The road to the new economy

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Abstract. This paper has the goal of making an analysis over the foundation, determination and implication of the economic phenomenon, also over the connections between it and the other parts of social by an interdisciplinary approach in the current world economic context.

The start point is my belief in the necessity of rediscovering the economic science basis with regards to the last years: accentuation of inequalities and low-disparities, poverty, the decline of educational system, the incoherence of the monetary evolution, culminating with the economic-financial depression in the last years.

All these represent only epiphenomenon, surface manifestation of deeper causes that reveals a certain spiritual decadence, a world crisis of culture and civilization.

The real object for the economic knowledge is not the wealth, but the absolute human being.

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The current economic paradigm has several key elements like: the rational individual as an economic factor, the corporation as value creating organization, a new equilibrium, economic optic and others.

Many of the recent doctrinaire approaches review the economic reality in its historian component, with an accent over the economic practice. The economist must go to history in order to probate the concepts, having as criteria the correspondence with reality.

The historical approach, even if reveals arguable perspectives and formal disputes, also offers certain explanations to start with: the past explains the present and both explain the future. The past can be approached based on the present acquisition – revisionist analysis.

A remarkable aspect for the current crisis is the fact that, on a deeper analysis, the crisis seems to be very similar with many others that went off before it, also in United States and abroad – the same speculative balloon that cracked and brought the destruction with it. Nevertheless, we deal today with the new failure of the economic policies.

Economy must improve and the evolution process is not self-sufficient, but a result of the cultural, spiritual and anthropological foundations. Economy remains a human science, with social and historical, moral and political links, therefore, the economists must keep their multidimensional approach.

There are several trials of economic science reconstruction by enlarging the analysis field, integrating new ethical, moral, political dimensions. They are searching for new criteria, new concepts, new values and new trustworthiness.

In the last years, we can notice more and more the tendency to bring in again the ethical criteria, the moral in economic analysis and economy interpretation as a way of decrypting the world.

There are economists that propose a set of values like justice, equity, tolerance, civic sense, the availability for dialog and compromise. “These values depreciate and must be constantly renewed through their permanent restatement and update” (Rawls, 1993, p. 157).

The study of current economic reality has become a first class activity, there are a lot of new economic councilors and the information processing by informatics programs has reached new records. Even though, the process of choosing the right economic policies and finding the economic equilibrium remain a problem.

The society feels the need of change, of creating a new economic system that should come with a “revolution” and that should resettle man in the center of creative process. Economy must be humanized, burst out from the political power for a subjective freedom of human nature. There feels the need for the human being to become again a living being in the economic system.
The economic theory has become self-sufficient among the social sciences through a strong analysis of the national economy processes. Starting with the world economy free fall, also the beliefs of the economy science started to fall down.

The modern economy theory, upholder of the market’s freedom and globalization has promised prosperity for all. With a better risk management, “The New Economy”, with its extraordinary innovation in deregulation and financial engineering should close the concept of economic cycle or at least should temperate the economic fluctuation, not to exclude it. But the Big Depression from 2008 succeeded in annihilating these illusions.

Today, we are forced to examine again conceptions considered axiomatic until now, the doctrines of market freedom: the free and unrestricted market are efficient, if they make mistakes, they correct them quickly, the best state is the low state, the regulation disturbs the innovation, the central banks must be independent and not focus only on keeping the low inflation.

In the last decades, the economists succeeding in understanding when a market works well and when it doesn’t work very well anymore, being generally a manner of incentive and motivation. Thus, they made a list of possible market failures, caused by a incongruity between the social incentives and the private ones, monopoly, externalities and informational imperfections.

But their recommendations were vicious and, even more, they registered a failure in their basic obligation of issuing right predictions and prognosis.

Caused by the crisis, the economic science will defiantly change, and so will the economy.

As I said before, Economics is a social science, having as a study object the way that people interact in order to produce goods and services. In order to study it, we must describe their behavior in a more general pattern.

We ask ourselves the question: Are people “rational”?

The rationality belief is an important part of economic theory. When they talk about rationality, economists do not mean the same thing as most people do. The sense that economist use for the word is more like coherence.

Across the years, the economists didn’t say many things about the correlation between what individuals do and what brings happiness or a good feeling, therefore, they are focusing on a much restricted problem of coherence.

