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The global economic crisis: a cultural issue? Or how economics became antisocial

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Abstract

This paper questions whether present-day, dominant capitalism is becoming *primitive*. The valid question is whether the economy has become *anti*social. From an interdisciplinary perspective, the most obvious answer is *yes*, *it has,* both by means and consequences.

A vital source for understanding the present-day crisis is from classical economics, from Adam Smith to Keynes. The *social* finality of economics and the *material productive* content of work are some of the main ideas highlighted here. This economic perspective should be directed towards rediscovering the *oikos* – the starting point of the drive to find and consume resources. Otherwise, it seems that world economics will be *greed*locked in an endlessly speculative drive. In other words, a global economy cannot sustain a derivative market that, according to the Bank for International Settlements, was *eleven times greater* than the value of world production at the end of 2007.

Introduction

> **Motto**: "But man has such a predilection for systems and abstract deductions that he is ready to distort the truth intentionally, he is ready to deny the evidence of his senses only to justify his logic" (Fyodor Dostoevsky, *Notes from the Underground*, 1864[1])

Has the economy become *anti*social? From an interdisciplinary perspective, the most obvious answer is *yes*, *it* has, both by means/causes and consequences. To provide a solution, this paper is structured by two major, interrelated topics: (i) causes and (ii) outcomes, with each based on several arguments ranging from etymology to ethics.

1. Where did it all start?

1.1 Shifts in meanings

First, one should ponder again ***the linguistic roots*** of *economy,*[2] *oikos* (from Greek, meaning "household") and *nomos* (also from Greek, referring to "the spirit of law"[3]) and compare them with the current state, goals and monetarist methods of the western hemisphere's dominant paradigm, also known as *neoliberal thinking and acting*. In theory, economics is based upon 'the rules of the house(hold)' and the enterprise, two elements that represent the main reservoirs of order for any socio-economic system (whether they be local, regional, national or international).

However, policies in the new global context do not seem to take into consideration or reflect the household's existence, management and security within national borders. "Household is somewhere life is lived in common"[4], a favourable atmosphere for people labelled as 'vulnerable' to be supported accord-

1 Dostoevsky, Fyodor: Notes from the Underground, Part I, Chapter VII, 1864 in: Pagebybooks.com, accessed 25 May 2011, http://www.pagebypagebooks.com/Fyodor_Dostoevsky/Notes_from_the_Underground/index.html

2 Harper, Douglas: Online Etymology Dictionary, in: Etymoonline.com, accessed 25 May 2011, http://www.etymonline.com/index.php?term=economy.

3 This term is also used by Peter L. Berger, referring to meaningful and legitimate orders or worldviews of individuals. See Berger, Peter L.: The Sacred Canopy: Elements of a Sociological Theory of Religion. Garden City: Doubleday, 1967.

4 Williams, Rowan and Larry Elliott: Crisis and Recovery: Ethics, Economics and Justice. New York: Palgrave Macmillan, 2010, p. 23.

ing to household rules (children) or retirement (the elderly)[5]. Moreover, the environment sustains *labour* as a means of reinforcing the household's security[6] and consumption behaviours *as needed*. In other words, the theory of 'housekeeping' encompasses the use of intelligence *for* balancing needs, offering leisure time and opportunities for creativity, securing trust and consolidating a particular context of growth for all the actors involved. Keeping in mind the central position of the household, we inevitably reach the topic of national substance in our discussion due to the economic process that is subsumed by the national context:

> *"[…] they [Smith and Hume] were concerned with the impact of the economy on the social and political life of their nation. Here the linkage to religious values was real but focused rather sharply on English society, post-1688, and on Scotland, post-1707. They saw affluence as the friend of civil liberty and, on balance, a civilizing agent over a wide front"*[7].

In this sense, any theoretical creation or implementation must include the central aspect of *oikos* to avoid damage to people, labour, markets, and economies. Unfortunately, the *neoliberal paradigm* ensured a ***reified***[8] ***economic climate***, characterised merely by the constant search for *maximising* profits and *unlimited* material growth.

> *"The effects of trying to structure economic life independently of intelligent choice about long-term goals for human beings have become more than usually visible in the past 18 months: it is harder than it was to ignore the force of the question, 'what for?' in thinking about the global market"*[9].

