A new vision on competitiveness within the post-crisis economy. Causes, evolutions and possible innovative solutions to fight against the undesirable effects of the economic crisis

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Abstract. The main objective of this paper is to highlight the need for promoting a new vision regarding competitiveness mostly in the context of amplifying the effects and the complexity of the nature of crisis manifested now on the international level (economic, environment, demographic, value and moral etc.).

The economic thinking pays increased attention to the issues related to economic crisis, as well as the development of theories that give satisfactory answers about the causes and, especially, the solutions to the crisis.

Using scientific observation and comparative case study as research methods, this paper aims to make a theoretical critical review of the theories regarding the causes of economic crisis over time and to identify and analyze some anti-crisis policies.

Keywords: economic crisis; macroeconomic theories; anti-crisis policies; competitiveness.

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Introduction

Theoretical controversy on crises has augmented over the last two decades with a special accent on system and structure crises, as well as on the crisis of international economic relations among unequally developed countries.

Crises regularity, in Juglar's opinion, is due to evolution and development. Each cycle comprises a period of prosperity, a crisis movement and a liquidation time. “The three periods occur one after another, always in the same order, although they have different manifestations in each epoch. The faster the growth in wealth, the greater the amplitude of movements and vacillation is always in the same direction (Juglar, 1862, p. 7).

Using scientific observation and comparative case study as means of research, this paper makes a critical theoretical review of crisis perception and explanation and presents some innovative solutions as remedy to the undesirable effects of economic crises.

The first part of this study makes the distinction between neoclassical economists, who explain economic crises as accidents due to exogenous causes (technical, politics, etc.) and Keynesian and Marxist economists, who explain economic crises by endogenous causes, by contradictions and disfunctionalities inherent to contemporary market economy.

Given the complexity of today crises, some authors consider that they cannot be surpassed by means of traditional methods. Neoclassical economists assert that a healing of contemporary economy can only be achieved by spontaneous mechanisms of the market, while others designate a decisive role to technical development and Keynesian adepts assign a decisive role to the state (Sută-Selejan, 1996).

The second part of this paper emphasizes the need to promote a new vision on competitiveness as a consequence of deepening effects and complexity of crisis characteristics as manifested on a global scale (economic, ecological, demographic, of values, etc.).

Also, some solutions are presented for economic recovery, anti-crisis politics, whereas strategies and politics dedicated to research-development-innovation are considered a priority, in the current context of a knowledge based society.
Literature review on the causes of economic crises

The research starts from the Romanian economist Costin Murgescu's definition as regards crises. He believes that world economic crisis puts together an ensemble of global crises (a crisis of the productive apparatus, an energetic crisis, a raw material crisis, a food crisis, a monetary-financial crisis, a crisis of the commercial system, a crisis of international technology transfer means, an ecological crisis), strongly independent and affecting the basic cells of world economy, deepens the gaps among them, unsettles economic flows and mechanisms of international cooperation (Badrus, 1988, p. 150).

A first analysis dedicated to economic crises asserts the idea according to which they are not mere accidents within the movement, they result from the accumulation process. The crisis occurs because, “at a certain point, the market is too small for the production” (Marx, 1999) and it will also generate the means to solve it:

1) bankruptcy determines a destruction of redundant production capacities, and only the best and the most productive enterprises can be maintained;
2) decrease of prices leads to a new economic boom, because it stimulates demand;
3) unemployment increase offers the possibility to act again upon wages.

Karl Marx sees in the capitalist economic mechanism the source of all crises: “The main cause of all real crises is always poverty and restrained consumption of the masses who act contrary to the tendency of capitalist production to develop its productive forces as if the limit for their development would be only absolute capacity of society consumption” (Marx, 1999, p. 467).

The will to best turn capital into account and competition make the entrepreneur invest his profits. Thus there occur an increase in technical capital, and a reduction in the number of jobs which leads to unemployment. At the same time, there will also be manifest the tendency to reduce profit, since produced and sold value depends directly on the number of worked hours. In conclusion, a decrease in unit profit will orient capitalist economy into crisis (Marx, 1999).

This is considered to be a favorable moment for innovations, technical development that allow some enterprises to emerge stronger out of the crisis, there is a stress on concentration and adjustment of high performance enterprises, on perfected production processes (Tănăscu, 2000, p. 86).

Technical progress has a decisive role: overproduction crises can aggravate and technical development is a vital ingredient for capitalism, because an enterprise,
in order to survive, has to innovate, self-content with past achievements is not viable in industrial capitalism.

The overproduction crises described by Marx and his contemporaries have been present in economy since 1825 up to the Second World War.

