

Roots of a Permanent Crisis Propensity in our Contemporary World-system*

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Summary

Since the crises of the world economy are accompanied by other crises, and caused not only by the usual, unregulated, consequently uncertain market forces, but are also rooted in new conditions and non-economic factors, an almost permanent crisis propensity appears which can hardly be overcome soon. Crises, however, urge, and also open new opportunities for actions. If the spirit of cooperation, solidarity and human planetary consciousness increasingly replaces the intention to gain at the expenses of others, and market forces are limited to the field of economy only, a number of feasible measures (as outlined in the following) can be implemented in a coordinated way by the States and international institutions to avoid new crises or reduce their harmful effects.

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Our contemporary world society is facing, indeed, *multiple crises* both in the sense of (a) more than one particular crisis only, and (b) of the complex, multidimensional nature even of the crisis of the world economy.

(a) In addition to, but also directly or indirectly linked and interacting with the *crisis of economy*, we may speak – among others - also about

- *crisis of the type and pattern of development* which until recently has prevailed in the advanced countries and served as an example to follow by less-developed ones, but increasingly proves unsustainable because of its ecological, social and international consequences
- *ecological crisis*, manifested in over-exhaustion of non-renewable natural resources, environment pollution, damages and losses in Nature, etc.
- *security crisis*, i.e. disappearance of security for human life (even in the most developed and powerful countries) because of globalisation of terrorism and criminality, as well as the increasing danger of large scale natural catastrophes (earthquakes, tsunamis, etc.)
- *crisis of the so-called “welfare state” and “social market economy”* (i.e. the “social pact” – as noted by Carlos Fortin), partly because of neo-liberalist policies taking over the less and less efficient Keynesian one, partly and mainly due to the “March from the South”¹ (i.e. legal and illegal immigration)
- *crisis of democracies*, following the collapse or wobble of several dictatorial one-party regimes, as a crisis of Western-type multiparty parliamentary system because elections are increasingly influenced by financial capacities, pre-election campaigns are shaped by marketing rules, and the elected representatives (particularly in case of voting on party lists) represent the views and interest of their party leadership instead of those of their electors, and cannot be withdrawn by the latter
- *moral crisis* as manifested not only in increasing criminality and in the cult of violence (disseminating by the TV and other media) but also in the worldwide spread of selfish individualism, intolerance and the reduced perception of crime only to the revealed one.

¹ This expression was used by Mr. Jamal, a former minister of Tanzania and member of the Brandt Commission as well as the South Commission, at a few days seminar on global problems and perspectives, organised by the Swiss Ministry of Foreign Affairs a few decades ago. He stressed that unless the underdeveloped countries receive much more development assistance and capital investments from the developed ones, they have to face a flood of legal and illegal immigrants and an increasing pressure to give the immigrants citizenship in view of human rights.

(b) The *multidimensional nature* of the crises in the world economy implies the fact that they are rooted in a much broader and deeper than merely economic background. They stem not only from economic disequilibria and certain inherent features of the market economy but also from some new processes and non-economic factors. As a consequence the contemporary world economy has got a permanent *propensity to crisis* (which should not to be confused with the Stalinist concept of the “general crisis of capitalism”).

Contrary to the conventional wisdom based upon a purely economic approach, the regularly returning crises in the contemporary world economy, as stemming from its almost permanent crisis propensity, are rooted in a much broader and deeper than merely economic background.

The direct causes of individual crises of a somewhat different nature and manifested in different markets or sectors of economy are more or less well explained, at least *ex post*, even by scholars of “mainstream” economics, and such crises may also be treated relatively successfully by measures of active governments following conventional economic policies. However, the *permanent crisis propensity* of the world economy is a rather neglected issue in economic literature, except in such publications as blaming “Capitalism” *in toto* and *in abstracto*, i.e. without realistic alternatives.

While most of economic theorists and those experts advising the policy makers focus, as “specialists”, so much on the given “partial” crisis of economy, as necessarily overlooking its global context and deeper social background, many of those opposing them emphasize, as “generalists”, so much the global nature and effects of crises, as inevitably underestimating the/ways and means of overcoming the actual crisis in the economy or reducing its harmful social effects.²

Since reality cannot be divided according to different disciplines or subdisciplines of science, and the world economy is not simply a sum of national economies, but instead is an organic system, the regularly returning and increasingly globalised crises of the world economy obviously manifest its permanent propensity to crisis, which *requires an inter- or rather transdisciplinary and world-system approach* to explain it – without any ideological bias and unrealistic ideas about elimination of the market economy.

