off through ever more =sophisticated' financial modeling. (Amerman, 2008; *italics added*).

But the most dangerous is *systematic* risk. It is a risk that is based on the possibility that derivative contracts of a company are *not* independent, and *all* may be dragged into a recession simultaneously (Amerman, 2008). Since all Wall Street banks were using Li's model it created a new correlation risk. More importantly, the model was not equipped to handle the situation .where boats might all capsize, en-masse. (Tett, 2009: 102).

Go-for-broke incentives encourage excessive risk taking

In a prescient paper Prof. Rajan (2005; also Lahart, 2009) argued that although the financial sector has enhanced its ability to *spread* risk more widely, .it also exposes the system to large *systemic* shocks,. and has therefore made the world *riskier* (*italics added*).

Lewis says a major factor behind this development is that there is a sense of entitlement among Wall Street bankers. They expect huge bonuses—because they believe .they have earned it.—that are out of all proportion to their contribution to the American economy (Kroft, 2010). A bond derivative trader can make more money in one good *year* than a doctor or airline pilot will make in a *career* (Amerman, 2009). This encourages everyone to take excessive risks with .Other People's Money.. The .go-for-broke. incentive schemes shower rich rewards for making money but impose little penalty for losses (Blinder, 2009; Rajan, 2005).

Second, performance of CEOs is partly determined by the income they generate compared to their *peers*. So, when a competitor reports an impressive income record, it puts a lot of pressure on CEOs of other banks to keep up with the leader, and this may induce them to take excessive risks to boost their performance (Kashyap, Rajan & Stein, 2008).

Huge compensation of CEOs in the financial industry led many of them to focus on short-run profits (Keller & Stalker, 2008). Before the 2008 crash executives at large American banks repeatedly cashed-in large amounts of pay based on short-term profits: even at the cost of an excessive increase in risk of large losses in the future (Bebchuk, 2009). For 2009 the leading Wall Street firms paid \$140 billion in compensation and benefits to their traders: .the *largest* collective payday on record. (Grocer & Lucchetti, 2010, *italics added*).

Finally, Lewis (Kroft, 2010) suggests that the business of Wall Street has become divorced from productive enterprise, and that Wall Street leaders have “completely lost any sense of responsibility to the society.”

Short-term performance culture of American business

In America .maximizing shareholder value. provides the underpinning of CEO performance and remuneration. However, Drucker (1991) says that as “a theory of corporate performance... ‘maximizing shareholder value’ has little staying power” because of its short-run orientation (Datta, 1997).

In a two-year study of American businesses, sponsored by the *Harvard Business Review* (HBR) and the Council on Competitiveness, the key finding of the study was that the .U.S. system first and foremost advances the goals of shareholders interested in *near-term* appreciation of their shares even at the expense of long-term performance... (Porter, 1992: 67; *italics added*).

The average holding period of stocks on the New York Stock Exchange has declined from over seven years in 1960 (Porter, 1992) to *less* than a year in 2009 (Mayer, 2009). In 2009 the top rate for long-term capital gains was 15% for which you have to hold a security no longer than one year (J. K. Lasser Institute, 2009: 75,101). An important recommendation of the HBR study is to require a minimum of *five-year* holding period to qualify for a capital gains tax rate.

Greenspan's laissez faire free-market ideology

The *laissez faire* free-market ideology, championed, among others, by Greenspan—Soros calls it *market fundamentalism*—also played a key role in this financial collapse (Weisberg, 2008). He strongly resisted calls for regulating derivatives; he said that Wall Street had *tamed* risk, and seemed to consider derivatives as almost infallible: .I believe that the general growth in large institutions have (has) occurred in the context of an underlying structure of markets in which many of the larger risks are dramatically—I should say, *fully—hedged*.. Novelist Ayn Rand—who projected *collective* power as an *evil* force against the self-interest of individuals—seems to have exerted a powerful influence on Greenspan's worldview (Goodman, 2008).