Homo economicus, the man with access to power and market levers, is increasingly exposed as a 'straw man' who is ready to risk anything at any time for profit gain, ***invoking the rational calculations of self-interest***[10]. Paradoxically, *homo economicus* is converted into an absolute irrational being, a phenomenon that Vilfredo Pareto analysed in 1916 under the umbrella of non-logical discrepancies[11]. Thus,

> *"over the past two or three decades, the impact of a narrow economic rationality on public services in our society has shown how there can be a 'housekeeping' strategy that ends up destroying the nurture and stability that make a household what it is"*[12].

All these trends appear to contrast to an idea for solving the ongoing economic crisis, which aims at *recovering* clear vision, goals and means needed for reinstating economics as the science that sustains,

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5 ibid.

6 "kind of stability that allows a margin of generous welcome to those who are not currently contributing to the material resources of the household, and allows all the inhabitants of the household to have some space for 'nonproductive' living". Williams, Rowan and Larry Elliott: Crisis and Recovery: Ethics, Economics and Justice. New York: Palgrave Macmillan, 2010, p. 24.

7 Rostow, W. W.: Theorists of Economic Growth from David Hume to the Present, Oxford: Oxford University Press, 1990, p. 18.

8 Reification refers to the separation between an object and its value, content and significances, remaining in the end with only the object's form. See Simmel, Georg: The Philosophy of Money, London and New York: Routledge, 2004 [1907].

9 Williams, Rowan and Larry Elliott: Crisis and Recovery: Ethics, Economics and Justice. New York: Palgrave Macmillan, 2010, p. 24.

10 ibid.

11 See Pareto, Vilfredo: Trattato Di Sociologia Generale (4 vols.), G. Barbéra, 1916.

12 Williams, Rowan and Larry Elliott: Crisis and Recovery: Ethics, Economics and Justice. New York: Palgrave Macmillan, 2010, p. 24.

encourages and appeals to a society's 'strong ties'[13]. This definition goes beyond Samuelson's belief in a science that deals with the distribution and production of utilities in terms of scarce resources. A revitalisation of both economic theory and practice can be achieved by rediscovering Max Weber's classic understanding of economics as *social action,* a group of culturally conditioned relationships in the name of which rare resources are produced and consumed[14]. Again, the idea of production and distribution in these specific terms takes us back to the two cycles of socio-economic life that make possible the wealth of nations (to quote Adam Smith) and a state's projection of power outside its borders[15]: *mass production*, identified inside the *enterprise*, and *regime of consumption as needed*[16], corresponding to family/household. Thus, the enterprise is the space in which societies organise their work depending on public interest and capital and produce welfare, while the household is the primary beneficiary of the wealth produced but also *the starting point*[17] of all the social relationships that make an enterprise possible. Values that are family inherited are transformed into a *summum* of capabilities and abilities that add up to the concept of *profession*[18] *or vocation*[19].

The classical perspective on economy and economics as a science considers *social finality* at all times. W.W. Rostow, one of the most respected contemporary historians in the field of economics, writes at the beginning of his book *Theorists of Economic Growth from David Hume to the Present*[20]:

> *"To the Economists of the Next Generation: in the hope that, without abandoning modern tools of analysis, they may bridge the chasm of 1870 and reestablish continuity with the humane, spacious, principled tradition of classical political economy"*[21].

Thus, we understand economics even within its international dimension, *not* outside the social and communitarian realm but on the *inside* as posited by the classic theories (liberalism).

Another shift in meanings refers to the concept of *work*, the primary social activity and one of the three production factors (labour, land, or capital). According to Nobel award winner Paul A. Samuelson, "labour consists of the human time spent in production. … It is at once the most familiar and the most crucial input for an advanced industrial economy"[22]. However, if we take into consideration the recent work and outcomes on Wall Street, such a definition becomes incomplete, a fact proven by Mihail Manoilescu's works in the interwar timeframe[23]. According to him, work must be guided towards the most productive areas of the economic sphere (industries), where the outcome must be at its highest *value*. In other words, work translates into the *production of utilities* to be beneficial for the economy in which it is developed. Nonetheless, theoretical confusion persists due to the *equivalency of utility with*