(A) As regards the *crises within and rooted inside the economy*, it can be stated in general, that a *market economy* (whatever it is) inherently *involves the “germs” of crisis*, as perfectly explained by Karl Marx, and partly also by John Maynard Keynes.³

Karl Marx (repr. 1967) started his analysis of the capitalist system (without clarifying whether he conceived of “capitalism” as a national or a world system) with the investigation of the most atomistic, elementary phenomenon of the market economy, i. e. commodity. He *emphasized the dual nature of commodity*, namely its “*use value*” (utility) and its “*exchange value*” (the former implying its consumable or usable nature, the latter its ability to be exchanged for another commodity or money), *and the mutual determination of them*, in the sense that the realization of a commodity depends both on the willingness of a consumer to buy it, for whom it should represent a use value, and the readiness of its producer to sell it, for whom it means an exchange value. *The very uncertainty of such a coincidence involves an abstract possibility of crisis, which is reinforced by various functions of money*, other than its function as a *medium of exchange bifurcating the action of buying and selling*. *Money as a means of payment separates not only in space but also in time these two transactions, and as a means of accumulation or hoarding up breaks also the link between savings and investments*. Since the *spontaneous operation of the market* (even a “perfect” one) owing to competition necessarily increases *differentiation among*

² Paul Streeten ironically stated (2002): „What is the difference between a specialist and a generalist? According to a well known quip, the specialist knows more and more about less and less, until he knows everything about nothing; the generalist knows less and less about more and more, until he knows nothing about everything.” (p. 20.)

³ For a more detailed and critical survey on their views see Szentes, T. (2002).

producers, which under capitalistic conditions leads to concentration and centralisation of capital, it *tends to create monopolies*, thereby replacing free competition by monopolistic one (i.e. "market imperfection").

His explanation of the tendency of disequilibria and cyclical fluctuation leading to regular crises, is partly related to his concept of the "*fundamental contradictions*" of capitalism, including among others

- the contradiction between the profit-driven expansion of production and the income-constrained consumption of masses, which follow from the tendency of income distribution to shift in favour of the capitalists, resulting in a declining share of the working masses in national income (i.e. from the "relative pauperisation" of the working class even in case of increasing real wages), and
- the contradiction between the more and more efficiently, highly organized nature (i.e. the increasingly well-organized management) of the production process "within the gates" and the "anarchy" of the market outside.

These contradictions regularly cause not only partial "overproduction", i.e. disequilibria in single product markets, but from time to time also a general "overproduction" crisis, and disequilibria in factor markets as well, namely over-supply or rather under-demand in the labour market (manifested in large-scale unemployment), and also in the capital-market because of over-saving or under-investment (manifested in "idle capital" and under-utilised capacities).

The cyclical fluctuations and regular crises follow, according to Marx, also from the inability of the capitalist market economy to keep those *basic proportions in growth between the main sectors of the economy*, making up the necessary conditions for its dynamic equilibrium, outlined in his famous "reproduction schemes".

By presenting a thorough analysis (a kind of "diagnosis") of the contemporary capitalism, though in a rather abstract model with illustrative cases only, i.e. in its "pure" form, Marx produced a sharp critique on the capitalist system of the economy which, in his view,

- tends to increase social and international inequalities (even if the income distribution does not necessarily follow the rule of a "zero-sum-game"),
- brings about, in a cyclical motion, regular crises as sharp manifestations of disequilibria (even if such economic crises restore, at least temporarily and at high social costs, equilibrium),
- causes growing *alienation* of the members of society and also nations from each other, by making their relations "impersonalised", formed as relations to "things", as exchange- and monetary relations, and by commercialising human labour, sex, culture, religion, etc.,
- and increases *exploitation* of the majority by a smaller and smaller minority.

It follows that according to Marx the capitalist market economy (whether it is a national or the world economy) can by no means operate in a harmonious way, based on or bringing about equally beneficial relations between equal partners. Nor can it ensure a lasting and dynamic equilibrium.

Nevertheless, Marx (unlike many of his followers) considered capitalism not only as a historically inevitable stage in the development process of human society, but also as a far more developed system than any previous one, bringing ahead social development. However, his final conclusion was about a necessary transformation of this system by proletarian revolution into a new one which in its developed stage operates both without market and the State, without alienation and exploitation, and ensures that each member of society contributes as much to the common welfare as can, but takes not more from the available goods than really needed, i.e. behaves without any selfishness (like an "angel").

John Maynard Keynes (1936) assumed that the equilibrium which results from the spontaneous operation of the market is, in general, an "*imperfect equilibrium*" as coupled with underutilized capacities and unemployment. It is only the cyclical fluctuations in the level of national income (thus also of unemployment) which can restore equilibrium between aggregate demand and aggregate supply in a national economy.

Keynes refused the "quantity theory of money" and the assumption of neutral nature of money. Like Marx, he did not reduce the function of money to that of a medium of exchange only. He distinguished between the transaction demand and the "*speculation demand*" for money, and

emphasised the role of the so-called "*liquidity preference*". By detaching the assumed determinants of the demand and supply of money, as well as the determinants of the demand and supply in the factor markets *he gave up the* Classical and Neo-Classical assumption about a *flexible interaction between demand, supply and the price* in the product as well as factor markets. Namely the assumption according to which both demand and supply always depend on the same variable: the price; and thus changes in demand and supply alike respond elastically to changes in prices which, in turn, also flexibly respond to any changes in demand or supply. Since such a flexible interaction does not exist, "perfect equilibrium" can hardly be ensured by the spontaneous operation of the market.