Another theory related to the causes of crises asserts that its trigger point is when a technical means of production exhausts its capacity to produce progress.

Through a process of “creative destruction” (Schumpeter, 1939), old structures are replaced by others, an increase in efficacy and progress is registered, innovation being both means and basis for surpassing the descendant phase of the cycle.

Going to monetarist theories, Friedrich August von Hayek asserts that the inception of crises is caused by excess money on the market: either due to over issuing imposed by the state in relation to budget deficit practices, or as a consequence of credit money unjustified increase by commercial banks.

Another cause could be expansion of credit. Artificial boom does not necessarily mean prosperity also, profitable businesses are an illusion, because deceived individuals accumulate large investments and consume apparent gains. And crisis is the necessary process to structurally readjust productive activity to real market configuration and capital goods offer. Mises believes that this is the first step of going back to normality, the start of recovery and the foundation of real prosperity based on effective production of goods and quicksands of credit expansion (Mises, 2006).

Specialty literature also offers other crisis triggering reasons: deregulation of capital that initially rallies a short term hot money inflow, which leads to an excess of liquidity, excess of credit distribution, and in the second stage of abrupt withdrawal in international capital, a liquidity crisis, a bank crisis and a solvency crisis are triggered (Artus, 2006, p. 15).

Some economists have assessed that the main causes can be found in (Berca, 2011, pp. 102-103):
1) wrongful inflation of stocks for some companies (as was the case with the “dot.com” companies, that resulted in billions of dollars lost by private investors or financing institutions, that had invested money in the stocks of such companies;
2) creation of enormous financial scams of hundreds of billions of dollars;
3) varied onerous businesses of some banks or insurance companies, that raised up to the level of fabulous sums of hundreds of billions of dollars and
4) detection of antisocial deeds with direct consequences on the drastic fall of the stock exchange, and many other aspects in the financial domain.
Recently it is believed that the main cause for economic crises is overcapitalization, as it is more real than overproduction. The overcapitalization issue is debatable, especially under the circumstances specific to advanced capitalist economy and modern production.

The main factors that influence the process of overcapitalization evolution would be (Berca, 2011, p. 68):

- the financial industry, in general, and the banking sector, particularly;
- credit and insurance institutions that under the conditions of contemporary capitalist economy become more “dangerous” in triggering an economic crisis than the production sector is or has ever been, which creates an abundance (an overproduction) of marketable products.

The most conclusive example is given by the current economic crisis caused by “investment ventures without capital base” (Jaquilant, 2009, p. 91), lack of regulations, neglect or even violation of regulations in the financial system and in the credit sector, particularly, and which have gained effects on a global scale.

The current financial crisis, which started in the USA, broke out in 2007, ten years after the previous ample financial crisis in South-East Asia, and was caused by the confluence between housing financing for vulnerable population and financial innovations destined for restructuring and risk distribution. But these risks were neither structured nor distributed accordingly, being prevented by current ratio conditions and destabilizing economic agents' forecasts (Artus, Betbeze, 2009).

According to the economist Joseph Stiglitz, this crisis was a foreseeable one: “a deregulated market, awash in liquidity and low interest rates, a global real estate bubble; and skyrocketing subprime lending were a toxic combination” (Stiglitz, Chemla, 2010, p. 35). And what started as a crisis in the financial sector turned into an economic crisis.

But it is not just an economic crisis but also a social one. According to The International Labour Organization, 200 million workers in the developing countries have fallen into poverty. Even in countries with developed economies, millions of households have been menaced with losing their dwellings, jobs and access to medication (Stiglitz, 2010, p. 42).

Besides the negative effects, presented above, there have also been identified some positive aspects of economic crises, that pave the way for resuming activity on a superior level (Popescu, 2002, p. 735):

- the market cleans itself of insecure credits;
- the number of futures operations on the stock market decreases;
- old and unprofitable enterprises liquidate and new more efficient ones emerge;
all elements that have caused disequilibrium disappear and
the conditions for a new superior equilibrium between offer and demand are created.

Thus, the crisis can be seen as a way towards change if it is accepted and seen as a normal phenomenon that repeats itself from one economic cycle to another, with various intensities from one period to another and from one country to another (Virjan, 2011).

Fresh views on competitiveness and solutions to remedy the undesirable effects of economic crises

In a world marked by the effects of economic and financial crisis, competitiveness and competition represent the main pillars of economic support and they depend more and more on capacity to stimulate and usage of innovation and exploiting the entire market potential under the conditions of a sustainable economic growth, that involves supplying information on ecological goods and services acquisition to consumers.