The research from the last quarter of century revealed that the individuals do act coherent – but in particular ways that contrast with the ones preset by the standards model of rationality. By this, they are irrational in a predictably manner.

What we learned is that to base on the standard economic theory in explaining the markets can be dangerous. In his book, “Predictably Irrational”,
Dan Ariely claims the fact that the errors we all make are not casual, but a part of the human condition. And the judgment errors may combine in the market, producing a scenario, in which, similar to an earthquake, nobody knows what happens. All of a sudden, in the crisis context it seems that some people started to understand that the errors study at a small scale is not just a source of amusement. The world crisis created new opportunities for the behavioral economy and for those who are ready to learn and modify their way of thinking and acting.

The economic models claimed, in an unreal manner, that the individuals are not just rational, but over rational – that they can use sophisticated statistics, using all the past data in order to make the best prediction for the future. The irony consists in the fact that not even the economists that considered others capable of such performance didn’t manage to make prediction close to reality.

They didn’t manage to see the growing speculative balloon, furthermore, not even after his crack, they didn’t manage to see what’s next for the economy. They have ignored, in an irrational way, essential data and they become in an irrational way devoted to the idea that the markets are rational, that there are no speculative balloons and that the markets are efficient and they self adjust.

Another aspect of rationality is the basic principle of not remaining in the past. The individuals must always look to the future. From this point of view, the individuals are rational.

For an economist, the rationality does not mean that the individuals act by all means in a way that respond in a general matter with what makes them happy. The Americans affirm about themselves that they work hard for their families – but some of them work so much, that they don’t have much time for the family.

In their studies about happiness, the psychologists show that many of the individual choices and many of the changes from our economic structure might not contribute to the magnifying happiness feeling.

The individual purpose is to be happy and this is a fact starting with Aristotle who said that no matter what we want, we want that to make us happy. Therefore, what can a society do for their individuals to be happier? In his book, “Happiness: Lessons from a New Science”, Richard Layard mentions seven factors that have the greatest weight in the determination of people happiness: family relationships, financial situation, labor, the community and friends, the health, the personal freedom and personal values.

They say that an imminent life experience force you to reevaluate your priorities and values. The global economy has just passed through such an experience. The crisis revealed not only the deficiency of a prevalent economic
model, but also the deficiency of our society. Too many people have taken advantage of others!

In Buddhist kingdom of Bhutan, a country from Himalaya, the king Jigme Singye Wangchuck enacted that “the gross national happiness is more important than the gross national product because happiness comes in front of the economic prosperity in the national developing process”.

Some aspects like spiritual values can’t be and probably shouldn’t be measured. But there are others, like social communion. Even without measuring, the focus on these values shows some ways of conducting the economy and the society that we should reflect on.

There are economists that are convinced that more and more countries will come to this conclusion. The materialistic western culture has made us happy for the last decades, but the growing consumerism will eventually change our view. We won’t be happier because we can buy more things, more time and a better capacity of enjoying the friend company, the family and community is something totally different and here is where society should focus.

Keynes used to say that investors may be best described as being motivated by the “animal spirits” – a spontaneous impulse of doing something more that not doing anything, and not as a result of a weighted average of quantitative benefits multiplied by quantitative probabilities.

If this is the way things work and if we could modify the animal spirits of our times maybe we would succeed in saving the economy from a mental state of depression and move it into a hope one, and maybe even one of joy thinking that what was the worst already passed away.

The economists insisted for a long period of time on the important role of the expectations over the behavioral acts: the beliefs may influence the reality. It is true that, among many domains, economists have built patterns with many equilibrium types, each one with its own auto validating expectations. If the market participants think that there will be a crash, they will levy higher interests in order to compensate their losses; with high interests will actually exists more crashes. But if they believe that there won’t be any crashes, the interests will be lower, and when the interests are lower, in fact there are fewer crashes.

The moment that we live now should be one of judgment and refection. Because, near financial deficiency, a “moral deficiency” has also been shown. When money is the supreme goal of the life, there are no limits for the tolerable behavior, leading to the trust loss.