13 Here we refer to Granovetter's concept of strong/weak ties. See Granovetter, Mark: The Strength Of Weak Ties: A Network Theory Revisited in Sociological Theory, Volume 1, 1983, 201-233.
14 Baltasiu, Radu: Geoeconomy. Societies, States, Orders, Bucharest: University of Bucharest, 2011, [mss.].
15 See Buzan, Barry: Popoarele, statele şi teama, O agendă pentru studii de securitate internaţională în epoca de după războiul rece, Chişinău: Editura Cartier, 2000, p. 74.
16 Baltasiu, Radu: Geoeconomy. Societies, States, Orders, Bucharest: University of Bucharest, 2011, [mss.].
17 Ibid.
18 See Durkheim, Emile: The Division of Labour in Society. New York: Free Press, 1997.
19 See Weber, Max: Economy and Society, London: University of California Press, 1978.
20 Rostow, W. W.: Theorists of Economic Growth from David Hume to the Present, Oxford: Oxford University Press, 1990.
21 Ibid., p. 18.
22 Samuelson, Paul A., William Nordhaus; Economics, McGraw Hill Inc.1992, ed. XIV, p. 20.
23 See *La théorie du protectionisme industriel* (Paris, 1929) or *Le siècle du corporatisme* (Paris, 1934).

satisfaction in the neoliberal paradigm[24]. Furthermore, the wage becomes the price of labour, an element *dependent on the individual's positioning inside the fluxes of capital*[25], a hierarchy too often trivialised that cannot sustain, in Manoilescu's words, *a social justice based on a fair wage scale and a solid hierarchy of competencies* with the public good as the centre point.

> *"The unchecked power of financial capital has also resulted in some of the highest levels of poverty and inequality in Europe. In 1976, the bottom 50% of the population owned 8% of the nation's wealth; by 2011 it had fallen to 5%[26]. In contrast, 1% of the population earn an average annual income of ₤220,000 and own approximately 25% of marketable wealth[27]. By 2008, 13.5 million people, 22% of the population, were living in households on or below the poverty line of 60% of the median household income of ₤489[28]. Of these, 5 million are surviving on 40% of median income, around ₤10,000 a year, a little over two weeks' income for the top 1%. The numbers in deep poverty are at the highest level since records began in 1979[29]. The 'right to buy' has enriched many people's lives, but the failure to invest in housing for the next generation has left millions without a decent home"[30].*

Thus, an anti-social wage scale (highly disproportionate both nationally and internationally) is bound to negatively influence the internal market of one society and its national competitiveness within the international economic system itself, creating the so-called *development of underdevelopment* (see the works of I. Wallerstein, G. Frank, S. Amin, M. Eminescu, C.D. Gherea, etc.). The ongoing economic crisis is *all about ignoring the two key components that build national welfare*: the general increase (or at least preservation) in wage, which is a necessary condition for diminishing social disparities and providing necessary strength for the internal market, and increase of export activities with high value afforded by the high level of technology embedded into the produced goods or services. Enterprise is the place where national competitiveness is built, and its sole beneficiaries are the society and the state. In this sense, the fathers of liberalism, Smith and Ricardo, argued that the prosperity of the individual follows from national wealth. This idea outlines the concept of the *invisible hand*: the *just* self-regulatory system of supply and demand in a *properly observed* legislative context (Hobbes' contractual reality) built by the 'prince' (the state) to integrate the greedy and weak character of the human being into a coherent *social* system.

Manoilescu criticised the argument by stating that the profit of the entrepreneur is not sufficient for strong national development and that personal wealth has value *only* in relation to its public utility[31] (the market is in equilibrium if individual and the national benefits overlap)[32]. Moreover, he critically

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24 "In a word, utility denotes satisfaction. More precisely, it refers to the subjective pleasure or usefulness that a person derives from consuming a good or service". Samuelson, Paul A., William Nordhaus; Economics, McGraw Hill Inc.1992, p. 83.

25 "The purchasing power of an hour's work or the money wages divided by the cost of living". Samuelson, Paul A., William Nordhaus; Economics, McGraw Hill Inc.1992, p. 233.

26 See national statistics, in statistics.gov.uk, http://www.statistics.gov.uk, accessed 25 May 2011.

27 Brewer, M., L. Sibieta and L. Wren-Lewis: Racing Away? Income Inequality and the Evolution of High Incomes, Institute of Fiscal Studies, 2008, in: ifs.org.uk, www.ifs.org.uk/publications.php?publication_id=4108, accessed 25 May 2011.

28 See www.poverty.org.uk. For information about the median income see http://www.statistics.gov.uk/cci/nugget.asp?id=285, accessed 25 May 2011.

29 ibid.

30 Williams, Rowan and Larry Elliott: Crisis and Recovery: Ethics, Economics and Justice. New York: Palgrave Macmillan, 2010, p. 57.

31 See Baltasiu, Radu: Antropologia globalizării, Bucureşti: Mica Valahie, 2009 and Baltasiu, Radu: Contemporary problems: the global economic crisis, Bucharest: University of Bucharest, 2011, [mss.].

