

Influence of the Global Crisis on Political Thinking

by Prof. Oleg T. Bogomolov

Today, many people begin to reflect on the influence of the global economic crisis on the cultural and spiritual heritage of the world civilization. Will the humankind wise up after being shattered by economic collapses? Are political leaders prepared to draw on the lessons of the most serious crisis since the postwar time? The point is not only in the revival of the global economies and finance. Leading ideological doctrines, state policies, public opinion, professionalism and conscientiousness of governmental officials, and aptness of democratic institutions will largely contribute to the process of overcoming the recession and avoiding its repetition. We cannot underestimate the exceptional role of science, education, morals of the society, creative potential and knowledge of the intellectual élite. What changes in the public life outside economy are brewing?

The increment of the humanitarian capital will be of utmost importance for people's well-being. In other words, every citizen's knowledge, skills, health, general and behavioural culture in every nation. No less important is raising people's trust in authorities, their confidence in a fair and viable social order, ensuring the integrity of the society and finally promoting active civil and patriotic stand of citizens. In other words, increasing social capital in the world.

I believe that some political figures and scholars under the influence of the crisis begin to contemplate strategic changes in these spheres. It is noteworthy that the new American administration has not simply carried out cleansing operations in the banks and insurance companies, including actual nationalization of some of them. It has not simply granted large credits to the sinking corporations or introduced tax alleviations and other measures to encourage buying. It has included some reforms in the socially relevant spheres into its anti-crisis programme. One of the first on the list of priorities is creating new jobs by the state, raising the status of education and health, improving pension system, promoting innovations, and raising moral responsibility of businesses. Barack Obama said the following among other things: 'We will give out to people jobs building schools, laboratories, libraries, so that our children could compete with any worker in the world.' While speaking at the National Academy of Science he stressed: 'Today we need science more than ever before. We need it for our well-being, for our security, health, our environment and quality of life.'

French President Nicolas Sarkozy announced the intention of his government to borrow €35 billion from private businesses to finance education and science. He explained

this decision by the need to lead France and its young citizens to the highest levels of knowledge and competitiveness. Similar measures to support science and education are taken in China.

Unfortunately, Russian politicians are still heavily influenced by the inertness of liberal thinking. Budget deficit caused by the sharp decline in production and huge cash flows directed to save big banks and industries, pushes them to reduce government spending on academic science and culture. They back down on raising salaries of scholars, teachers, culture and medical workers. This is hardly in keeping with the task of modernizing economy and public system on the basis of innovations.

Deregulation at the time of crisis, wishful thinking of the invisible arm of the market, have all the more blatantly demonstrated their flaws. Prominent Western and Russian economists have long been pointing out at them. Starting from John Maynard Keynes, they have been putting forward alternative ideas of how the capitalist economy can operate. Unfortunately, the mainstream of the economic thinking lies in a different area. It is that of liberal fundamentalism. Russian reformers, tipped off by foreign advisers, have accepted it.

Contemporary situation in the economies of leading Western nations, as well as anywhere else in the world, urges us to reconsider the existing views and concepts. 'Market fundamentalism without government interference of the last twenty years has dramatically failed the exam,' – states the report of the UNCTAD titled 'Global Economic Crisis: System Failures and Multilateral Remedies'.¹ Even from the camp of confirmed liberals we hear voices expressing criticism. Indicative of this are publications of *The Economist*.

The October issue of 2008 was stark with irony over France's President and his retreat from the liberal doctrine featuring a caricature of Nicolas Sarkozy with a volume of Marx's *Das Kapital*. In fact, Nicolas Sarkozy admitted at the EU summit in October 2008 that ultraliberal capitalism had discredited itself; that the world was in need of a market social model.² As early as in the next issue, the journal published a special report, 'When fortune frowned', which admitted that changes in the capitalist build-up were possible.

The report runs: 'Predicting the consequences of an unfinished crisis is perilous. But is already clear that, even in the absence of a calamity, the direction of globalization will change. For the past two decades, the growing integration of the world economy has coincided with the intellectual ascent of the Anglo-Saxon brand of free-market capitalism, with America as its cheerleader... Global integration, in large part, has been about the triumph of markets over governments. That process is now being reversed... the balance between state and market is changing in areas other than finance.'³ 'Wall Street is at the centre of the mess, so America's stature and intellectual authority has plunged.'⁴ The journal concludes that 'more than a new capitalism, the world needs a new multilateralism.'⁵ To put it simply, this hard word camouflages the fact that besides liberal economy, there can be other market economic models which assume an important regulating role of the state.