Need for a New Global Regulatory Framework

President Obama has proposed a regulation that has been described as the .Volcker rule.. According to this rule, any bank carrying deposits

guaranteed by the government will *not* be permitted to operate hedge funds, private equity funds, or to trade securities on its own account. Mr. Obama declared that never again will the American taxpayer be held hostage by a bank that is too big to fail. Both the French and the British governments have supported Mr. Obama's proposal (Weisman, Paletta, & Sidel, 2010; Clark, 2010).

Krugman (2009: 163) suggests that anything that does what a bank does, anything that has to be rescued in crises the way banks are, should be regulated *like* a bank. (*italics added*).

Volcker (Zakaria, 2010) has also expressed the need for regulating non-banking institutions, such as investment banks and hedge funds. He says that if a big non-bank institution gets into difficulty and threatens the whole financial system, there should be some authority that can then take over that organization, liquidate it, or arrange a merger with another organization: an action he calls *euthanasia*, rather than a rescue.

James Grant (2010), editor of *Grant's Interest Rate Observer*, says the basic flaw of the U.S. banking system is socializing risk and privatizing gain. He adds that the U.S. government needs to bring the fear of God back to Wall Street—as it was at the turn of the 20th century. He suggests that the U.S. should follow the example of Brazil and hold bank directors and senior

managers *personally* liable for the solvency of their bank. And if the bank fails then the value of their personal assets—houses, cars, yachts, etc.—should be assigned to the bank's creditors.

In contrast, George Soros says the big Wall Street firms would require close regulation to make sure they don't fail; that we have to either break them up, or limit the markets in which they can operate; and impose capital requirements. to rein in risk-taking. (Uchitelle, 2010).

Protecting The Natural Environment

Environmentalist Brown (2009: 75) argues that the 21st century society is confronted with challenges that have no precedent. Bringing a sense of urgency in his message he warns that the world is following Plan A, a path of business as usual. So, he has offered his Plan B to move the world from the current collapse path onto a new path where civilization can be sustained:

It has four components: cutting carbon emissions 80 percent by 2020; stabilizing population at eight billion or less; eradicating poverty; and restoring the earth's natural systems, including its soils, aquifers, forests, grasslands, and fisheries (inside jacket).

A remarkable phenomenon occurring now is the rise of the middle class in developing countries like China, India, Brazil, and others. This class is now beginning to consume like the Americans (Friedman, 2008). However, Brown (2008b: 14) suggests that the current western economic model—the fossil-based, automobile-centered, throwaway economy—is totally inappropriate for these countries.

Given the scarcity of natural resources, Sachs (2008, chap. 7) argues that the world's population growth is too fast, especially in the poorest countries. This fact retards the economic progress in those countries, and condemns their children to an unending cycle of poverty: a development that threatens global political stability.

We have identified four closely intertwined issues concerning the natural environment: (1) Global Warming, (2) Water as Critical as Climate Change, (3) Emerging Threat of Food Scarcity, and (4) Change America's Food Culture.

Global Warming

According to the Intergovernmental Panel on Climate Change (2007)—a U.N. network of scientists—and Al Gore, global warming poses a serious threat to our planet. Both were jointly awarded the Nobel Peace Prize in October 2007 (Gibbs & Lyall, 2007).

Green energy technology

Friedman (2008) has made an impassioned plea for a green energy technology (ET):

The green revolution we need is like no revolution the world has ever seen. It will be the biggest innovation project in American history; it will be hard, not easy; and it will change everything from what you put into your car to what you see on your electric bill. But the payoff for America will be more than just cleaner air. It will inspire Americans to something we haven't seen in a long time—nation-building in America—by summoning the intelligence, creativity, boldness, and concern for the common good that are our nation's greatest natural resources.

Prevent deforestation: Save rain forests

Friedman (2008: 34) says that deforestation in places like Indonesia and Brazil is responsible for more CO₂ than all the world's cars, trucks, planes, ships, and trains combined—that is, about 20% of all global emissions. One major casualty of deforestation is the loss of biodiversity. Biodiversity doesn't only help us to live—it helps us to adapt. A big advantage of diversity is that it bequeaths *resilience*. (pp. 143-44; *italics added*).