32 "The notion of national welfare ... lies in a possible antithesis with the notion of the individual wealth of the entrepreneur" Manoilescu, Mihail: Forțele naționale productive şi comerțul exterior. Teoria protecționismului şi a schimbului internațional, Bucureşti:Ed. Ştiințifică şi Enciclopedică, 1986, pp. 86-87.

analysed the theory of the competitive advantage[33], arguing that inequality of trade refers to *quantities of workload valued differently* due to productivity of work, the technological content embedded in goods and services, and the inclusion of a social-national value next to commercial value per se. In other words, a product that incorporates high work productivity inevitably uses national social resources at a maximum level in that particular area of interest. However, currently, international success is still defined "by a nation's industry as possessing competitive advantage relative to the best worldwide competitors"[34] in the mechanism referred to as international trade. This perspective appears to be in contrast to Manoilescu's analysis of state economy (see above) and to the early thoughts of David Hume, Adam Smith or David Ricardo concerning solutions to potential crises and policies for economic growth, as illustrated by the good and evil issue:

> *"First, the problem of good and evil. Clearly, Hume and Smith viewed man as capable of 'sin and error', translated into avarice and greed in the life of the economy. They saw in man's need for social approval and sense of kinship with others a tempering force defined as 'sympathy'; but they did not rely wholly on sympathy to hold avarice within civilized bounds. Nor, except over a narrow range—notably, in guaranteeing the sanctity of property—did they rely on the state. They viewed open competition as the most effective reconciling force. … Second, they were deeply concerned with the moral problems posed by simultaneous existence of abject poverty and unearned affluence—again a concern deeply rooted in the Christian tradition. As Hont and Ignatieff have reminded us: 'the central commitment of Hume and Smith was to justice'."*[35]

We hereby understand that the perspective that included liberal classics was clearly conceived according to the concept of the community's space and time, a perspective that illuminated England's path towards national welfare.

1.2 The abstractisation of economy or the elites' contribution

Economy must avoid being reduced to the abstractisation of reality, a narrow mathematical equation between inputs and outputs, e.g., supply and demand, risk analysis, because it must be developed within the spirit of the social essence and the *collective* interest:

> *"[…] Hume and Smith understood quite clearly that their mission as political economists was to try to analyze and solve a set of essentially moral, social, and political rather than narrowly economic problems"*[36].

The initial fundamental significance of economy was preserved in Edward N. Luttwak's definition of geoeconomics[37] in the early 1990s[38] when he stated its primary goal "could only be to provide the best pos-

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33 "The classic liberal science recommends the international division of labour and the universal free trade. It states that in the international trade it is resulted an advantage for both sides and that all the production branches – of agriculture as well as of industries – equally enrich people. ... Such a principle [of the international division of labour] represents only a superficial generalization of the division of labour dominant in a workshop or in a production unit. Indeed, the division of labour in an enterprise has the following favourable influences: it produces a lift in work productivity and makes possible an extraordinary cheapening of products. This advantage that results from the division of labour within a production unit manifests itself only in the increase of total productivity of the enterprise and in the cheapening of its entire production. The wages of workers, on the contrary, show that really high differences. Those workers that have to make a partially simple and elementary process such as the porters receive a small wage, while the qualified workers and especially those in charge with the surveillance of complicated machineries receive a higher salary". Manoilescu, Mihail: Forțele naționale productive şi comerțul exterior. Teoria protecționismului şi a schimbului internațional, Bucureşti:Ed. Ştiințifică şi Enciclopedică, 1986, p.43 – 46.

34 Porter, Michael: The Competitive Advantage of Nations, Free Press, 1998 (1990), p.25.

35 Rostow, W. W.: Theorists of Economic Growth from David Hume to the Present, Oxford: Oxford University Press, 1990, p. 18.

36 Ibid.

sible employment for the largest proportion of the population"[39]. However, the sudden shift from the industrialised way of life, which created and consolidated new centres in the modern world system (I. Wallerstein), to the new economy of derivatives[40] illustrates otherwise. In other words, a global economy cannot sustain a derivatives market that, according to the Bank for International Settlements, was *eleven times greater* than the value of world production[41] at the end of 2007, a figure generated by a twofold failure in understanding reality: a limitless *consumerist* attitude (i.e. endless Ponzi borrowing) coupled with a conflation of *truth* and *accuracy*, of *how we ought to make profit* and the winning generated by *mathematical* combinations[42].