Keynes (like Marx) emphasized also the fact of *intersectoral linkages*, particularly those between the consumer goods producing and the capital goods producing sectors. He paid special attention to the operation of the "*accelerator*" which implies that an increase in the demand for consumer goods encouraging investments and thereby a proportionate increase in consumer goods production induces such an increase in investments also in the capital goods producing sector as leading finally to a *more than proportionate increase in consumer goods production*. Such an accelerator, which works also in the opposite direction, may *reinforce the tendency of fluctuations* in a market economy.

According to Keynes, since saving primarily depends on income while investment on the "marginal efficiency of capital" expressing profit expectation, liquidity preference and speculation play an important role in creating disequilibria and the rise of "*demand constraints*" which deteriorates profit expectations. A change in the *expectations* concerning the future profits may suddenly cause a drop in investments, first in the given sector and then, because of inter-linkages among the various sectors of the economy, in all the other sectors as well. Crisis erupts when the "marginal efficiency of capital" suddenly collapses in the entire economy.

Since *large-scale unemployment* is a very undesired phenomenon not only economically, as reducing the aggregate performance of the economy and its growth rate, but also socially, as depriving many people of their means of existence, and politically, as causing social unrest and working for extreme radical political forces, Keynes was worrying about the *socio-political consequences of deep crises* and lasting recessions with large-scale unemployment, social distress and international conflicts in trade and finance, which may pave the way for Fascism or Communism and lead to wars, endanger the prospects, moreover the very survival of the capitalist system.

His *conclusion* was that the market economy cannot be left to operate spontaneously because its "invisible hand" can ensure, indeed, neither the maximum economic efficiency nor social justice and equity. Instead, the *governments must act* in order to regulate it by means of market-conform measures of an anti-cyclical policy, in case of crisis and recession by applying such fiscal and monetary policies as overcoming "demand constraint" and stimulating both consumption and investment, thereby the growth of national income and employment.

The *Keynesian "recipe"* for indirect government interventions in the market economy is logically based upon the consideration of *demand-constraints* caused by over-saving and liquidity preference, i.e. the high propensity to save of the richer people and/or their refraining from spending their incomes on consumption or investments. Consequently, the government should directly or indirectly encourage investments and spending, by such measures of *fiscal policy* as e.g. financing from the central budget public works, welfare programs (for education, public health, social security, etc.) or other, "unproductive" expenditures (including, perhaps, military ones) and also some purchases from or support to (e.g. in research and training) private companies, and/or *redistributing incomes via progressive taxation* in favour of the poorer people with lower saving propensity, etc. which may all lead to increased effective demand in the market, and also by such measures of *monetary policy* as influencing the rate of interest to decrease, making thereby money "cheap" and encouraging investors to borrow, while inducing the propensity to consume to increase.

Though such a fiscal and monetary policy necessarily creates a *deficit in the central budget* which is financed by *inflationary emission and credit creation* (leading to a "deficit-financing" type of inflation), the resulting increase in national income is supposed, or at least hoped, to cause a growth also in the revenues of the central budget, thereby eliminating the former deficits. As long as this really occurs,

inflation may not only support economic growth (in the demand-constrained economies) but can also remain temporary and be kept within narrow limits.

Thus, it is Keynes' conviction that the *State* must intervene (but, of course, not by means of commands and direct instructions as in the "socialist planned economies"⁴), and regulate, by *anti-cyclical measures*, by various monetary and particularly fiscal policies, the operation of the market economy.

We may conclude:

- while *Marx* believed in, and also visualised, the future replacement of capitalism by a naively assumed and vaguely described better system of society which could operate both without market and the State,
- *Keynes* wished only to reform the capitalist system in order to defend it against extreme political forces.
- Both *Marx* and *Keynes* emphasized that large-scale *social inequalities* play an important role in economic disequilibria and in the eruption of over-production crisis, but
 - *Marx suggested the "socialisation" of private capital*, i.e. expropriation by the social community (or, as his followers meant: by the State of proletarian dictatorship) of what was according to him an accumulated wealth originating from surplus value expropriated by individual capitalists),
 - while *Keynes, instead, suggested a progressive tax system* in favour of the poor, withdrawing a part of high incomes of the rich for welfare measures.

However relevant some of the views of *Marx* and *Keynes* on crisis, and how to escape it, may appear, indeed, nowadays we must make at least two important notes:

1. Reality, in general, is much more complex and more rapidly changing than any theory would ever be able to catch it totally, to explain it perfectly, although almost each theory (except a few) may contain some truth, may enlighten but a part and moment of reality.
2. The very conditions of our contemporary world are substantially or at least considerably different from those in *Marx'* time and even in *Keynes'* time.

