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## THE ECONOMIC CRISIS AND PROTECTIONISM

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### Abstract

*It is altogether accepted that the economic crises are a reality which the local economies or the world economy face periodically. This doesn't mean that they manifest themselves through identical forms or that there are all-around valid crisis combat solutions or at least ways of alleviating its effects. On the contrary, every crisis has its own feature induced by the social-economical context in which it takes place, by the triggering factor, by those who establish anti-crisis measures and even by those who theorize it. Sure, there are common elements of the crises that permit the definition of the phenomenon, the analysis and the overcoming by appropriate methods but not their prevention.*

*This study is set out to analyze the relationship between the economic crisis and the resort to protectionist measures to overcome the crisis, underlining also the alternative measures with the same end. I have also performed a case study regarding the way the economic crisis is being understood by the economic agents from Bihor County. To this end I performed a qualitative research using the semi-structured interview as a main method.*

**Keywords:** crisis, protectionism, economy, manifestations, solutions, case study

**JEL Classification:** E32, N10, P16

### Introduction

Is protectionism a cape for bad weather? In other words, have there been activated protectionist measures, mainly state-controlled, only for the crisis period when the economies are being challenged? Can we talk about a circle of vice between the crisis and the protectionism relationship in the sense that crisis generates protectionism and the latter, even if solving some short term issues like the social ones, doesn't accomplish anything but increasing the effects of the crisis on long term? Which are the alternative solutions to protectionism during a crisis?

These and many others like these are the questions to which economists from different times and of different doctrine orientations have tried to find an answer for overcoming more easily the economic crises, for mitigating their impacts and even for proposing patterns for overcoming the crisis.

But what is protectionism?

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## Protectionism, a national reaction to the classic liberalism

*Protectionism is an economic doctrine derived from the political awakening of nationalism in less industrialized countries, which promotes the idea of the state's intervention in the economical life for protecting the interests of the economic agents against the free change inside or outside the country, they, at their turn, contributing financially to the support of the state's expenditures.*

Most of all protectionism is interpreted as a reaction to liberalism and so it was at the beginning of the 19<sup>th</sup> century. Alas we cannot overlook the mercantile substance of protectionism which not only precedes liberalism but it can be said that liberalism expresses from an economical point of view the liberation from the protectionist measures constrains imposed by state leaders like Richelieu, Colbert, Peter the Great, Cromwell and others, during the 16<sup>th</sup>-17<sup>th</sup> centuries, by their advisors (Giovanni Botero, J. Bodin, Luis Ortiz) or by great merchants and bankers (Th. Mun, J. Child, G. King, J. Law etc.), who supported measures of internal economical policy like fiscal policy, and external ones like the protectionist customs policies.

At the base of the mercantilist economy policy is the idea of the state's active intervention in the economy, both as an economic agent and mostly as a supporter of the other economical agents' activity at an internal level but more at an external one, through rigorous protectionist measures oriented towards the encouragement of endemic enterprisers and limiting foreign competition.

In a most natural and logic way, all these ideas appeared at the same time with the territorial states and will accompany, even if in a different form, the formation process of the national states also in the 19<sup>th</sup> century. Newly formed, these states needed to defend themselves because "some win and some loose", as Montcheretien used to say. "One's gain is the other one's loss", as Montaigne used to say while Voltaire said: "It is clear that a country cannot win if another one doesn't loose" (Fernand Braudel, 1985, vol. II, p. 231)

The evolution of the economic and social life at the beginning of the 18<sup>th</sup> century will highlight a series of weak points in the mercantilist theory and practice. More and more economists contest the effectiveness of the protectionist measures, the priority of commerce, with emphasis on exports increasing, like identifying wealth by the precious metals owned by a country. The subsequent economical practice would show that commercial efficiency depends on the way the production is being organized, so the production efficiency conditions the efficiency of the external commerce.

Gradually, mercantilism becomes from protectionist, favorable to commercial freedom and to the elimination of prohibitive measures.

Protectionism – as an economic doctrine – would manifest itself with even more power in a coherent speech held by renowned representatives over the 19<sup>th</sup> century.

The first and most important cause leading to the utterance of the protectionist doctrine and to its implementation with visible results was the conclusion that – in the middle of the 19<sup>th</sup> century, in the heat of liberalism – the international economic

exchanges had a non-equivalent character determined by the fact that the nations and states were at different levels of work productivity.

