

The liquidity crisis of trust

"I believe that the only important hurdle on the path to global prosperity is represented by the old doctrines from which the mind of man cannot distance itself."

Paul Krugman

The transmigration of economic thinking towards psychology is the most sophisticated expression of its contamination by the assumptions of ideologies. Obsessed by omnipotence, the ideologies resort to emotional thinking in order to make up for the deficit in rational consistency.

In the last two decades in particular, the failure of the economic reasoning in psychologism is a capital reason for the global crisis started in 2007. The problem of the ideologies is a part of the exit from the crisis. The solution to this problem does not imply the extinction of ideologies, but the annihilation of their turbulent effect on rationality.

Born out of the impetuosity of reason of constituting the rule of existence, Economics has invented its island of rationality. However, while mankind got caught up in the priority of materialism the island of rationality became ever more cramped. Modernity's great montages animated by the ideology of winning could no longer find within rationality the adequate terrain for the foundations of their giant constructions. The new frontiers of the irrational exuberance and unidirectional expectations have become, thus, not only coveted but also unavoidable when producing wealth.

The conceptual architecture of Economics has progressively evolved from rationality to the blurry zone of expectations self-confirming in the world of profit. Today the rule of the referential game is not made by productivity for instance, but by the trust in a political instrument or in the behavior of a prosperity-producing institution. It seems foolish now to get hung up on the correspondence between the value of money and an economy's capacity of readily making available the equivalent quantity of necessary goods and services. You are branded a loony if you do not believe in the crucial role played for the economy by the public image of the central bank instead of the management of money supply. The audacity of asking for the regulation of the non-banking financial sector is punished with banishment to the gulag of socialist thinking.

What is amazing about the status of Economics as a science lies in the fact that the propensity towards psychologism of its explicative model does not occur as a project for rebuilding the conceptual unity between the human condition and human nature. The main purpose of betraying rationality was the over-certification of the virtues attributed to some theories which had become official. Instead of them simply being given up or their correction admitted, the infallible psychological component was introduced into the arsenal of arguments. The supremacy of monetary policy instruments in determining the amount of growth necessary for generating prosperity had to be preserved at all cost.

Hence ideas have been proven sufficient to themselves even if the economic reality and the rationality-island's habitat pointed to the contrary. The increasingly precarious traction capacity monetary policies could not be challenged though, for as long as it was still possible to cover the failures of brought by the miracle of trusting someone's competencies. There was a single conclusion: let us not free ourselves of the principles of the de-regulation ideology.

The fact that we are still lacking a post-crisis vision is explained by the very stubbornness with which it is insisted – for instance – on the defending of the irrational alignments of monetary theory. The violent expulsion of yet other theoretical constructions – the acquisitions of the theory of supply, the theory of development, the theory of multiple equilibriums and the theory of industrial strategies and policies among others – gives the amplitude of the irrational consequences of the sufficiency of barricade-monetarism.

The global crisis is – obviously – a fashionable theory crisis, generalized in such a way that the essential dynamic of fashion is no longer admitted ("fashion is passing!"), imposing it as the single and definitive alternative with regard to action. The very essence of liberalism has been altered!

This theory, inlove with itself, officialized and – in some places – sanctified, has unknowingly become the new monster of totalitarian thinking. "There is no alternative" is its suicidal conclusion.

The occupied land is either exploited, or scorched. This seems to be the current irrational attitude of fundamentalists. Somewhat with a behavior of a hounded predator in a world which is rebuilding its rationality, they doggedly refuse to return to the basement of the faculty of economics from Al Capone's city.

The relativization of rationality's targets through the prism of for and against psychologism of arguments for the solutions to strategic problems has led Economics into the deviant loop in which its scientific status has lost some of its relevance. The manager-ization of the recipes of profit and the personalization of success have replaced the classical economic expertise. In the vision of psychologist monetarism, virtues associated with inspiration, talent, luck, flair, lobbying etc. and also with the perfected instruments of panic, fear, violence, manipulation a.s.o. have marginalized professional action as a call to the basic principles of Economics.

In all, the present crisis is not one of the economy itself, but of that economy mixed with monetary psychologism. It is the crisis which de-glorifies the bigoted attitude which fuels irrational exuberance and makes demiurgic management possible.

Marin Dinu

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