Those *historical changes* (at least in the advanced countries) *in the capitalist system since the time of Marx*, as manifested in democratisation, extension of civil rights, rise of welfare state and "social market economy", etc.) partly resulted, as a great *paradox* for his theory, from that "countervailing power" represented by the labour movement which he addressed and wished to mobilise for destroying instead of reforming this system. (*Marx* behaved like a physician who sets up a correct diagnosis but misses to take into sufficient account the responsiveness, i.e. the resistance capability of the patient's body as a living organism to the disease, and thus predicts wrongly.) Such a paradox could follow, of course, from an *ideological approach* to the given socio-economic system insofar as it is perceived as an *abstract model*, as an *entity per se*, being separated from and independent of the living society, its behaviour, intentions, traditions and culture, which actually shape and may change it. This ideological approach is a very typical feature also of those anti-Marxist and anti-socialist views perceiving the Soviet system of *Stalin's* time as a really socialist system (in accordance with its ideological label) and exclude the possibility of its gradual transformation by reforms – just like those communist conceptions rejecting reformism.

⁴ "The authoritarian state systems of to-day seem to solve the problem of unemployment at the expense of efficiency and of freedom. It is certain that the world will not much longer tolerate the unemployment which, apart from brief intervals of excitement, is associated - and, in my opinion, inevitably associated - with present-day capitalistic individualism. But it may be possible by a right analysis of the problem to cure the disease whilst preserving efficiency and freedom." - *Keynes, J. M.* (1936), p. 381.

A certain *paradox* also appeared in regard to the concept of *Keynes*: The post-war period until the late 1960s saw the Keynesian policy of anti-cyclical state intervention in national economies being widely introduced and rather successfully applied in individual Western countries, while the same period also witnessed the growth of counteracting tendencies which undermined its basis and the very framework, namely the national one, within which such a policy was and could be successful. Accelerating globalisation and regional integration as well as the expansion of TNCs' activities have made the *national framework* of regulation of economic processes increasingly outdated and irrelevant.

In addition, the very success of the Keynesian economic policy in overcoming the *demand constraint* has generated (together with the political intention to demonstrate superiority of "capitalism" over "socialism") such a *conspicuous consumerism* in the developed Western countries as far surpassing and even moving away from real human needs. It has proved hardly sustainable in longer run.

The *spread of this consumerism* in the West after the Second World War, and its demonstration effects on other parts of the world also contributed to the *eruption of the recent crises* which therefore can hardly be explained by demand constraints in general, or even by purely economic factors. Conspicuous consumerism accompanied by squandering, ostentation, and artificially created waves of fashion, has been intensively *promoted by continuous business propaganda* of giant commercial companies as well as the on-going *irresponsible credit policy of commercial banks*. The *demonstration effects* of the so-called "consumer society" and its life style have biased the consumption and import patterns also of those countries (more precisely their elites) imitating the Western example, thereby exerting an increasing pressure on the world's non-renewable natural resources, and also contributing to the growth of disequilibria in the world economy.

Consequently, it was *not* the very concept of Keynes which has failed, but the changes of circumstances increasingly deprive it of relevance for individual countries.

Despite the limited applicability of those views both of Marx and Keynes (and also those paradoxes) mentioned above, we may draw *certain conclusions from their concepts* if critically taking and confronting them to reality (i.e. *mutatis mutandis*).

- (1) The *spontaneous operation of the market* involves (due to the double nature of commodity and various functions of money) certain *germs of crisis*, and
- (2) necessarily creates and increases social and/or international *inequalities* which
- (3) together with disproportionate growth of sectors tend to cause *structural disequilibria* in the economy, while
- (4) *aggregate demand may diverge from aggregate supply* both in product and factor markets,
- (5) thus the operation of the *market needs to be regulated*.

However, such a regulation within countries as undertaken by the State inherently involves the *danger of power centralisation* and the tendency towards dictatorial regime, while within the world system it still *needs a relevant institution* (although power concentration is a fact there).

Neither the world economy, nor the individual national economies can do and be efficient without the *operation of the market*. All the historical attempts to eliminate market or prevent its operation according to its basic functions, have necessarily failed. Whenever and wherever its functions of allocating resources, distributing incomes, setting prices and giving signals both to producers and consumers, etc. were taken over by the State and its central authorities, the consequences proved even worse, and neither economic disequilibria nor social inequalities were substantially reduced. Instead, the latter took only different forms (such as in the soviet system).

What follows is that both the strategy of reducing social and international inequalities, and the realistic policy of escaping from regularly but unexpectedly returning crises, i.e. of efficiently treating the crisis propensity, *must be reconciled* with the maintenance and normal operation of the market.