South Korea, once a country without many trees, has 65% of its area now covered by forests. This has resulted in reducing both flooding and soil erosion (Brown, 2009: 197).

So, to counteract the continued shrinkage of world forests we need to expand the earth's tree cover, by planting more trees to soak up CO₂ (Brown, 2009: 199).

Buddhist philosophy also places a great emphasis on trees. Each follower is expected to plant a tree regularly and take care of it until it is safely in place (Schumacher, 1973: 56-57).

A diversified transportation system

Brown (2009: 93, 95) suggests that the future of transportation in cities should be a mix of light rail, buses, bicycles, some cars, and

walking, and the future of inter-city travel should be built around high-speed trains patterned after Japan and Europe.

An interesting development is that a group of prominent scientists in China have challenged Beijing's decision to advance a car-based transport system (Brown, 2009: 163).

Brown (2009: 144) reports that all around the world a new vision of urbanism is spreading that is based on the past tradition of city planning when cities were designed around *human* beings instead of automobiles. (*italics added*).

Conserve and recycle

Conservation through increasing energy efficiency can be a huge source of reducing our carbon footprint. Some examples are: increasing fuel efficiency for cars and trucks, compact fluorescent light bulbs (CFL), the new light-emitting diode (LED) technology as a light source (Brown, 2009: 26), better insulation of homes and buildings, energy-efficient appliances, etc.

Yet, when Vice President Cheney explained Bush administration's energy policy in 2001, he made an amazing statement: that while conservation may be a sign of personal virtue, but it is not a sufficient basis for a sound, comprehensive energy policy. (Benedetto, 2001).

In addition to sharply reducing material use, recycling can yield great savings in energy. For example, energy needed to make steel from scrap is 26% as that of iron ore, recycled aluminum 4%, recycled plastics 20%, and recycled paper 64% as much (Brown, 2009: 97).

"Small is beautiful"

Considering the severe constraints on natural resources we are now facing, Schumacher's (1973: 55) advocacy of the Buddhist philosophy of simplicity and low consumption—that less is more—is especially relevant today (*italics added*):

Simplicity and non-violence are obviously closely related. The optimal pattern of consumption, producing a *high* degree of human satisfaction by means of a relatively *low* rate of consumption, allows people to live without great pressure and strain and to fulfill the primary injunction of Buddhist teaching: 'Cease to do evil; try to do good.'

Water as Critical as Climate Change

The key point that emerged from the 2008 annual meeting of the World Economic Forum in Davos was that global crises from escalating demand for fresh water and inadequate supply are as urgent as efforts to tackle climate change—yet are more vexing and complicated. UN Secretary General Ban Ki-moon added that water stress poses a risk to economic growth, human rights, health, safety and national security. (World Economic Forum, 2008).

According to Brown (2009: 6, 14) falling water tables are causing aquifer depletion in countries that represent half the world's population. As a result, wells are beginning to dry up.

As of mid-2009, almost all of the world's major aquifers were being over pumped.

The Emerging Danger of Food Scarcity

In a surprising statement, Brown (2009: xi-xii) suggests that the world is now entering a new era: of high food prices, fast-growing population of hungry people, fierce competition for land and water resources, and the concerted effort by several food-importing countries to buy or lease large parcels of land in other nations. He says the *tripling* of world wheat, rice, and corn prices between mid-2006 and mid-2008 clearly indicates our growing susceptibility to food shortages. And it took the great global economic crisis of 2008 to bring down grain prices; yet as of mid-2009 the prices are well above historical levels (p. 49).

To reduce its dependence on foreign oil the U.S. government decided to divert part of its grain (corn) crop to make ethanol to fuel cars regardless of its effect on world food prices and low-income consumers. (Brown, 2009: 75). This decision by the U.S. played an important role in the tripling of world grain prices, as mentioned above.

Brown (2009: 50) presents this moral dilemma in the following words:

The emerging competition between the owners of the world's 910 million automobiles and the 2 billion poorest people is taking the world into uncharted territory. Suddenly, the world is facing an epic moral and political issue: Should grain be used to fuel *cars* or feed *people* (*italics added*)?