The protectionism followers question the pretence of liberalism universality demonstrating with historical and statistical data that the free exchange brought gain only to the industrially developed countries (even A. Smith would demonstrate that industrial labor productivity is superior to that of agriculture, with all the economic consequences of this fact), that at the beginning of their development these countries also promoted protectionist policies. England, for example, wasn't always a great power as it was perceived in the 19<sup>th</sup> century. In the 15<sup>th</sup> century it was a backward country, without the powerful navy, mostly with rural population and only two more important resources: a huge wool production and a strong industry of cloth, existent mostly in rural environment. But it was going to become soon an economic force, with solid handcraft corporations, with active fairs, a powerful monarchy, due among others to the protectionist measures taken. (André Maurois, 1970, vol. I, p. 225-226).

As a consequence, as the protectionism followers would affirm, the less industrially developed countries must not play the game of the developed countries because they have the right to protect their own national industry.

Another cause of the protectionist reaction against the liberal doctrine may be identified in the economic reality itself, in the poverty, filth and exploitation which not only weren't eradicated by the liberal politics but even increased them in certain geographic regions.

As a matter of course, the founders of this doctrine and then its most ardent sustainers came from countries where the principles of classic liberalism especially freedom of commerce and state non-interventionism prove to be unfit, even damaging in the conditions of the economical development stage they were in. They represent the echelons of lesser developed bourgeoisie from countries with a reduced economical potential which engaged later on to the market economy development, respectively at the end of the 19<sup>th</sup> century.

Preoccupied with the protection of some extra-European national states' interests, especially the USA, as well as of some central and eastern European national states (Germany, Romania, Russia, etc.) which have later constituted in modern states rather than of western European states confronting with a forceful competition fight on the world market, this reaction towards the classical economic liberalism was called "the national reaction".

The main representatives of the protectionist doctrine were: Frederich List, later followed by the members of the German historical school - W.G.F. Roscher, B. Hildebrand, K. Knies and by those of the new German historical school - G. Schmoller, A. Wagner, L. Brentano, the latter strongly influencing some 20<sup>th</sup> century masterminds, like Max Weber, W. Sombart, A. Spiethoff etc.; then there were the American protectionists like H. Ch. Carey, S. N. Patten, followed in the 20<sup>th</sup> century by the North-American institutionalists - Th. Veblen, J. M. Clark, W. Ch. Mitchell. Among the followers of the Romanian protectionism are the industrial bourgeoisie representatives from and out of the Liberal Party, scribes and politicians like - D.P.

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Marțian, G. Barițiu, M. Kogălniceanu, B. P. Hașdeu, P. S. Aurelian, A.D. Xenopol, E. Costinescu, I. N. Angelescu, V. Brătianu, M. Manoilescu, Mitiță Constantinescu, etc.

Fr. List identifies the main problems with which Germany was being confronted on an economic level, and not only, coming with a proposal of a "Political economy national system", within which, in parallel with the criticism of what he considered to be the main lacks of the classic liberalism, underlines the virtues of Germany's protectionist policy. He demonstrates that the liberal policy favors the developed countries and disadvantages the backward countries.

The main economic liberalism's faults he speaks about are: cosmopolitanism, consisting in globally treating the economic problem without consideration of the national interests; materialism, almost exclusively emphasizing the material side of life, overlooking the spiritual and cultural aspects; individualism, the exclusive attention to the individual and its interests to the prejudice of nation and the national interest (Fr. List, 1973, p. 113-121).

He even proposes a new science "nationaloekonomie" whose subject to be that of teaching us how a country should maintain or attenuate its economical position in a world context, starting from its national particulars; during the analysis of the economical problems it was to pass on from individual to nation, from political economy to the economic policy, from the individual interest to the national one. Even in the name of the new science he introduces the concept of nation, fundamental for explaining the economic life, every nation having different interests and unequal forces. In his opinion economy was no longer the science of wealth - as in the mercantilists or classics – but the science of the "productive forces" that create wealth. These comprise everything that exist in the German society and may be beneficially mobilized in the direction of progress: the social order as essential factor of empowering the creative work, peoples' spirit as a primary condition of the productive work, the forces of nature which may be attracted and efficiently used in the development process: "The peoples' productive forces are not only conditioned by industriousness, the spirit of economy, morality and intelligence of individuals or the possession of natural funds and of material capitals, but also by the institutions, civil, political and social laws and before all by the guaranties offered by the continuity, independence and their power of being nations" (*Ibidem*, p. 36).