A national economy is competitive on a long term if it ensures durable growth of its inhabitants welfare based on high level and dynamics of production factors global productivity. Competitiveness of an economy depends decisively on business environment, as enterprises are the engine for economic growth (Cîmăș, Bucur, Pitorac, 2011).

Currently, markets are characterized by an accented industrial competitiveness that has as main objective utilizing an ensemble of efficient instruments such as (Bucur, 2012):

- improving and ensuring an efficient competitive environment;
- developing industrial cooperation among the states of the European Union;
- creation of ecological products;
- transformation of economy and its orientation towards a durable development in accordance with national interests;
- development of politics to promote industrial products on external markets and of course attracting investments.

The difficulties enterprises are challenged with have been aggravated by the recent economic and financial crisis and its effects, such as: rise of raw material and resources prices. According to Antonio Tajani, Vice-president of the European Commission and European Commissioner for Industry and Entrepreneurship: “Easing SMEs access to finance, markets and entrepreneurship policies is key to overcome the crisis. This programme will help to unlock the
growth potential of enterprises focusing on boosting the real industry. We will strengthen competitiveness of businesses and create new jobs, and ultimately reinforce the growth potential of the EU economy.”

Competitive development of enterprises has been slowed down and even stopped by the effects of the economic crisis. In this situation, only companies that manage to differentiate themselves through quality, good services, innovation, image, knowledge, qualified manpower, capacity to manage information will survive the crisis. And success of a business is given by the way it manages to combine in a particular formula, coherently and creatively, all these creative elements of added value.

Economic regulation is not and cannot be viewed as a neutral phenomenon: the regulating mode expresses social relationships and is found attached mainly to the demands of the social system reproduction (Greffe, Reiffers, 1978, p. 5).

The French economist Boisguilbert believed that the cause of crises is insufficient consumption and proposed its re-launch, particularly in the agricultural domain, in order to bring back economic prosperity. For this, Boisguilbert proposed two remedies: a tax reform and free trade (Boncoeur, Thouément, 2004, pp. 57-58).

Other solutions brought forward to remedy the crisis effects are: politics to reduce the number of national currencies and at the same time to support regional currencies, such as Euro in Europe, and so destabilization of financial flow among national currencies is reduced, and the prevailing currency gains less benefits to the detriment of other national currencies, which are more weakly organized, thus reducing the risk of financial crises (Allen, 2009).

In order to reduce financial risk, banking policies should have as objective the control of debt rates and assets price (Artus, 2008, p. 139).

According to economists, there are three axes for efficient financial regulations after a crisis (Arous, Pastre, 2009, pp. 240-241).

- general prudent monitoring, that should be extended over non-banking sectors (investment funds) up to “off-shore” sectors, in order to avoid relocation of risky bank assets in non-regulated areas;
- creditors accountability;
- assumed risk mitigation.

Excessive growth of very risky bank assets has played a decisive role in the crisis.

Another efficacious way to come out of the crisis is represented by the express engagement in favour of education, research and innovation combined with an innovation favorable business environment.
In general, countries that invest more in research, development and education have better faced the economic disturbances over the past years, at the same time offering auspicious instruments for economic recovery.

The objective to re-launch economic growth and to improve citizen welfare implies the resolution over a set of combined politics that should imprint the ensemble of conditions necessary for innovation and well functioning of product markets.

The evolutions in global economy and the development politics emphasize the need for a greater innovative capacity to rapidly adapt to occurring changes and to maintain a competitive positioning.

Conclusions

The main causes of economic crises studied and pointed out in specialty literature are: capitalist economy mechanism source of crises (Karl Marx), technical development and innovation (Schumpeter), excess money in the market (Hayek), credit expansion (Mises), deregulation of capital (Arthus), overcapitalize, investments without capital base (Jaquilant) and insufficiently regulated markets (Stiglitz).

The current economic crisis was caused by lack of regulations, neglect or even violation of regulations in the financial system and particularly in the credit sector and which have gained effects on a global scale. But all this has no connection to the contradiction between goods offer and demand, to the contradiction between value and capital gain created by the manpower and also to any other contradictions existing within the capitalist production system.

Thus, this situation has revealed the necessity to promote a new view on competitiveness and a new approach between maximizing short term profits and creating sustainable long term values. Durable economic growth and creation of sustainable jobs must also be taken into account. Healthy business ethics and values can contribute to coming out of the crisis.

In conclusion, the authorities wish for an increase in enterprise competitiveness, an increase which is closely related to world welfare both by ensuring well paid jobs, products and services of quality and ecological, and by ensuring a fair competitive environment.

Among the remedies for economic recovery and remedies for crisis are also the increase in enterprise competitiveness, which can be achieved through balancing and simplifying financial reports.
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