> *"THE revolutionary idea that defines the boundary between modern times and the past is the mastery of risk: the notion that the future is more than a whim of the gods and that men and women are not passive before nature"[43].*

In other words, the motivation and the ethics of capitalism appear to be no longer of use, thus generating a situation that can easily lead to the fall of states, economies and economic systems. We will further elaborate upon this conclusion.

Hyper-rationalisation is part of this *de-ethicising process.* At first, a fracture between the speculative apparatus and the productive economy emerged, a context in which money lost its meaning[44], becoming an end in itself.

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37 "World Politics is still not about to give way to World Business, i.e. the free interaction of commerce governed only by its own nonterritorial logic. Instead, what is going to happen – and what we are already witnessing – is a much less complete transformation of state action represented by the emergence of «Geo-economics». This neologism is the best term I can think of to describe the admixture of the logic of conflict with the methods of commerce". Luttwak, Edward N.: From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce, The National Interest, 1990, in Gearóid Ó Tuathail, Simon Dalby and Paul Routledge; The Geopolitics Reader, New York: Routledge, 1998, p. 126.

38 See Luttwak, Edward N.: From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce, The National Interest, 1990, in Gearóid Ó Tuathail, Simon Dalby and Paul Routledge; The Geopolitics Reader, New York: Routledge, 1998, pp. 17–23.

39 Luttwak, Edward N.: From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce, The National Interest, 1990, in Gearóid Ó Tuathail, Simon Dalby and Paul Routledge; The Geopolitics Reader, New York: Routledge, 1998, p. 127.

40 "Derivatives enable individuals and companies to insure themselves against risk. … Derivatives allow them to lessen that risk. But someone needs to take the other side of the bargain, and that usually requires a speculator." The Economist: Derivatives: Options have a future, 12 Nov. 2009, in Economist.com, www.economist.com/node/14845187, accessed 25 May 2011.

41 The Economist: World Economy: When fortune frowned. A special report on the world economy. Taming the Beast, 11-17 Oct. 2008, p.10, in Economist.com, http://www.economist.com/node/12373748, accessed 25 May 2011.

42 Baltasiu, Radu: Contemporary problems: the global economic crisis, Bucharest: University of Bucharest, 2011, [mss.].

43 Peter Bernstein in his seminal history of risk, "Against the Gods", 1996 apud The Economist : The gods strike back. Financial risk got ahead of the world's ability to manage it, 11 Feb. 2010, in Economist.com, http://www.economist.com/node/15474137, accessed 25 May 2011.

44 Such a context was analyzed by Georg Simmel at the beginning of the 20th century:
"These conspicuous phenomena illustrate clearly that the that the inner nature of money is only loosely tied to its material basis; since money is entirely a sociological phenomenon, a form of human interaction, its character stands out all the more clearly the more concentrated, dependable and agreeable social relations are. Indeed, the general stability and reliability of cultural interaction influences all the external aspects of money". Simmel, Georg: *The Philosophy of Money*, London and New York: Routledge, 2004 [1907], p. 172.
"The nature of the cynic – in the contemporary sense – is most clearly demonstrated in contrast with that of the sanguine enthusiast. Whereas the curve of evaluation of the enthusiast moves upwards and lower values strive to be raised to the importance of higher values, the evaluation curve of the cynic moves in the opposite direction. His awareness of life is adequately expressed only when he has theoretically and practically exemplified the baseness of the highest values and the illusion of any differences in values. This mood can be most effectively supported by money's capacity to

> *"The idea that markets can be left to police themselves turned out to be the world's most expensive mistake, requiring $15 trillion in capital injections and other forms of support. […] For now, the hubris of spurious precision has given way to humility. It turns out that in financial markets 'black swans'[45], or extreme events, occur much more often than the usual probability models suggest'[46]. [Today] Many banks' failings exposed the triumph of form over substance"* [47].

Secondly, this transformation and the idea of self-regulating markets are the causes of grave effects on social work mobility[48], a fact that inevitably leads to an increase in the phenomenon of social inequality (once a specificity of the American system in which more than 15% of relocated jobs were keeping the mobility's dynamic on the run now faces a public perception of decrease of 36%[49]).

> *"Suddenly it seemed possible for any financial risk to be measured to five decimal places, and for expected returns to be adjusted accordingly. Banks hired hordes of PhD-wielding "quants" to fine-tune ever more complex risk models. The belief took hold that, even as profits were being boosted by larger balance sheets and greater leverage (borrowing), risk was being capped by a technological shift"*[50].