Another novelty element in List' thinking is the use of the historical method in the analysis of the nations' evolution, establishing a succession order for the phases they cover. "In what the economical development is concerned, List says, we have to admit the existence of the following main evolution phases: the savage state, the pastoral state, the agricultural and manufacture state and finally, the agricultural, manufacture and commercial status" (*Ibidem*, p. 34).

For List protectionism is not an aim in itself, only a set of measures meant to support the states left behind from an economic point of view, to eliminate or diminish the delays after which those countries may engage with a comparable force in the fight of the free exchange with the developed countries. "Protectionism is the way and the free exchange is the aim/scope", he said.

Beyond the contestable aspects of List's thinking his work has influenced the economic thinking of his epoch and even the minds of the 20<sup>th</sup> century thinkers but most importantly it proved its efficacy through the practical measures of economical policies which contributed to Germany's economic burst.

Synthesizing the protectionist doctrine we might express it using three fundamental concepts: protectionism, industrialism, nationalism. The promoters of this current attacked theory, methodology and the economic policy foreseen by the classical liberalism.

a) For the protectionists wealth was discovered in the nation's productive forces, because the existing goods as they say, disappear by consumption and the nation may go poor; if instead, attention is put on the development of the productive forces, one may see that these are capable of reproducing and increasing richness. In other words, richness is the power to create richness in ever bigger proportions and work is the main engine of economical function and revaluation.

b) Protectionists criticize the pretence of universality for the classical liberalism practical and theoretic postulates which used to ignore the local particularities, and so, the national ones. They propose the study of these particularities so that depending on the clear conditions of one country or another, to be able to formulate realistic appreciations and to apply the suitable practical measures. Thus, it is understood that protectionism denies the existence of generally valid objective economical laws.

c) The protectionist doctrine reproaches the economic liberalism classics the exaggerated attention to the individuals and to the spontaneous establishment of common good, ignoring the link between the individual and society: the nation.

d) Industry was considered the most fertile productive force of a nation, capable of constantly increasing the material and intellectual values, to increase the economic efficiency, to harmoniously develop the national territory, to contribute to the emulation between individuals, to the national independence and liberty. In addition, the industrial structures being superior to the agricultural ones in the conditions of free interchangeability, the industrial countries subordinate the agricultural ones. That's why, industry must be part of the national economic complex, based on the principles of maximum efficiency of the entire nation's activity.

e) The protectionists have criticized the deductive methods and the abstractions of the classical liberals, considering this a way of simplifying reality till deformation, thus rejecting also the robot image of the economic agents known as "homo oeconomicus"; they present as a change the inductive and historical method, the economy study starting from the multitude of concrete facts followed along time, so historically.

f) Substituting the static classical conception with a dynamic one, of nations' prosperity, the role of booster goes to the state, which is not a sum of individuals - as Bentham would affirm – but a different body and bigger than its parts having the role to stimulate the productive forces (Fr. List, 1973, p. 121-131).

g) It contemplates an external protectionist policy contrasting with the free

exchange or free competition, going from the major differences between the economical potentials of the world's countries, that gives and advantage of the free exchange for the developed countries over the damage of the underdeveloped ones. "Part of humanity is tormented and on the brink of death so that the other party to stuff itself on the brink of bursting". So they propose an external policy based on the customs protectionism which would help the underdeveloped countries to strengthen their productive forces, to enhance their economic potential in order to participate afterwards at the world market competition. (Sultana Sută-Sălăgean, 1994, p. 120-122).

We must, indeed, make a difference between the external protectionism "at border", consisting in measures to reduce imports by raising the customs taxes or by import contingents and the internal protectionism consisting in subventions, state orders, reductions, staggering or exemptions from state budget payments for some economic agents, as well as in the policies of state intervention in the economic life.