However, *market* – as well-known - may have quite *different forms* (moreover, different interpretations as well), the *market economies do also differ* not only in history but also in the contemporary world. Differences appear not only between the more and the less developed market

economies, as reflecting the level of economic development of the countries concerned or the success of the so-called “transition” to a market economy, but also among the developed countries.

A market economy can be

- characterised by a great number of individual, small or medium-size firms competing with each other, or
- dominated by a few big companies, (either with local or foreign base) involved in monopolistic competition, or
- operating under the heavy intervention of the State controlling and regulating it, counteracting and compensating its undesired social effects, or
- functioning within a corporate system in which the State and the big companies cooperate, or even
- a kind of hybrid, including elements of the above.

Accordingly, the *literature of “comparative systems”* usually *distinguishes* not only “classical”, i.e. competitive capitalism, but also (a) its US-type variant characterised by individualism and excessive liberalism, (b) the Western-European type of “social market economy”, and (c) the Japanese or rather East-Asian type corporate system of “State –directed market economy”. Unfortunately, the *changes* within each and the combinations are often neglected.

Differences among market economies can be manifested in or completed by divergences or alterations *in the scale and scope of market functions and extension of market effects* also on other than economic spheres of social life.

Consequently, it is rather meaningless to praise or condemn the market economy or even “capitalism” as such, instead of considering *which type*, which particular *variant* we are speaking about, and which one is to be transformed into either an already tested better one or a realistically visualised new one.

In the light of the above mentioned differences both in space and time (i.e. between countries with one or another type of market economy, and between one or another period of their changing conditions), *an over-generalisation* concerning the required economic policy measures to overcome crisis *necessarily misleads*. While certain needs and principles may serve as common guidelines, the same concrete measure can succeed in one country while fails in another, and may be counterproductive in one time while efficient in another even in the same country.

Moreover, since *crises can also be of different concrete origin and nature*, it is the task (and “arts”) of economic policy makers (hopefully helped and properly advised by scholars) to select the most appropriate measures.

Unfortunately, however rich the related economic literature is, and however numerous advisers the highly educated experts give to governments, and (let’s add) however successful the treatment of one or another concrete type of crisis proved to be, the very problem of regular return and rapid globalisation of crises, reflecting a *permanent crisis propensity* of the world economy is far from being solved yet at all.

It would require another study to illustrate how the *standard textbooks of economics* contributed not only to an underestimation of those anomalies leading to the recent crisis but indirectly also to the very practice, over-extension and irresponsible credit policy of the banking sector as well as to the biases in business behaviour, which also paved the way for it.

It seems enough here to mention only a few of those false, misleading or oversimplifying concepts presented in standard textbooks and in the neo-liberal literature of economics⁵: such as e.g. about the favourable role only of speculation, of stock exchanges, of the bank sector presenting new “products”, of an undistinguished increase of consumption and spending in the economy, of liberalisation of international money flows in general, the reduction of international capital flows to a mere “intertemporal trade”, the concept of “nations’ competitiveness” interpreted and measured as

⁵ For a critique of mainstream economics in general see Szentes, T. (2002), and in the light of the crisis see particularly Streeten, P. (2002), and Csaba, L. (2009).

that of firms located in the individual countries and competing in the market⁶ with the aim of smashing out each other, the “inverse U hypothesis”, the explanation of the former or the present trade patterns and international division of labour by “comparative advantages”, etc.

Both in literature, particularly of the mainstream economics, and in debates among experts still a strange pair, namely *narrow-mindedness cum generalisation* prevails. The former manifests in the excessive *focus on a concrete variant of crisis*, moreover, as usual, on one of its causes, and on the related requirement, while the latter appears in the recommendation or *prescription of exactly the same policy* as a universal therapy, regardless of obvious differences between cases.

A clear example of neglecting the differences between actual cases, conditions and social effects is the argumentation (whether pro or con) regarding “*austerity*”. It is in fact meaningless to suggest or reject austerity without considering how it would affect various sectors of economy and different social strata.

Austerity is not necessarily bad, moreover it may be both necessary and socially favourable if it is applied to curb conspicuous consumption and spending on luxuries of the rich and to reduce prestige investments and bureaucracy of the State. However, such *austerity measures*⁷ and restrictive economic policies as being, in general, applied nowadays⁸ have reduced the basic consumption of the poor in a drastic way, causing thereby spread of famine, malnutrition, and poverty, as well as decline in basic needs oriented production, while they hardly touched upon the conspicuous consumption of the rich. The *gap* not only in development and income levels but also and particularly in the living standard and in general life conditions between a small group of the rich and the enormous masses of the poor both within most of the individual societies and in the world society as a whole has become more manifest than ever. It generates, besides causing disequilibria, a dangerous growth and spread of *disappointment, unrest, hopelessness* which provides the soil for the rise of *extreme political forces and globalisation of terrorism*.