All these beliefs that remained hidden in speculation and unproductive credit consumption resulted in mutations of a generous post-war paradigm, *neoliberalism,* which is at odds with not only classical liberalism, which considered development possible only through the savings-investments cycle and frugal behaviour[51], but also with its own origins.

> *"This purported new paradigm hinged, in large part, on three closely linked developments: the huge growth of derivatives; the decomposition and distribution of credit risk through securitisation; and the formidable combination of mathematics and computing power in risk management that had its roots in academic work of the mid-20th century. It blossomed in the 1990s at firms such as Bankers Trust and JPMorgan, which developed 'value-at-risk' (VAR), a way for banks to calculate how much they could expect to lose when things got really rough"*[52].

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reduce the highest as well as the lowest values equally to one value form and thereby to place them on the same level, regardless of their diverse kinds and amounts". Simmel, Georg: *The Philosophy of Money*, London and New York: Routledge, 2004 [1907], p. 255.
"Precisely because the sense of value has nothing to do with the structure of things but possesses its impassable realm beyond them, valuation does not strictly adhere to its logical boundaries but evolves liberally beyond the objectively justified relations to things". Simmel, Georg: *The Philosophy of Money*, London and New York: Routledge, 2004 [1907], p. 288.

45 See Taleb, N.N.: The Black Swan, Penguin, 2010.

46 The Economist : The gods strike back. Financial risk got ahead of the world's ability to manage it, 11 Feb. 2010, in Economist.com, http://www.economist.com/node/15474137, accessed 25 May 2011.

47 The Economist: Cinderella's moment, 11 Feb. 2010, in: Economist.com, http://www.economist.com/node/15474145, accessed 25 May 2011.

48 The Economist: Piling on. In his zeal to fix capitalism, Barack Obama must not stifle America's dynamism, 28 May 2009,in: Economist.com, http://www.economist.com/node/13740170?story_id=13740170, accessed 25 May 2011.

49 Baltasiu, Radu: Contemporary problems: the global economic crisis, Bucharest: University of Bucharest, 2011, [mss.].

50 The Economist : The gods strike back. Financial risk got ahead of the world's ability to manage it, 11 Feb. 2010, in Economist.com, http://www.economist.com/node/15474137, accessed 25 May 2011.

51 "In Hume's version of the basic growth equation, capital formation (saving-investment) appears virtually as a by-product of the expansion of trade and the plowback of the creative but miserly merchant's profits. In Smith, labour, land, and capital are unambiguously the three factors of production; but the system is driven forward, as in Hume, by the savings of the frugal, who are assumed to invest all savings, without leakage." Rostow, W. W.: Theorists of Economic Growth from David Hume to the Present, Oxford: Oxford University Press, 1990, p. 35.

52 The Economist : The gods strike back. Financial risk got ahead of the world's ability to manage it, 11 Feb. 2010, in Economist.com, http://www.economist.com/node/15474137, accessed 25 May 2011.

As a result, the financial markets became increasingly fragile due to dislodgement from the real and productive economy and yet overlapped with financial fluxes, a generalised financial mismanagement[53] that led to the 2008 crash.

> *"If financial markets followed the normal bell-shaped distribution curve, in which meltdowns are very rare, the stockmarket crash of 1987, the interest-rate turmoil of 1992 and the 2008 crash would each be expected only once in the lifetime of the universe"*[54]**.**

In other words, of all the economical components – production, distribution of goods, capital circulation – only the latter remained, re-designed under the umbrella of abstract representations, the market of derivatives and stocks. The outcome is that the economy was transformed into a simple activity of gaining profit through a *constant pulling of risk between actors* or, as Karl Marx said in the 19th century, a primitive capitalism oriented only towards the capitalisation of incomes.

The solution for the current crisis, the worst since the Great Depression, with 23% debt out of the global GDP[55], is hard to find if we take into account the policy of the USA, a landmark for all economies: the government injected over 420 billion dollars into the redemption of failing banks (the 'too big to fail policy') out of a total of 787 dollars. The problem is that only 64 billion dollars were directed towards the real and productive economy, a figure slightly different from only the bonuses paid (from public funds) by Lehman Brothers between the years 1999-2008, which was 55 billion dollars[56]. Another *good example of bad policy implementation* is the case of Goldman Sachs, which received over 10 billion dollars in state aid yet paid bonuses of 9 billion dollars[57]. Additionally, Morgan Stanley received 10 billion dollars that went to company salaries and bonuses totalling 14.4 billion dollars in 2009[58]. The primary consequence of this type of rationality is that the economics of Wall Street, based on neoliberal and monetarist practices are, in fact, antidemocratic.