¹ The Global Economic Crisis: System Failures and Multilateral Remedies. UN, New York, 2009, p. III.

² *The Economist*, October 4, 2008, p. 2

³ *The Economist*, October 11, 2008. A special report on the world economy, p. 6

⁴ *Ibid.* p. 33.

⁵ *Ibid.* p. 33

In the January issue of 2010, the journal elaborates on this idea: "The world is witnessing the rise of a new economic hybrid which can be termed as "the state capitalism".⁶ In this respect, the experience of Scandinavian countries is quite instructive, where social orientation of the market economy has been successful in effect for many years. Other European countries, for example, France, are looking at the similar direction.

Another author, well-known French economist and statesman Jacques Attali, should be mentioned, too. He writes in his new book *The World Economic Crisis: What's Next?:* 'The mankind has crawled into a depression of a planetary scale, probably the hardest one in the last eighty years.' This is both 'a social, ideological and political crisis, laying bare the futility of neo-liberal concepts, which are anti-democratic.' Liberal ideology, – as Attali stresses, – is at a service of morsel of people, considering that at the end of 2008, as well as in previous years, many billions of dollars went to the bonuses of big bankers. While ideology has to represent also the interest of the poorest people and generations of people to come... A small group of people, separated from producing wealth, robs without any control the biggest and the most important part of the wealth produced.'⁷

It is not enough to explain the plight which befell people by inflating the finance-and-loan balloon, which blew up and engulfed other countries into the crisis. No doubt, the USA was to exemplify the drawbacks of the neo-liberal model of the market economy. The global crisis, however, has its roots not only in the USA. Many countries lacked the necessary market regulation, they revealed steady disproportion between money and commodity flows, the role of science, education, health, culture, morals was underestimated, social justice was despised.

There is some optimism in the fact that a new paradigm of the world financial system and collective measures to combat uncontrolled elemental processes and to ensure the stability of the global market began to form at the EU summit and the Big 20. Is it sufficient, considering that the USA and the EU have different opinions as to the future of the aging capitalism? One can suggest that the USA in the long run will opt for a partial correction of the existing system, while Europe will be seeking for a new paradigm of post-industrial development.

It is customary to judge about the bottom line of the economic recession and the signs of recovery by GDP indexes. The increment of GDP, however, does not go side by side with more jobs available, with demographic signs of birth and mortality rates, health of nation, pensions, higher quality of life for the bulk of the population, lower rates of inflation, advancement of culture, science, education, etc. It is these aspects of life that should be taken for indexes of a crisis or a revival of economy. This led the French president to commission a panel of economists under the Nobel Prize winners Joseph Stiglitz and Amartya Sen to investigate the reliability of GDP as the core index while evaluating an economic situation and the results of anti-crisis measures taken by the government. Winding up the work, Stiglitz said: 'What we measure, influences what we do. If we have a wrong measurement, we will get wrong results... We should stop making an idol of GDP and understand its limitations... Many aspects of public life cannot be represented

⁶ *The Economist*, January 23-29, 2010, p. 22

⁷ Jacques Attali. *La crise, et après?* P.: Fayard, 2009. (translated from Russian edition of the book. St. Petersburg: Piter, 2009, pp. 7,129).

by GDP at all.' President Nicolas Sarkozy was even more positive: 'People believe that we are lying and giving them wrong figures. They have good reasons to think so.'⁸

We can observe that the global crisis makes the ruling circles reconsider a lot of things. Europe, China and a number of other countries start to think of a new model or paradigm of economic order. It is as much crucial for Russia. Of course, our reformers are not yet ready to admit publicly the weakness of the ultraliberal ideology. Critical feelings in Russia that has passed through all the 'goodies' of brutal capitalism, are stronger than elsewhere. It is only natural to expect that new approaches in the economic policy will easily pave way for themselves. The crisis is supposed to sober up the adherents of the neoliberal ideology and make them admit a serious crisis of culture and morals in the West as well as in Russia. I think that the dialogue between different civilizations and cultures could ease ways to overcome the crisis and find optimal patterns of the post-crisis development. In many countries modernization, both of economy and of the social order, is ripe, encouraging the re-evaluation of the concepts that have failed the test of time: economic development, culture, education and morals are now on the agenda.

Remarks: Opinions expressed in this contribution are those of the author.



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⁸ *Financial Times*, September 15, 2009