Not less meaningless is the debate on whether a *Keynesian recipe* stimulating growth or the opposite one reducing disequilibria and deficits promises, in general, i.e. in all cases, a solution, because equilibrium in dynamic sense presupposes also growth.

While the Keynesian policy, if *applied worldwide* by governments, or to the *global framework* of the world economy, may be appropriate and efficient in case of a recession or lasting stagnation, it requires not only selective measures concerning “demand constraints”, but also *specific conditions* in the institutional system, including a mechanism of regulating economic processes on world level.

(B) As regards the *new conditions and reasons, including non-economic ones, which* – in addition to those inherent features of the market economy revealed by Marx and Keynes – *render the crises a multidimensional nature and make the propensity to crisis almost permanent* in the world economy, the most important ones are the following:

- *Increase in interferences and tendency of synchronisation between the cyclical motions of national market economies*, as well as between the short, medium and long waves in the world economy
- *Acceleration of the process of globalisation*, which makes all national economies as well as societies more vulnerable to external effects and shocks

⁶ For the concept and measurement of nations’ competitiveness see *Porter, M* (1990), and *World Economic Forum* (2004), while for a critique see *Szentes, T.* (2012)

⁷ „...austerity is bad economics, bad arithmetic, and ignores the lessons of history”. „...austerity measures have been reducing public expenditures for social goods and service sin most countries, at a time they are most needed.” – *Jolly, R. et al.* (2012), pp. 38-39.

⁸ „The current governance arrangements are faulty on two basic grounds. They are ineffective: the structures do not have the coherence and the leverage required to address the complex challenges of globalisation. And they are unrepresentative and therefore deficient in terms of legitimacy: they still essentially reflect the structure of world economic power and influence as it was in the mid-twentieth century.” – *Jolly, R. et al.* (2012), p.54.

- *Rise and spread of regional blocks*, integration organisations and new alliances or interest groups (like BRICS) in the world economy and politics, resulting or promising changes in international power relations
- Effects of revolutionary *progress in communication and information technologies*, on changes in international economic and cultural relations, shifts in power and gravitation centres of the world economy, capital flows and employment facilities, forms and extension of illiteracy, chances for some less developed countries to catch up with more developed ones , etc.
- Lasting, reproduced or new *structural disequilibria in the world economy, built in the uneven distribution of functions in the international division of labour*, making the growth of the main sectors producing for and consuming the products of each other disproportionate, *and also manifested in temporary de-linking of the monetary from the real economy* and growth of a “paper economy” dominating the latter⁹
- The still *deep international development gap* reflecting large-scale *inequalities and non-symmetrical interdependencies in the world economy*, manifested in trade relations, in ownership and control over development resources, in financial and monetary relations, in flows of technologies, in labour migrations and brain drain, in information relations and in initiating or adjusting to changes.¹⁰
- *Intra-society development gap* and large-scale *inequalities* within countries (not only inherited from the past, but also generated by system transformation, or fuelled by immigration) *between social and/or ethnic strata* in ownership and control positions, in upward mobility and career opportunities, and in distribution of income and wealth
- *Growing interactions and also trade-off between international and intra-society inequalities*, between the development of the centre-periphery relations among and within countries
- The extending role, activities and power of *transnational companies* developing global networks and following global strategy by means of efficient combination of internalisation and externalisation (outsourcing), thereby easily escaping if not sufficiently influencing local policies, and responding quite differently than national firms to the latter
- The rapidly *increasing interconnectedness of money markets*, stock exchanges, financial centres, which facilitates rapid transactions, flows of “hot money” induced by speculation, and the spread of disturbances or shocks internationally, giving birth to “contagion” phenomenon
- *Uneven progress in liberalisation* both on national and international level, favouring the more advanced partners and the flows of financial capital and FDIs rather than labour and newest technologies, intellectual properties
- *Extension of the market rules and effects* far beyond the sphere of economy and the scope of normal market functions, to the areas of education, culture, science, sport, public health, social insurance, public utilities, and also to party politics and parliamentary elections
- *The spread of aggressive business propaganda* of big commercial firms stimulating consumerism over and beyond real human needs and consuming as well as paying capacities
- *Uncontrolled and largely irresponsible credit policies* of many commercial banks enjoying or expecting support of governments, national banks or international financial institutions, and relying also on an abnormally big margin which represents in fact a practice of usury
- The process of *cumulative indebtedness* of great many countries, and also within them, which makes debt servicing increasingly uncertain and international financial assistance and various charity actions necessary (as voluntary, in fact artificial methods substituting for institutionalised and organised income-redistribution)
- The *worldwide spread of conspicuous consumption and life style*, radiating via demonstration effects from the elite strata of the most developed countries through the channels of TV,

⁹ See: Simai, M. (2013), pp. 306-308.