This last argument, one of *moral substance,* refers also to a major and recent concern: the inability of legal systems to set things straight and *re*order damages into coherent mechanisms. For instance, in the

53 "AT THE heart of the current crisis is a fundamental confusion about the nature of wealth. Wealth consists of the goods and products we wish to consume or of things (factories, machinery, an educated workforce) that give us the ability to produce more such goods and services. Financial assets arise from the desire to postpone consumption so that money can be saved, either for precautionary reasons or to invest so that more goods and services can be consumed in the future. Looked at in that way, financial assets are not "wealth" but a claim on real wealth". The Economist: The Nature of Wealth, 8 Oct. 2009, in: Economist.com, www.economist.com/node/14587262?story_id=14587262, accessed 25 May 2011.

54 The Economist: The gods strike back. Financial risk got ahead of the world's ability to manage it, 11 Feb. 2010, in Economist.com, http://www.economist.com/node/15474137, accessed 25 May 2011.

55 Valoare calculată pentru Produsul Brut Mondial din 2007, de 65,61 mii miliarde (trilioane) de dolari. Cf. „World GDP". *EconomyWatch*, http://www.economywatch.com/world_economy/world-economic-indicators/world-gdp.html - oct. 2010.

56 The Economist: United States. The budget deficit. Waiting for God-only-knows-what. America's grim fiscal outlook could either be a nightmare or an opportunity for Barack Obama, in: Economist.com, 8 Jan. 2009, http://www.economist.com/node/12903453, accessed 25 May 2011.
The Economist: Banks and Bonuses. Going overboard. Are investment banks run for employees or shareholders?, 16 July 2009, in: Economist.com, http://www.economist.com/node/14034875, accessed 25 May 2011.

57 Ziarul Financiar: Goldman Sachs a plătit bonusuri de nouă miliarde dolari în 2009, dublu față de anul anterior, 12 Oct. 2010, in: zf.ro, http://www.zf.ro/print/4981071/, accessed 25 May 2011.

58 Corkery, Michael: Morgan Stanley's Big Fat Bonus Expense, in: Wall Street Journal Digital Network. WSJ Blogs. Deal Journal. An up-to-the-minute take on deals and deal makers, 20 Jan 2010, http://blogs.wsj.com/deals/2010/01/20/morgan-stanley-tops-bonus-charts/, accessed 25 May 2011.

case of the 50 billion in assets removed from the balance sheets of Lehman Brothers Holdings, Inc.[59], American law charged no one and could not make any actor pay for the consequences. The present crisis has no clear-cut paradigm and no political momentum for solutions (as Keynesianism and the New Deal showed in the 1930s[60]), and thus, it cannot be fought by implementing coherent policies for a socio-economic recovery[61]. The incapacity of both the decision-makers (in practice or theory) and the epistemic community only proves that the world could face a crisis that will perhaps necessarily conclude with *the fall of modern capitalism*.

2. Major societal and cultural outcomes

The two significant reference points for any economy, the USA and Great Britain, possess the greatest density of financial fluxes and, consequently, can afford the highest wages in comparison to other parts of the modern world system. The only issue with this apparently propitious context is that these fluxes are based too much on money coming from emerging economies[62]. This aspect is visible especially at the level of family consumption: at the beginning of the economic crisis in 2008, the American household had a debt that was 140% of its total incomes[63], and the British one was 160%[64]. Further, the public debt from the GDP of the first 10 western states in 2014, composed of the redemption of banks' debts and costs of public services, is estimated to be 50.000$ for *each* citizen, more than the annual medium income per person (114%)[65].

> *"All this meant that growth in consumer credit regularly outstripped growth in GDP in the Anglo-Saxon countries and saving ratios fell to historic lows. At the end of the Second World War in 1945 consumer credit in America totalled just under $5.7 billion; ten years later it had already grown to nearly $43 billion, and the party was just getting started. It reached $100 billion in 1966, $500 billion in 1984 and $1 trillion in 1994, or around $4,000 for every man, woman and child. The peak, so far, was almost $2.6 trillion in July 2008. Household debt approached 100% of GDP in 2007, a level seen only once before, rather ominously in 1929"*[66].