Competing with food is not the only major drawback of corn ethanol. Corn needs large doses of herbicides and nitrogen fertilizer; it can also lead to more soil erosion than any other crop; it consumes close to as much fossil fuel as the energy it replaces; and the process of converting corn into ethanol produces large amounts of carbon dioxide: and it is here that ethanol's green label starts to *brown*. (Bourne & Clark, 2007: 41, 44; *italics added*).

The best solution to produce ethanol is to use non-food materials that are mostly cellulose—e.g., cornstalks, leaves, prairie grasses, fast-growing trees—or algae (*ibid*).

Change America's Food Culture

Pollan (2008: 9-10) says that the American or the Western diet is fast becoming the world's diet. He warns that this diet is increasingly making us sick and fat. Four of the top causes of death are chronic diseases with proven links to diet—coronary heart disease, diabetes, stroke, and cancer. He adds:

The *chronic* diseases...can be traced directly to the *industrialization* of our food: the rise of highly *processed* foods and *refined* grains; the use of *chemicals* to raise plants and animals in *monocultures*; the superabundance of *cheap* calories of sugar and fat produced by modern agriculture; and the *narrowing* of

the biological diversity of human diet to a *tiny* handful of staple crops, notably wheat, corn, and soy. These changes have given us the Western diet....: lots of processed foods and meat, lots of added fat and sugar, lots of *everything*—*except* vegetables, fruit and whole grains (*italics added*).

Pollan (2008, chap. 2) attributes the above state of affairs to what he calls .nutritionism.. He says that it is *not* a scientific subject, but an *ideology*” based on a mechanistic, .reductionist way of thinking about food (p. 28).. According to this view, the *nutrient* is the key to understanding nutritionism. Thus, foods are no more than the *sum* of their nutrient parts.

Pollan (2008: 31-32) points out that the practitioners of nutritionism have great trouble perceiving *qualitative* differences among foods, because they focus only on the *recognized* nutrients they can *measure*. .So fish, beef, and chicken...become mere *delivery* systems for varying quantities of different fats and proteins. and other nutrients. Thus, following this reductionist approach, .even *processed* foods may be considered to be ‘healthier’ for you than whole foods if they contain the appropriate quantities of some nutrients. (*italics added*).

Pollan (2008) complains that professionalization of eating has not made Americans healthier; instead thirty years of official advice about nutrition has .made us sicker and fatter (inside jacket). He says that today we are not eating real food, but .edible foodlike substances. that are not the products of nature but of food science. The two groups that stand to gain most from professionalization of food are the food industry—because processed food is highly profitable—and the nutritional science establishment.

Datta (1998) has earlier criticized the *mechanistic* foundations of strategic management. Even in modern physics, the emerging worldview is an ecological philosophy that sees the universe as one indivisible dynamic whole (Capra, 1982: 77-78; Datta, 1998). 31

Conclusion

In this paper we have examined Maslow’s positive theory of motivation based on five basic needs at the top of which rests the powerful notion of *self-actualization*. His theory is so famous that self-actualization has become a household word.

We have organized these needs into their elements, and then we have presented them in great detail to address the practical question of how an individual may satisfy them in real life.

Maslow’s theory clearly revolves around the individual. It is primarily concerned with those with whom an individual has a private relationship: family, friends, co-workers, private clubs, etc. Even self-actualization mainly aims at one’s constant personal need for of excellence.

But it is essential to recognize that the local and national communities, too, play a critical role in our lives. Our intricately linked and interdependent global economy faces severe challenges: global warming; fresh water shortages and falling water tables; the emerging threat of food shortage; the imperative of developing renewable green energy technology; controlling growth in world population; and the need for sustainable development.

The financial crisis of 2008 has forcefully demonstrated that largely unregulated global financial markets need to be regulated properly to avoid a similar catastrophe in the future.

To meet these formidable challenges we need a new worldview. So, we have added an even higher level of self-development on top of self-actualization: *transcendent* needs.

Barack Obama, U.S. president says that .it’s only when you hitch your wagon to something larger than yourself that you realize your true potential...., and .because our individual salvation depends upon collective salvation. (Brown, 2008a).