The Chinese pictographs for the word crisis means “danger” and “favorable occasion”. Until now, we’ve only seen the danger. Here comes the question: Will we take the opportunity to get back the equilibrium between the
market and the state, between the individualism and community, between human and nature, between means and goals? Now we have the opportunity to create a new financial system that should make the things that people need, a new economic system that should generate the jobs where those who want to work get the professional satisfaction and an decent income and that should reduce, not enlarge the difference between rich and poor and moreover, to create a new society where any individual has the possibility to fulfill his aspirations and valorize his potential, where we’ll be educated as citizen ready to live new ideals and common values of a community that treats the planet with the respect that it deserves. These are favorable opportunities, the real danger consists now in the risk of us not using them.

The new culture of the economic and social life has a basis of freedom and responsibility values, social community and human solidarity as integrated values under the “freedom in responsibility”.

The individual does not react mechanical, based on some physical or moral causes. He is active and creative autonomously.

The individualist paradigm considers the individuals as acting first of all as individuals, whereas the holistic paradigm considers that the individuals actions makes sense only in relation to the social integrality in which it grows.

The conflict between the two paradigms is a theoretical one, explicative and normative. From normative point of view, we can affirm that the individualism deficiency consists in the fact that the individual cannot be the source for the collective rules, whereas the holism fails in trying to justify the rules only by the collectivities point of view.

If we take happiness as an example, it had a meaning first of all at the individual level. O society cannot be happy and prosperous if its members are unhappy and poor.

The dominant doctrine in this moment at a global level has some essential concepts. First of all, it affirms the priority of the individual, the state is a minimum one, and society is based on a inter-individual economic transactions network which have a goal in interchanging the goods and services, skills and knowledge, including time as an economic fundamental resource, in order to maximize the profits and obtain the individual satisfaction. These inter-individual complex relations that harmonize and optimize each other represent the specific of the free market. The society becomes a market society that assures the equity of chances, encouraging the initiative and the free competitiveness between individuals. It is not guaranteed the right for labor, everybody has to prove his utility through hid labor. The permanent training had an essential role. The state has to ensure the access to education for the social equity.
The private corporation, which produces added value is another element of the new political and economical orthodoxy, being in the same time the main beneficiary of the current rules of the economic games by conducting the transactions and reallocating the costs and profits at a global level.

Then we have the capital, especially the financial one, all the economic system elements – people, goods and services – being appreciated by their contribution to the rentability of the social capital.

Therefore, we are witnesses to a process of economical and political reconstruction, to a redefining of the individual and collective identities.

We live in a strange era, characterized by the loss of sense and the necessity of a new society model, the knowledge society.

Knowledge becomes the main source of power, the basis criteria for the separation and classification of people.

Knowledge, unlike any other goods, have some irreducible characteristics.

First of all, they have a public specific – if they are not secret, they can be used by the entire community.

Second of all, from the moment they were released, the knowledge is non-exclusive, which means that they can be distributed without being divided. The knowledge does not stop to belong to the one that holds it if that someone shared it with somebody else. Once knowledge has been released in public, one cannot exercise a private control over its usage, the regulations regards only the individual property rights.

Third of all, unlike any other goods, knowledge is an inexhaustible resource, meaning that it is not destroyed in time if it is not used, being endless consumable. The usage of a public knowledge by an economic agent does not assume its product especially for this agent. Therefore, the economic agents don’t compete against themselves about some knowledge already public.

Another specific property of knowledge is their cumulative character, at least regarding their economic usages, meaning that the new knowledge comes along those already existing, forming a research tradition in innovation that offers them authenticity.

Being understood as immaterial economic resources, the knowledge is analyzed in different discipline and inter-discipline contexts. Therefore, epistemology is the science for analyzing the sources and forms of knowledge, an analysis of the scientific knowledge specific is made by the philosophy of science and, lately, the cognitive sciences propose a new research integrated over the different knowledge processes.

The main problem of the knowledge economy consists in analyzing the relation between the knowledge growth and the economic growth, a positive
dependency that shows that it is efficient to spend more money for education and research.

In conclusion, we have to admit that we need a new order to inaugurate on the fundamental virtues of the individual, market and freedom.

Today’s values in which we must start to strongly believe are the primacy of the individual, the free market, the social justice, the private company.

As I said before, the current crisis is not just an economic one, but a crisis of civilization and a crisis of conscience, therefore, the New Age must determine a fundamental change in our way of producing and consuming, in our way of living if we hope for a real change to come.

References

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