Given all of the above, the world is confronted with a *fracture in comprehension and referral* between the speculative apparatus and the productive economy, a tendency that was constantly underestimated by the rating agencies. And the only real victim facing major repercussions is the ordinary taxpayer. This

59 See Reuters: Lehman probe stalls; execs may escape charges: report, 12 March 2011, in: Reuters.com, http://www.reuters.com/article/2011/03/12/us-lehman-probe-idUSTRE72B2I420110312?feedType=RSS&feedName=topNews&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+reuters%2FtopNews+%28News+%2F+US+%2F+Top+News%29, accessed 25 May 2011.

60 See Corey, Lewis: The Decline of American Capitalism, New York, 1934.

61 See Albo, Greg Sam Gindin and Leo Panitch: In and Out of Crisis: The Global Financial Meltdown and Left Alternatives, PM Press, 2010.

62 The Economist: A topsy-turvy world. How long will emerging economies continue to finance America's spendthrift habits?, 14 Sept. 2006, in: Economist.com, http://www.economist.com/node/7878118, accessed 25 May 2011.

63 The Economist: The American economy. The great debt drag. America looks likely to avoid a second recession. But with households still overburdened by debt, years of slow growth lie ahead, 16 Sept. 2010, in: Economist.com, http://www.economist.com/node/17041738, accessed 25 May 2011. See also The Economist: From Ozzie to Ricky. The crisis was a big setback for American Consumers. Will it usher in a new era of thrift?, 1 Oct. 2009, in: Economist.com, http://www.economist.com/specialreports/displaystory.cfm?story_id=E1_TQVPDDRV, accessed 25 May 2011.

64 The Economist: A special report on debt. The morning after. A $3 trillion consumer hangover, 24 June 2010, in: Economist.com, http://www.economist.com/node/16397124, accessed 25 May 2011.

65 The Economist: Public Debt. The biggest bill in history. The right and wrong ways to deal with the rich world's fiscal mess, 11 June 2009, in: Economist.com, http://www.economist.com/node/13829461, accessed 25 May 2011.

66 The Economist: A special report on debt. The morning after. A $3 trillion consumer hangover, 24 June 2010, in: Economist.com, http://www.economist.com/node/16397124, accessed 25 May 2011.

translates into the concept of *indebted society*[67] through the replacement of costs from top to bottom, a reality that damages a very important social corpus: the middle class. The economic activities, interests and behaviours of the 'superclass'[68] led to *the devolution of the middle class.* From an entrepreneurial class, the middle class became a simple consumption actor[69], for it was, since the 18th century, the initiator of economic development by its saving attitudes:

> *"Merchants are commonly ambitious of becoming country gentlemen, and when they do, they are generally the best of all improvers. A merchant is accustomed – [p.48] to employ his money chiefly in profitable projects; whereas a mere country gentleman is accustomed to employ it chiefly in expense"*[70].

Moreover, from an "ideological and attitudinal locomotive it became merely a consumption category, without a social initiative"[71], from a "ferment factor of progress"[72] to a social corpus of pretences and prestige. Preoccupied in the past with the innovation of economic and social activity, the middle class was the landmark for a society's 'health' because, as Gladwell put it, innovation does not refer to any kind of novelty, but to solving a "problem that was actually a problem in the first place"[73]. And this is why morality is becoming a serious issue, as stated in Steve Young's *Moral Capitalism: Reconciling Private Interest with the Public Good*:

> *"In society of consumers, inequality creates a new kind of cultural domination around lifestyle and the conspicuous consumption of status-enhancing goods. Consumer culture became a mass symbolic practice of individual social recognition distributing humiliation to those lower down the hierarchy. The shame of failing in education, of being invisible to those above cuts a deep wound in the psyche."* [74]

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67 Baltasiu, Radu: Contemporary problems: the global economic crisis, Bucharest: University of Bucharest, 2011, [mss.].

68 The term is used by David Rothkopf in *Superclass - The Global Power Elite and the World They Are Making*, Farrar, Straus and Giroux, 2008.

69 Baltasiu, Radu: Contemporary problems: the global economic crisis, Bucharest: University of Bucharest, 2011, [mss.].

70 Rostow, W. W.: Theorists of Economic Growth from David Hume to the Present, Oxford: Oxford University Press, 1990, p.47-48.

71 Baltasiu, Radu: Contemporary problems: the global economic crisis, Bucharest: University of Bucharest, 2011, [mss.].

72 Ibid.

73 Gladwell, Malcolm / Clay Shirky: From Innovation to Revolution in: Foreign Affairs, March-April 2011.

74 Williams, Rowan and Larry Elliott: Crisis and Recovery: Ethics, Economics and Justice. New York: Palgrave Macmillan, 2010, p. 57.