Finally, we need to heed Al Gore’s call that we can solve the climate crisis, even though it will not be easy, but if we make a determination to solve it, .we *can* and *will* succeed.(Gore, 2009: 15; *italics added*).

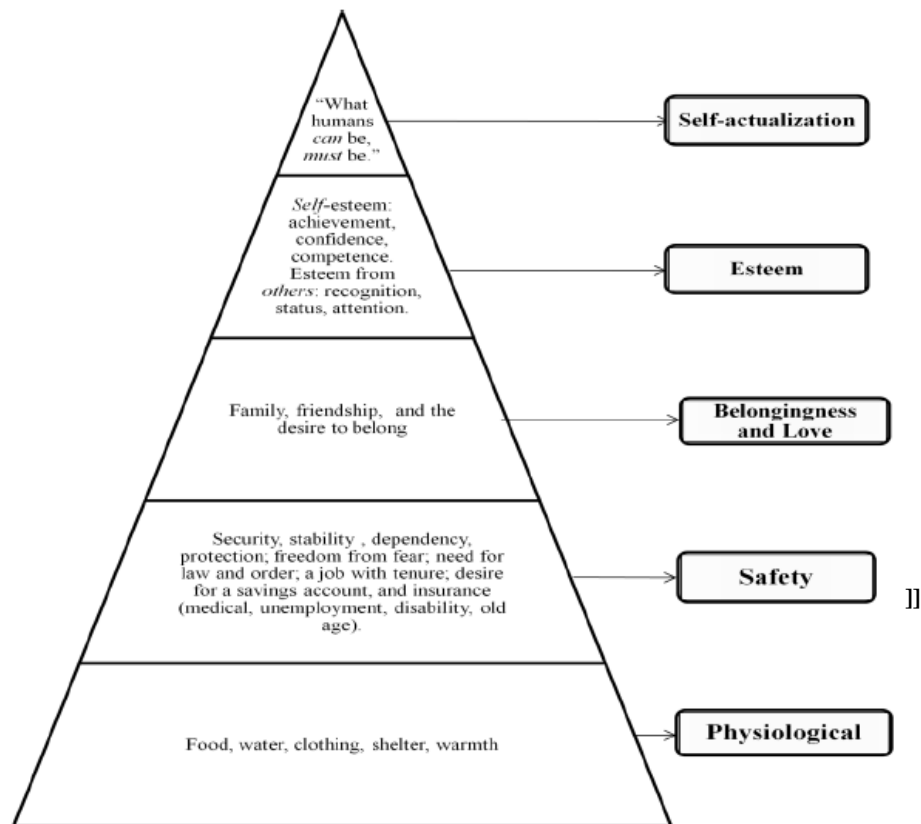
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Figure 1: Maslow's hierarchy of basic needs

Source: Pyramid constructed from material in Maslow (1987), chap 2.

