Crisis Phoenix

“We have created a financial system which has greatly exceeded the safety bounds
we have instituted in the 1930’s to protect ourselves from crises.
We should have realized that, by stepping over the safety mechanisms,
we expose ourselves to a new crisis.”
Paul Krugman

For a few decades economic crises seemed to have
their origin in the behavior of emergent economies. The
forward leap, when forced, proved deadly. The description
of the effects is complete, in the specific literature. The
decisions, though, have never constituted a reason for intel-
lectual consensus.

Though over the nebulousness of causal explanations has
settled a sort of belief, that the projects for breaking the
vicious circle of underdevelopment are most often under-
mined either by unbridled ambitions, or by the lack of con-
solidation in the advance of development. The crises of
Mexico, South-East Asia, Russia, Argentina etc., all from
the last two decades, were subsumed under the vision
mentioned above. They were crises which were easy to
exit because the center had the resources to finance the
periphery, on one hand, and to protect itself from contami-
nation, on the other.

Starting with August 2007, crises no longer have their
origin in the behavior of emerging countries. Through the
trigger of the present global economic crisis – the irregular
mechanism of American subprime credit – the origin of the
crisis returned to the heart of the system, the engine of
development. The crisis has exploded in the center of the
global economy and has implacably contaminated the peri-
iphery of emerging countries.

Inverting the origin of the crisis and its sense of propa-
gation signals the end of a long cycle of evolutions, which
respect Kondratieffian calculations. The problem is whether
this crisis truly will prove to generate – as a counterweight
to recessional effects – transformational effects on the na-
ture of fundamentals (to the level of basic principles inclu-
sively) for another long cycle. In other words, the great
challenge of a great crisis is a great change.

The past does not shed too much light in the way of under-
standing behaviors. After the crisis of 1929 there
was no triggering of a linear cycle of evolution due to the
overuse of violence as a means of control over the benefits
development. The globalization trends which seemed to
set the rules around the change point between the 19th and
20th centuries were irreversibly blocked after the crisis of
was characterized by the recessional transformation of the
periphery, often with flares of global contamination.

The great change expected with the restarting of a
new Kondratieff cycle with this crisis has a discrepancy –
mathematically speaking – of 6 to 9 years. If we estimate
that the exit from the crisis could be achieved in 2 to 4
years, the sense of change is risky to reveal, being depen-
dent on the type of solutions which will be globally ap-
proved for coming out of the crisis. The transformational
processes resulting from the Washington Consensus have
defied expectations, for both their length of time and their
finality. The predictions are insecure on the medium term
and powerless on the long term.

In fact, the crisis could be interpreted as a result of both
insecurity and powerlessness in global government, meaning
exactly the interval which covers the disparity of the clos-
ing of the long cycle of evolution and of the length of time for
emerging from the crisis. It is, in the end, a crisis of ade-
quate behavior with regard to the use of the specific means
of an economy which is turning global. The means cover
both the class of financial resources and the one of the
institutional methods of allocating resources in general.

In this context, resuming the debate on evaluating the
functional relevance of the basic principles of the global
 economy is unavoidable, as well as the debates on the
efficiency of the management of behaviors stemming from
the trust in the system and on the reform of economic
policies which can no longer forego the Archimedian guide-
line of global coordination.

Marin Dinu
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