If external protectionism flourished in periods anterior to the 20<sup>th</sup> century, in the case of fragmented economies, relatively independent, the internal one, handled by Keynes and known as nationalism or interventionism proved its efficiency in many economic crises through the 20<sup>th</sup> century and some crisis theoreticians (P. Krugman, 2009) see it as viable in the near future. In fact, Keynes relates to protectionism, especially mercantilism, highlighting its valences and merits and disapproving the exaggerated aspects in relation with the maintenance and attraction of bigger and bigger quantities of precious metals as an expression of a country's wealth, also mentioning that the "pretended advantages are evidently national advantages and it is highly unlikely that the world in general will benefit of them". (Keynes, 2009, p. 404 - 444).

Keynes' theory comprised also in his well-known work "The General Theory of Employment, Interest and Money" (1936), is a construction meant to replace the old English classical approach and to justify the active economical policies and the necessity of state's intervention, in a differentiated manner, based on the phases of the economic cycle, through the available assets like the budgetary, monetary and fiscal policy.

The pattern introduced by him is based on some fundamental concepts: consumption orientation, marginal productivity of capital, interest rate and full occupancy.

In the introduction to the Romanian edition of this paper from 2009, Paul Krugman stated that John M. Keynes has lost the "seductive, but certainly false idea of the business cycle being a game of morality and of the economic depression, a necessary purgative after the excess of a prosperity period" (J.M. Keynes, 2009, p.47).

Keynes moves the invoked causality of crises from the zone of the interest rate into that of marginal productivity of capital: "We were used to explain crisis by emphasizing the increasing tendency of the interest rate under the influence of the increasing demand of money, both for commercial and speculative reasons. At some point, this factor may certainly play an aggravating role or, occasionally, an initiative

one. But I suggest that the more typical explanation and, probably often predominant, of the crisis is not especially an increase of the interest rate but a sudden collapse of the marginal productivity of the capital.” (*Ibidem*, p.385).

El considers that when economies confront a drastic drop of aggregated demand, the involuntary unemployment is produced and the market’s intervention in this unbalance exactly when it takes place is slow and difficult. So the intervention of the government is necessary in order to stimulate the demand and reduce unemployment. Thus, not always the increase of money offer will bring the expected results, governmental expenses being necessary. “I expect to see the state, which has the possibility to calculate the marginal productivity of the capital assets on a long term and based on the general social advantage, take on a great responsibility to organize investments in a direct manner”, stated him (*Ibidem*, p. 228). It is about both internal and external investments which form together the aggregated investment.

In what the solutions for overcoming the crisis is concerned, Keynes rationalizes a concept that explains the logic of the state’s intervention necessity in the economy: during a crisis the need for consumption drops, production is contracted and the involuntary unemployment takes on; in order for this not to trigger an even bigger drop of consumption, given the smaller incomes, it is necessary to reduce the interest rate, to increase the governmental expenses (state investments), to reduce the fiscal policy and equilibrate the commercial balance for decreasing unemployment and fully occupying the labor force: “... the investment scale is promoted by a low interest given the fact that we don’t try to stimulate them this way beyond the point where we register full occupancy. Thus, it is in our advantage to reduce interest rate until that point related to the function of marginal productivity of the capital where there is total occupancy.” (*Ibidem*, p. 448). And he also continues writing that: “In a society where current investments are not in question under the wing of the public authorities, the economical objectives which the government should reasonably be preoccupied with are the internal rate of interest and the commercial balance” (*Ibidem*, p. 406).

He considers all these measures “as being the only way to avoid destruction of the economic formations existent in total as well the condition for the individual initiative to function successfully” (*Ibidem*, p. 453).

There are enough issues imputed to Keynes, virulent attacks coming mostly from neoliberals and monetarists: the consideration of the episode 1930 as being a trend that would persist for an undetermined period of time; underestimation of the capacities of the economies to prevent the decreasing outputs; overestimation of the demand role; he didn’t foresaw persistence of inflation and, thus he didn’t create the instruments to control it, (P. Krugman, in J. M. Keynes, 2009, p. 53-58), an incorrect vision of unemployment and an unjustified fear of accumulation; he elaborated a short term theory of balance; “the actual core of the Keynesian system remains static in essence” (J. A. Schumpeter, 1984, p. 417); his theory is a cure for the disease but it is killing the sick person; the conjunctural policies he foresees are not efficient.

Even so, Keynes, being also the initiator of macroeconomy, had a word to say

in the history of universal economic thinking of the 20<sup>th</sup> century and in the economic practice of governors from different countries of the world, especially during a crisis. Time magazine wrote in 1999 that “born in 1883, when Karl Marx has died, Keynes probably saved capitalism from itself” (Keynes, 2009, p. 8), in the conditions when the Big Crash could have destroyed both capitalism and democracy.