¹⁰ See: Szentes, T. (2003), Ch. III/3. or briefly (2013), p. 277.

media, Internet and tourism, which fuels the process of indebtedness and generates growing disequilibria both in household and national economies

- *Worldwide use of standard textbooks of economics* which neglect or underestimate those anomalies leading to crises and favour the over-extension and irresponsible credit policy of the banking sector as well as speculation and biased business behaviour
- *Flood*, in mass media, TV programs and films, *of the cult of violence*, self-centred and self-indulgent behaviour, irresponsible adventures, *selfish and lawbreaking individualism* (as noted above)
- The more and more *unsustainable nature of the type and pattern of development* which until recently has prevailed in the advanced countries and served as an example to follow by less-developed ones, making the related road of development a blind alley because of ecological dangers, over-exhaustion of non-reproducible resources and pollution of environment
- *Political uncertainties* manifested in revolts, violent demonstrations, social unrest, turmoil, mainly in those many countries still lacking democratic institutions or missing the required opportunities or social behaviour to practise democratic rights, but also in those few where the integration of immigrant ethnic or religious strata is a serious problem
- *Inadequacy of the existing institutional system* with a sharpening contradiction between globalisation which reduces the sovereign activity of “nation-states” and the lack of really global institutions, resulting in a *growing incompetence* of the existing, both national and international institutions to meet their original tasks
- *Increased dangers for the security* of all countries, even of the most powerful States, not only because of the recently frequent *natural catastrophes* or the fading away of the former quasi-security system based upon mutual deterrence, but also and mainly due to the globalisation of *terrorism* and criminality¹¹ both endangering human beings in general

In view of the above mentioned numerous components it appears that what we may call “*permanent crisis propensity*” of the world economy is a *multidimensional phenomenon* involving not only economic but also social, technological, institutional, political, cultural and even ecological (climatic and environmental) aspects. Consequently, its full elimination is hardly possible in the near future or at all.

What is, however, an imperative *need and realistically feasible*¹², too, is to make *coordinated international efforts*, based on *co-operation and interest reconciliation*, aimed at among others:

- the *reduction of the instability* of the world economy and at least of those *uncertainties* stemming from uncontrolled and not transparent activities of transnational corporations, international investment and commercial banks,¹³ insurance companies, broker houses, cross-border capital and “hot money” flows, credit facilities and “black” or secret bank deposits, etc. by means of a *common monitoring and regulating system* to be installed and of mutually agreed *codes of conduct*
- a considerable *decrease of the amplitudes of business and trade cycles* by means of a *Keynesian anti-cyclical policy applied and adjusted by co-operating governments* to contemporary conditions and local needs
- a *more rapid and efficient responsiveness* by coordinated national policies to the warning signs or at least to the eruption of a crisis and applying the necessary *selective measures, including selective austerity and progressive taxation in order* to decrease fiscal and monetary

¹¹ „At the global level, common defense needs include defense against acts of military aggression and also against growing worldwide terrorism and global criminal activities. Both are growing in scope and number.” – Parker, B. (1998), p. 406.

¹² As the title of the excellent booklet of Richard Jolly, Carlos Fortin, Gerry Helleiner and others, indicate: “*There are alternatives*”! – See Jolly, R. et al. (2012)

¹³ One of the major messages of above mentioned booklet is to make the banks to serve, instead of dominating, the economy. – Jolly, R. et al. (2012)

disequilibria, to overcome stagnation, *to reduce the harmful social effects, to stimulate growth* and thereby prevent a lasting long recession

- *reorientation of development strategies and investment policies* towards real human needs¹⁴ which include, over and beyond subsistence minimum, such material, cultural and spiritual goods and services as corresponding to the actual level of social welfare, and also towards protection of Nature
- *restriction*, by means of market-conform measures, particularly tax policies, *of conspicuous consumption*, luxury and prestige expenditures and their *demonstration effects* as well as such *business propaganda* stimulating them
- *implementation and extension of environment protecting international agreements and measures* to all countries and sources of dangers, respectively, and creation of appropriate safety reserves to help those people suffering a natural catastrophe
- *allocation of more human and financial resources* to social development, social welfare policies and to assistance of the less developed regions and countries, thereby diminishing the background of terrorism, at the expense of public expenditures serving military purposes, production and import of armament and/or the growth of state bureaucracy
- *promotion*, by moral and financial incentives, *of democratisation* of the still more or less dictatorial, autocratic regimes, without using violence and applying a general scheme
- *shifts in the parliamentary and municipal elections* away from voting on party lists towards that on individual candidates, and application of direct democracy wherever it is feasible
- *implementation of gradual but substantial reforms in the international institutional system, particularly in the UN:*
 - transforming its exclusively State-based *representation and voting order* into a more proportional and democratic one,
 - complementing it by a “*second chamber*” for the proportional representation of all nations and social groups,
 - rendering *NGOs and democratic civil society organisations* appropriate role and rights in interest reconciliation and decision making,
 - establishing a *new global reserve currency*¹⁵ and a *global public sector*¹⁶ and
 - introducing an *international tax system*, thereby
 - providing new sources and tools for an increasingly *global governance* of the world economy and for caring of “*global commons*”, particularly of Nature,
 - establishing “*cohesion funds*” and “*structural funds*” (like those within EU), financed from a “*world budget*”, serving to reduce development gaps and help structural changes in favour of less developed regions
 - making some *fundamental*, democratically reached *UN decisions and resolutions compulsory*, binding ones, and
 - empowering the UN to *enforce their implementation* (by applying at least such methods as used by EU, IMF, WB, WTO), and so on...
- *revision of the rules on intellectual property rights* and access to new research results in favour of those new technologies and medicines serving such common interests as the *prevention of epidemics*, therapies of the gravest mass diseases, and *environment protection* which should be free of charge, while introducing strict international control and ban (except in labs) on the use of those damaging Nature and human life
- *establishment of a “social and environment safety net”* on global level, thereby

