Economic Crisis, a Paradoxical Efficiency Dynamic

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Abstract. The common characteristic of recent evolutions for powerful economies and small ones, as well, reveals a background of quasi-general slowing down of the growth index, under the zero level, into negative areas. In 2009, the world economic decline had an average of 1.1%, huge economies like USA, Germany, Japan, declined with more than 3%, Euro-zone pole had a decline of 4.6% (IMF Outlook). Because of the unusual high amplitude of the phenomena connected to the goods and services production shrinking, the interventionist policy became a priority, and authorities are expected to take action in a co-coordinated way at central, regional and local levels, in order to prevent and limit the climbing over normal situation of the socio-economic unbalances. Consequently to their spreading negative effects, the economic cycles have been closely observed in order to find the mechanism which would make possible a dedicated curing political instrument. The economics grounded theoreticians emphasize the mechanism where microeconomic cost policy balances the macroeconomic structural changes, while the management-tools adepts, considering the economy as the space of decision makers, promote a doctrinaire line based on the policy mix of externalization and internalization activities, with their correspondent fiscal legislation. In fact, the explanation of the economic policy relies in the optimum area of solutions which save, or more efficiently use, the given resources in the direction of buying from out-borders, meanwhile developing an inner, convenient alternative. Agriculture and rural development are closely connected to global evolutions.

Key words: unbalances, structural changes, optimum solutions

INTRODUCTION

The imperfections of scientifically interpretation in connection with the solutions of the economic crisis entitles us to search for interdisciplinary explanations of the negative economic effects of such phenomena, in order to obtain more efficient tools to address to socio-economical decline and to combat poverty. A relatively recent such approach was designed around the concepts operating in “World Systems Theory”.

This theory, gathering adepts who confers it various nuances became known under the aegis of UNESCO, which published the work of Immanuel Wallerstein “World Systems Analysis”( Wallerstein, 2004).

Multidisciplinary oriented historian and researcher, Wallerstein argues the objective existence, next to the Kondratieff secular economic cycle, of other cycles, such as the one of geo-political hegemony, having a longer duration, estimated at 100-150 years.

His conclusion regarding the phases of the geo-political fluctuation is that they represent ”cyclical rhythms of the historical system", as if the motion would be "two steps up, followed by one step down”, on a secular trend, similar with the technical mechanism of ratchet device (wheel); the remark of Wallerstein was that, political intervention, mandatory appears in determining the oscillations of the world socio-economical systems.

Similar historical visions, of wider extension, gave Rondo Cameron (Cameron, 1989), with his logistic cycles, or more likely historical long waves. Referring to the last millennium
in Europe, he considers three large surges occurred, averaging two or three centuries and we could be entering a fourth surge; the overall aspect of the socio-economic motion shows logistics formed of two phases (first of accelerating growth, followed by a deceleration) separated by intervals of stagnation or contraction.

MATERIALS AND METHODS

Long term statistic observation of macroeconomic index dynamics released in the science a quasi general accepted approach of the fluctuations in economic activities. In the currently crisis context, the evaluation in agriculture and farming is closely connected to macroeconomic evolutions, measured and reported by index and quantitative methods, at all levels of aggregation of activity. There has been evidence, based on statistical correlations, upon the connection between the quantitative and qualitative aggregate growth related indices and the amount of public expenditures in the socio-economical systems (example Garrett, 1998).

RESULTS AND DISCUSSION

During the last century, the economic cycles have been closely observed, as a result of their world wide spreading negative effects, in order to find the core mechanism which would make possible a dedicated curing political instrument.

From historians’ visions upon crisis, an economist cannot take accuracy for projected methods, but the important conclusion is that political and authorities intervention is definitely objective, will happen all times.

Also, democratic societies expect from authorities an effective intervention able to stop, or at least significantly diminish the negative effects of the cyclic evolution and crisis. From the basic point of view of the citizen, it is not of much utility an observation concerning the end of capitalist wave, of logistic, but it is of direct interest the preservation of social values and economic welfare inside a clean and prosperous environment.