### **Economic crisis and protectionism**

From the physiocrats on the economic organism was often compared with the human one from the aspect of its functioning as a system. An economic organism also faces “diseases” which may be diagnosed and in several cases cured if the disease is discovered on time and if the most efficient medication is being used. With the specification that modern medicine insists on the patient who may react differently from other to the same disease, depending on their biological characteristics, or they may react differently in time depending on the state of the body at that moment. So, an individualized is called for in order to treat the sick person and not the disease.

The economic crisis may be defined as an accentuated deterioration both of the present economical situation and of the economy in perspective. By its manifestation diversity and its phases, with longer or shorter periods, it also is an economic disease whose causes have been identified by economists in different zones, thus the anti-crisis measures proposed were different. Such economic crises have succeeded over the entire 19<sup>th</sup> century up to the First World War, culminating with the Big Crash from 1929-1933 and continuing with the two energy crises from 1973 and 1979, with the local crisis from Mexico, South America, Japan from 1990, only that in 2008 to burst out the present international crisis. There were also periods of sustained economical growth, longer especially during the post-war period, until the beginning of the 70's, in the industrialized countries generating doubts among economists regarding the viability of the economic cycle idea. (Krugman, 2009, p.19)

Regarding the 1929-1933 Crash, almost all economists appreciate that if not triggered, it was surely enhanced by the drastic reduction of the effective demand and by lack of liquidities. On the other hand, in what the anti-crisis solutions is concerned, the economists' opinions are shared: some think that the protectionist measures helped overcome the crisis and restart the economy, others think that these measures have aggravated the crisis and even that they allowed instauration of fascism and Nazism triggering the Second World War. Finally, there are economists who consider that firm protectionist measures taken in due time would have prevented this “senseless tragedy”. If Herbert Hoover hadn't tried to balance the budget facing an economical depression; if the Federal Reserve hadn't have protected the etalon – gold – to the prejudice of internal economy; if authorities hadn't have urgently supported the crash prone banks with liquidities thus calming down the panic gradually installed 1930-1931; Then the stock market crash from 1929 would have lead only to a “common gardenlike recession soon forgotten...” (P. Krugman, 2009, p.7)

The contemporary economic crises may be resembled to pandemics due to the strong interdependencies appearing in the process of globalization and, implicitly, the quick spread of this disease. Under these conditions, the local and regional measures are still efficient? Anyway, it may be observed that “in spite of the contemporary gain of refinement and degree of sophistication, the tendency to follow patterns has not disappeared, but it has only metamorphosed...” (J. Gray, 1998, p.1-2). For example, in 1990, Bundesbank increased the interest rate in order to control inflation determined by the reunification of the country. This measure produced perturbations in all Western Europe and even conflicts of interest. With no global governing a harmonization of the commercial and monetary policies is imposed.

Or, “whilst cooperation in the field of international commercial policies is a well established tradition, cooperation in the field of the international macroeconomical policies is a new and much more uncertain subject.” (Paul R Krugman, Maurice Obstfeld, Achille Hannequart, 2003, p. 8)

By largely simplifying things, I would set the anti-crisis solutions in two big categories: solutions related to the market functioning (non-interventionism, liberalism) and economic policies (state interventionism, protectionism). While the liberals think that the market has the necessary mechanisms to adjust the unbalances issued by the economical crises, protectionists sustain that free economy must be reformed or at least that the state’s intervention in the economy is imperiously necessary.

On the trail opened by his physiocrat precursors with the famous urge: „Laissez faire, laissez passer, le monde va de lui meme” (Gournay, acc. J. B. Say, 1840, p. 555), Adam Smith, the father of classical liberalism formulated in 1776 the no lesser renowned syntagm of the “invisible hand”, expression of the market’s self regulator capacity.

As the civil society state of mind and economical and political thinking trend, liberalism was the expression of aspiration to social progress, its spreading being favored by two factors: extension of the international economic relations in the 17<sup>th</sup> – 19<sup>th</sup> centuries and discovery of printing. All these made liberalism the main mega tendency of the modern contemporary economic thinking extending its domination on a planetary level.

