The enlightenment of stability

"Economic stability, with financial stability at its epicentre, is intelligible only in terms of development, including when it is conceived according to the precepts of the political philosophy of austerity."

Treated as a depth problem of the financial market, financial stability has valid solutions when financial flows exist to and from the economic processes which are centred on exploiting the resources in their diversity, while respecting the fundamental correlations of economicity. In a financial market where only the quasi-general circuit of bank financing resources makes the rule, stability cannot be sustained. The rarity of capitalization resources, including the classical savings, as well as the almost null stock exchange capitalization, transform stability into an illusion and the convergence potential into an impossibility.

Without the hope of sustaining long-term strategic objectives and of being a consequence of development, financial stability in a lightly structured, emergent and open economy is a challenge. The basis for this truth is that, on the one side, financial stability settles after a difficult, sometimes distorted transition, on the incomplete pillars of social and economic stability, while on the other side general stability is less probable and even inconsistent in terms of underdevelopment.

Today a balancing is about to take place at the level of the theoretical vision, as well as the level of the trial of practice. It is signalled by the more precise targeting of solutions to the complicated problems of exiting the crisis, especially after it became a virulent economic crisis which threatens to degenerate into a social crisis. But the sense sought by the analyses on its stability is, surprisingly, a quite confusing challenge: is "equilibrium" being favoured through decisions on the minimal slope of the development curve, or are there stimulated the trends for recuperating the recoil of the development stirred by the crisis? On principle, the analysis has sense when economic stability is seen as the support for permanently establishing the trends of social development, while financial stability is seen as a consequence of economic stability.

As such, types of financial stability are yet to be defined according to the slope-parameters of development or to the actual state of configuration of the economy, from a development standpoint. By dulling/deactivating the sources of development, as suggested by the strategies of austerity, or by utilizing these sources sustainably, with – naturally for an emergent country – milestones set for the long term, the accurate image of these types of stability obscures the success of the strategy for the functional integration of these economies. The comparative analysis, using the global result indicators and recognized as a usual method for the characterization of the economy's capacity – including the potential of the financial system, offers scarce evidence that the finality of the stability process is being insured.

The cruel reality is that for a long time from now on Central and Eastern Europe will deplete its energies in the process of escaping underdevelopment, and as such it will unavoidably face instability. The levelling of the economic behaviour under the effect of integration, especially through the voluntary acceptance of the functional standards specific to the Euro zone, has jammed the potential of the emergent post-planning economies of absorbing the integration's force of traction, a situation also prolonged by the misfortune of some of adhering right at the time of the start of the economic crisis, which has affected the integrated European economy.

The key to the understanding is the truth that the recurring instability under-layer is persistent in a post-communist emergent economy and that breaking the knot of under-development problems is a decisional and actional initiative postponed for far too long. Among other things, it is worth taking into consideration the in-depth documentation of the behaviour which denies capital structure the ability to create savings for development investments, either directly through investments which spur social and economic development or indirectly, through taxable profitability which sustains public investments. Documenting this behaviour must be realized in an empirical manner, unaffected by the demands of some ideologically over-expanded theories. To this come added the consequences of the deepening rift between the strategy of commercial banks, the majority of them owned by foreign capital, which maintain their position through a non-combat in the area of respecting the demands of prudentiality and through the answer given to the problems of demand in conditions of aversion to credit-risk.

Economic stability, with financial stability at its epicentre, is intelligible only in terms of development, including when it is conceived according to the precepts of the political philosophy of austerity. We find ourselves at the inflection point in which powering through the blockages in development demands the conceptual interaction in the universe of stability. Here we must rebuild the logical alignment between the monetary economy – which was somewhat compelled by the mainstream to be autistic with regard to development – and the real economy, crisscrossed by the decremental trends of the natural factors of development.

This is how the apparent state of stability is, in fact, the materialization of an involutionary effect – to the point of assimilating the crisis – of the consequences which would stimulate the virtuous circles of development. In order to change direction, the economic fundamentals must be re-centred on the dynamical and motivating meanings of wealth, especially with regard to the correct sources: salaries and profit. It is in this context that we need to judge the causal link between the relaxation of direct fiscality in the pre-crisis period and the mid-crisis expansion of the indirect fiscality (the Romanian case in which the 16% taxation of revenue led to the 24% taxation of consumption!).

Financial stability, from a structural point of view, was thus established on top of the vicious circles of poverty. Proof of this is the fact which must be carefully explained in order to be fully understood: the sense of the financial flows almost exclusively generates extra-system profitability (suggestively – *exporting profits and importing debt!),* which complicates the budget problem in the emergent post-communist economies.

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Contents

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