The present situation reflecting facts is that, during the last 21 years our country did great efforts to catch up from the economic point of view with the advanced western countries, within the frame of a more competitive economic system, market oriented.

Meanwhile, assuming we benefit from a higher competition, we undertook the risks of the fluctuations and recession of real economy, and the consequently compromise in the quality of life for a large category of people, requiring an adequate protection under the welfare national network.

The statistic picture of the national progress does not show the entire transformation of technologically embodied improvements in the rebuilt realities, in all sectors of activity, or the historic step up we have made, still, crisis or not, nobody wants to go back in the past.

In spite of all qualitative and quantitative occurred transformations, the freezing statistic shows decline for market oriented countries, and Romania seems to face more challenges than ever on securing the macroeconomic normal functioning: Gross Domestic Product per capita in Romania was in 2009 of 7.543 USD (IMF), 7.300 USD (CIA World Fact book), while Luxemburg owed 104.512 USD, France – 42.74 USD, Greece - 29.63, China – 16.39 USD, Hungary - 12.92 USD, Russia – 8.69 USD, Brazil – 8.22 USD, India – 1.03 USD (IMF and CIA World Fact book statistics, 2010). Watching such word hierarchy, and considering the domestic structural development of each country (share of sectors in GDP) we could draw the conclusion of the highest profitability of the financial services, and the energetic supplies, which serve in good conditions some countries, no matter their
dimensions and structural development, but beyond this first sight, the unbalances of all nations among their sectors are in the core mechanism of generating socio-economic slowing down.

Politicians and authorities look for optimum solutions, in line with the 2010 European target: to combat poverty, marginalization and social exclusion, improving the living standard for our citizens. To this European target we arrived after Lisbon strategy 2000, renewed in 2005, 2007 (December, 13), was partially accomplished.

In order to implement reform, structural change and efficiency, on March, 3, 2010, European Commission released “Europe 2020: A Strategy for Smart, Sustainable and Inclusive Growth” (European Commission, 2010, “Europe 2020: A Strategy for Smart, Sustainable and Inclusive Growth”). This document designs the future ten years evolution, starting from the realities of European aging population, scarcity of some traditional resources and their getting more expensive, globalization and climate change, aiming to encourage the foreseen solutions: more jobs, higher productivity, and economic, social and territory cohesion.

In Romania, the monetary policy of the National Bank (NBR) remains an often used instrument to handle conjunctures, mixed with the fiscal one. This situation was imposed by the IMF financial assistance, and its warranties for a normal course, in good terms.

What is clear after two years of negative growth in our country consists in the major results on markets: raising unemployment and the trend of structural harmonization with European economic structure, in the conditions that, European structure itself is changing.

The raising unemployment is a general characteristic of crisis in all countries, and in developed ones, the unemployment phenomenon is even more expanded then in Romania.

In our country, to illustrate the scarcity of the employment, the 2009 index grew up to 7.8%, after 400000 persons were laid off from private activities in the same year, while more than three million people are employed abroad; also, the out border employment appears to be affected by the decline, since the remittances decreased from 5052 million euro in 2008, to 3344 million euro in 2009.

If we applied in our country the N.A.I.R.U. concept, we could draw the conclusion that inflation is not yet climbed over by the labor market unbalances; unfortunately, after recently augmentation of added value taxation (from 19% to 24%), the inflation estimation for 2010 raised to 7%, an index difficult to combat in the perspective of meeting the financial performances for entering the Euro-Zone.

This raising VAT is largely criticized as a failure in encouraging private business, consumption and recovery, and it is seen as a temporary solution to the measures able to stop deficits increasing.

What we can firmly criticize is not the tool itself, but the inappropriate way of applying it, without any nuances per groups or categories, in an “equal” share for all quantities; a modern governance is able nowadays to vary tools and measures, in order to better administrate the macroeconomic effects, to better administrate the social environment towards confidence, and not suspicion, confusion and reticence.

An anxious public could become a strong subjective factor of influence, drawing back the 2009 fragile results in economic recovery and restructuring.