Andre Piettre (1957) identifies three types of reaction against liberalism: the social reaction, materialized in the different orientations socialist doctrine; the national reaction, materialized in the protectionist doctrine; the intellectual reaction, materialized in the marginal or neoclassical doctrine.

Mutations in the liberal economic thinking appeared also on the background of the changes in the western economies and the world economy, determined by the industrial revolution, at the same time with the reiteration and accentuation of some economical unbalances under the form of overproduction crises, some of them with world character, highlighting disparities in the assignment of the national income, by worsening the competition fight and the fight for the external markets, by sharpening contradictions between metropolises and colonies. Some economists define this new

reality surfacing in the USA and based on the liberal logic, "turbo-capitalism" (Edward N. Lutwac, 1998) establishing as main dimensions: privatization, deregulation and internationalization.

In consequence, although in the 19<sup>th</sup> century the economic freedom was triumphant and suitable for a period of expansion, offering a market to every new manufacturer, "it would prove dangerous as soon as the labor force or production markets become saturated. Then free competition will give birth to some evident setbacks and it will be seen how in England as all over the western world would start a protectionist, nationalist and autarkical reflux, totally surprising to Quesnay and Adam Smith" (André Maurois, 1970, p. 191). Between the years 1900-1940 we witness the "great makeover" (Karl Polany, 1944) of the 19<sup>th</sup> century economic system built on "four institutions: the system of powers balance, the international etalon in gold, the self regulating market and the liberal state" (M. Beaud, G. Dostaler, 2000, p.58).

Especially during the post-war period, under the pressure of the responsibility for the countries' reconstruction and economies modernization, the political men from the industrialized countries go for economical policies which target objectives like: improving the social protection system, health and education and as a corollary the raising of living standards. Thus, the state interventionism as a national interest becomes a form of solidarity with those affected in a greater degree by the crisis, these being offered support from the state budget.

Starting with the '70's we see acceleration of the economical globalization process, fact that limits the capacity of states to efficiently intervene (the crashing down of the myth of "the state of providence") and reactivates the ideology of "the minimal state" and "minimal governing", embraced after 1989 also by the Eastern European states after the nationalism and communism experience which led to a kind of "anarchic-capitalism" (J. Gray, 1998, p. 240). In fact, there are economists who, treating the globalization effects on an economic level, underline that this leads to "Richesse du monde, pauverte des nations" (Daniel Cohen, 1997).

On a often exaggerated optimism basis, we assist to a great economic growth not only in the advanced countries but also in those less developed which would trigger the raise by 3 times of the oil in 1973 and twice more in 1979, which, for a oil-based economy couldn't have not started a powerful crisis, with long term consequences. The same went on, as Paul Krugman thinks, also in 1990 when the excessive trust in the informational technology profit potential and the "growing sense of security regarding economy, the belief that the severe recessions' era was over" pushed the prices of stocks "up to dazzling levels" (Krugman, 2009, p. 167)

In all crises registered over the 20<sup>th</sup> century and the beginning of this one, the resort to protectionist measures was quite evident. Since the Smoot-Holly law of 1930 that followed the protection of the American industry by raising the customs taxes, up to "Buy American" from 2009 – a project of the American state to stimulate economy by using US made products.

This is due, on one hand, to the fact that protectionism gave short term results,

and on the other hand, the national level political factors saw in such measures a way to attract citizens, in other words, reevaluated them from an electoral point of view. If on a national level and short term the protectionist measures prove their efficiency, on long term and internationally speaking there are serious malfunctions created, consisting in some national protectionisms races, which often turn on those provoking them. The most badly hurt come out the less developed countries which cannot hold the pace with the subventions race and are forced to resort to greatly overwhelming loans. Also, the countries with emergent and export-based economies have a great deal to suffer.

The present economical-financial crisis also starts large pro and con disputes over the protectionist measures among economists and politicians altogether. The first category stress the fact that the protectionist measures have affected the Big Crash from 1929-1933 and even brought on the Second World War, and in the case of the present crisis such measures are even more damaging in the conditions of globalizations, being capable of triggering a true commercial war (see Canada and the European Union's reactions and subsequently Japan's to the "Buy American" project). The liberal economists see the overcoming of crisis by stimulating entrepreneurs (not of those who lost but of the viable ones), by investment, innovation and full freedom of the commercial exchanges, going up to reducing to zero the customs taxes and not by protectionist measures. They see in such kind of measures an anti-globalization policy, a going back to the national isolation with heavy consequences on the population's living standards.