Figure 3 :Esteem from others

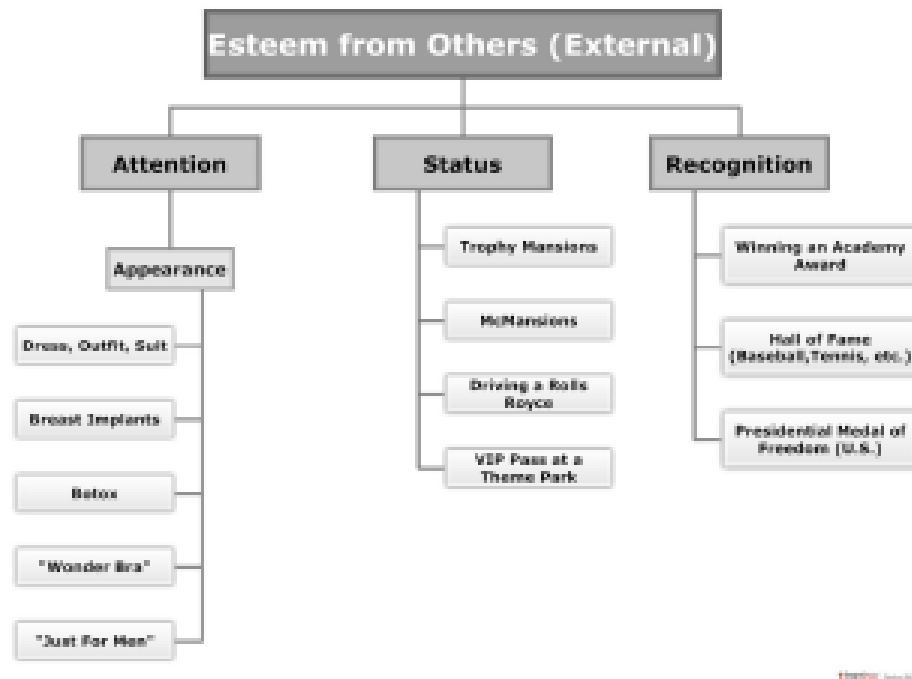


Figure 4: Self-esteem needs (Internal)

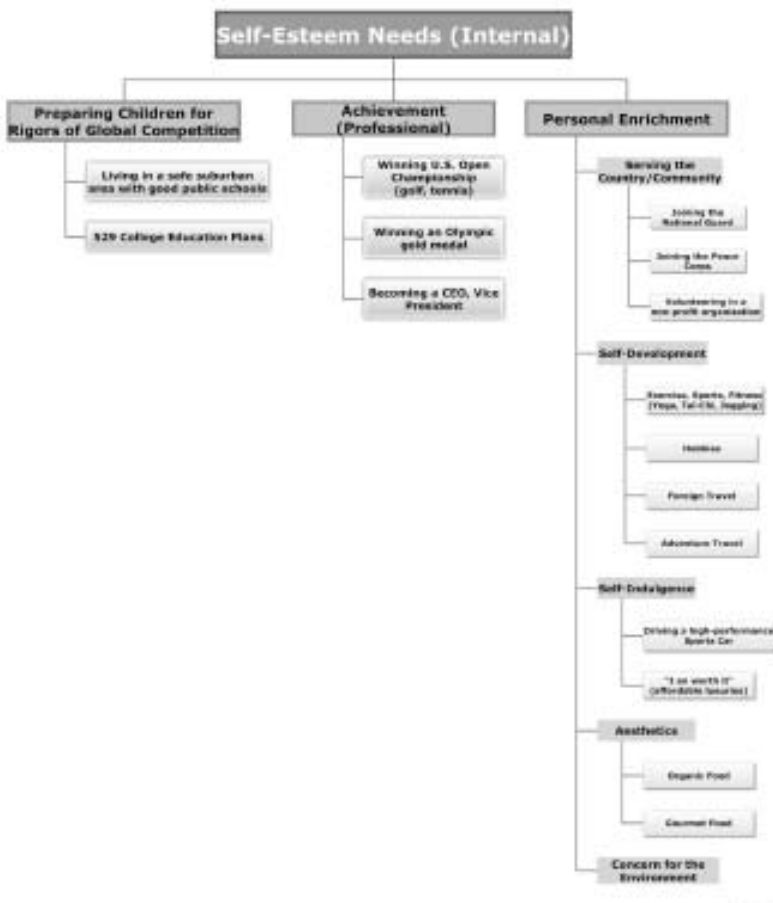


Figure 5: The global environment

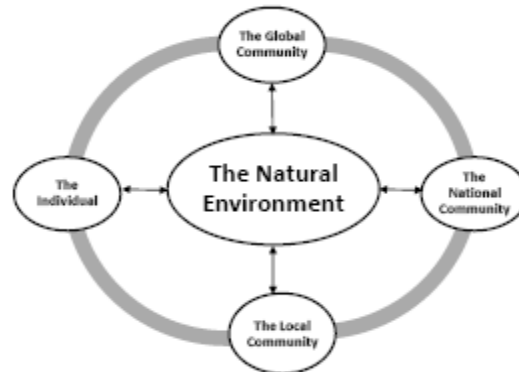


Figure 6: Transcendent needs