CONCLUSIONS

“Europe 2020” strategy enlightens the priorities in governmental actions for EU members, and this requires a coordinated political will to accomplish its ambitious goals of
the social-economy: knowledge and innovation to generate smart growth; ecological and competitive sustainable growth; a higher degree of employment which will give social and territory cohesion, favorable to inclusion.

The tool allowing the coordination of national policies becomes the country monitoring, which will evaluate and report the structural reforms and the macro-stability parameters.

The optimum solution for the European strategy joins economic with social criteria in the process of decision making: adopting the “World Systems Theory”, up to this point, in an interdisciplinary approach, the negative economic effects of the crisis are about to be solved on the basis of political will.

Romanian government is permanently looking for harmonization of national interests with the European ones, and this is a warranty in the perspective of finding more efficient tools to address to socio-economical decline and to combat poverty.

It is in the view of current measures to secure the sustainability of the welfare system (which was unbalanced by abusive legislation concerning small groups of privileged), inside this time-frame when all types of incomes decrease and are unexpectedly lower than the projected expenses.

Attracting co-financed European founds became once more, one of the major issues of the national governance, a chapter where our country recorded progress, but did not yet performed its best, compared to other European member states.

In decisional process, if one analyses the current economics view, notices that the orthodox economics grounded theoreticians emphasize the mechanism where microeconomic cost policy balances the macroeconomic structural changes, while the management-tools adepts, considering the economy as the space of decision makers, promote a doctrinaire line based on the policy mix of externalization and internalization activities, with their correspondent fiscal legislation.

The generous principle of reaching balance on large scale areas, like European continent, is widely agreed by the Leon Walras adepts, in the matter of competitive equilibrium (Walras, 1956). Leon Walras stands in the complicated tissue of doctrines as a mathematic oriented economist, with his well-known work “Elements of Pure Economics or the Theory of Social Wealth”, 1874, 1877.

Designer of “the pure competition on market”, promoter of “Pure Economics”, he offered as a solution for preserving the micro economy and macro economy the groping process instrument (tatonnement), similar with the large scale auction.

Continuing that walrasian idea of a price/quantity model for investigating the stability of connected markets, European Union architects go for a large scale, stabile and balanced economic system, based on “social and territory cohesion”.

In fact, the management connected explanation of the undertaken economic policy owes a basic economics essence, which is the optimum area of solutions which save, or more efficiently use, the given resources in the direction of buying from out-borders, meanwhile developing an inner, convenient alternative (Sarbovan, 2009).

Agriculture and rural development are closely connected to those global evolutions.

What we did not add in this debate is the follow up of applying “ad literam” the “World Systems Theory”: the proposals to watch (modify) spatial transformations (higher densities, shorter distances, fewer divisions), unleash the market forces (agglomeration, migration, and specialization), achievement of economic integration and results.

In each of these proposals, if measures do not fit the objective observed trend, paradoxical (opposite) effects will occur.
Another key observation which could come in sight is the relatively contempt of terms “wealth” and “poverty”: economics measure it with the consumption index, and less with qualitative – ecological parameters.

This is why we promote the employment ration as a better index for estimating the social security in terms of satisfaction and prosperity.

In the same sense, the headline targets of “Europe 2020” strategy are the raising employment, up to 75% of the population aged 20-64 years, and in this purpose, 3% of the European GDP will go for research and development; in the same purpose, of expanding the labor market, education will spread wider, to decrease less than 10% the early school leavers, and to raise to 40% the owners of tertiary diplomas.

As a result of accomplishing these goals, and relaying on an effective common construction of the European labor market, the European economic system will have less 20 million people in the risk of poverty.

Major concerns are nowadays connected to astronomical and geo-physical transformation and in this perspective, found will be directed to ecological issues and to emissions reductions.

The crisis improved the exigencies for a higher efficiency, creating a pressure on the dynamic of employment and its’ helping factors. For our country, noticing the still existing gap in the average development level compared with the richer western countries, it will be a great benefit to fix a higher target: if the former National development Plan, 2007-2013 proposed to succeed an employment rate of 55% for 15-64 years old women, for instance, now the signal of investing in self training, education and labor commitment is even more powerful, and it involves more seriousness and engagement from authorities at all levels.

REFERENCES