¹⁴ The idea of a „basic needs oriented development strategy” was raised and presented at the World Employment Conference of ILO by *Louis Emmerij* (1976).

¹⁵ See *Simaj, M.* (2013), p. 312.

¹⁶ The need for a global public sector was emphasised by *Jan Pronk*.(1991).

- creating the germs of a global “*oeco-social market economy*” which should imply the combination of the market economy with appropriate welfare and environment-protecting measures both within countries and internationally.....
- *international standardisation of value added taxes* in such a way as extending them to the financial sector, too, and prescribing high rates on luxurious goods, armaments and all those products and services that are harmful for health and environment, or propagate such,

Although some of the above requirements may appear as products of wishful thinking or utopian ideas, they are, in fact, much less irrelevant than those ideologies and biased views either assuming that the prevailing world order can survive without fundamental changes for ever, or dreaming about some world revolution and its heavenly outcome.

These aims and required measures, the above list of which is not exclusive, are *hardly new ones*. Some of them have been incorporated in international agreements and UN resolutions, or recommended at international forums, while many significant steps were taken as emergency actions during crisis by international institutions and inter-state bodies, particularly G20¹⁷. What is badly needed is to *implement* fully and by all partners the related agreements, to accept the relevant recommendations, and to *turn emergency measures into normal practice*.

No doubt, all these can hardly be achieved without a *strong pressure* on the dominant powers, the political leaders of the most developed countries, the representatives of international institutions, and the economic elite of the giant transnational companies. Such a pressure should come from below, *hopefully not in the form of terrorism or an ecological catastrophe but* instead in that of *international social movements* (the “greens”, “the “conscious consumers”, the various trade unions, youth and women organisations, professional and scientific association, religious organisations, etc.) representing, if remaining independent of the states and business circles, a “*countervailing power*”

If such a countervailing power is strengthened and well organised, there is a real *opportunity for a gradual progress towards a new world order* of mankind, based upon solidarity and real democracy, in which *civil society* makes use of and *controls both the market and the States* as well as international institutions by its democratic civil organisations freed from them.¹⁸

A really new world order, however, requires considerable *changes in social consciousness and attitude*, moreover a kind of “*New Enlightenment*”. The latter would

- disseminate the so-called *planetary consciousness* making clear for everybody that the very survival of humankind depends on cooperation and protection of Nature,
- *free all social science theories from ideologies*, from apologetic misuse and manipulative distortion for legitimising political interests and practices, and would put an end to the “religious” belief in any of them as a single “vehicle of Truth”,
- **free also natural and biological sciences from the delusion** of ever reaching a full and final result in the research of the universe and its living organisms, thereby inducing a modest, humbly approach and bigger responsibility vis-à-vis the latter,
- **detach religions from politics**, i.e. making impossible to use religion for generating hostile feelings against others, for justifying discrimination and for declaring “sacred wars”,
- **separate**, more clearly than ever, **real patriotism from nationalism**, banishing nationalist demagogy, racism and xenophobia,
- **reject the spirit following from contemporary neo-liberalism** to be distinguished from original ideas of liberalism, which prefers **selfish individualism and market-type competition** smashing the partners out, rather than co-operation,

¹⁷ See its joint Action Plan agreed in its meeting in November 2008.

¹⁸ This is an idea which was first formulated by *Marc Nerfin* (1987), and shared by all those having a very critical view on both the capitalist and the „socialist” systems, and instead of ideological slogans expressed hopes in such a „third system”.

- **deprive the comparative socio-economic systems of their ideological interpretations and the myth** about their isolated existence as separate entities, independent of the living society, its behaviour and intentions, and consequently unsuitable for being successfully reformed.

The major role and task in disseminating the spirit of such a new enlightenment is, of course, to be undertaken and fulfilled primarily by *scholars, social scientists and educators*.

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