This doesn't mean that in the present economical-financial crisis the protectionist measures weren't present. Following the "Buy American" model, various countries have adopted similar programs to support the national economy: France started a plan of supporting the automobile production, The Lower Countries enticed their citizens to spend their vacations in their country to help boost the economical restart, etc. Such measures not only were encouraged by the other camp economists, but were even considered scarce.

Paul Krugman, laureate of the Nobel prize for economy in 2008, states that in order to overcome the lack of trust in the banking system, cumulated with the lack of cash, a massive and rapid intervention of the state is necessary in order to put back on track crediting and costs stimulation. On a long term, the state should see to the prevention of appearing in the economy of "speculative balloons" be them real estate, financial, stock market or of another nature, which would burst at a certain point with repercussions regarding investments, consumption, general demand, unemployment growth and diminishing of the living standards. (P. Krugman, 2009, p.79 and p.173-175). He also calls for attention to the more careful regulation of the banking activities and to the stopping of "shadow banks" activities, warning in the same book about the coming back of the "economy of decline".

As a consequence, liberalism or protectionism represents crisis solution? Or is there an alternative to the two contraries? Because "liberalism is poorly endowed to face the postmodern period dilemmas" (J. Gray, 1998, p. 4-5), and protectionism is

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unsuitable, the state having to limit itself to securing a stable background for the development of market operations, the market being the only mechanism fit for efficiently managing the allocation of resources. (Milton Friedman, 1948).

I personally consider that there are no universally valid and saving models and solutions. In a global economy of such complexity, measures should be differentiated by types of countries and economies, by phases of the crisis emphasizing the prevention measures. There were cases when the protectionist measures had results (1929-1933), others when the legislative regulations proved to be very useful, (in the post-war period, speaking about the banking regulations) and others when exports have contributed to the overcoming of the crisis (in 1990, the Japanese crisis). Important is that the adopted measures to regard not only the national interests but also the avoidance of dysfunctions at the world economical level.

### **Case study. The perception of crisis by the economic agents from Bihor County**

The case study has been performed using as research method the interview based inquiry of several economic agents from in the period between the 1<sup>st</sup> -15<sup>th</sup> of July 2009. Several private company managers of different sizes have been selected (small - 6, middle - 4), with various activities (commerce - 4, production - 3, construction and installations - 3), as well as from different backgrounds: 2 from the rural 8 from the urban background.

I tried to catch the way in which the economic agents from Bihor perceive the financial-economical crisis they undergo at the moment, under the aspects of manifestation, intensity and ways of overcoming it.

Asked if they feel the economic crisis, the managers from Bihor all answered positively. The main forms of manifestation reside in sales and orders dropping – in the case of commercial and service provision companies, respectively reducing of production and personnel layoffs, unpaid leaves, salaries reduction – in the case of production and construction companies. Also in the case of production and construction companies are being invoked as crisis forms of manifestation, the financial blockings (refusal of suppliers to delivery materials with payment on term, difficulties in cashing in invoices). A major problem for the construction companies is lack of financing the pending works, which aggravates chain financial blockages. The consumption based company accuses profit diminishing, which impairs the E.U. imposed program of modernization. One of the commercial companies suffers from loss of profit in the conditions of income diminishing but still the same costs.

The interviewed managers say they didn't ask for help yet only from the banks with which they negotiate the increasing of the credit level. In the case of the smallest of companies this request was rejected due to its small turnover and dropping profit. The food supply company intends to access European funds and one of the constructions companies intends to turn to justice for support in recovering debts from bad payer beneficiaries.

The answer to the question about how and whom do they think can help them overcome the difficulties they face, the answer was the same: the state through programs of rendering low interest credits (for the middle companies), respectively reducing taxes (VAT, and salary taxes), or even eliminating some of them, debts installments (for the small companies), which would determine, in the opinion of the managers, costs reduction, prices diminishing and increase of the purchase power of population. The food company even accuses the state for delaying payments to economical agents. I focused on one construction company manager's opinion who considered that the state should help the economic agents by reducing the number of budgetary personnel, their salaries and bonuses especially, this bringing on a reduction of the taxes paid by the economic agents of up to 30%. Another interesting idea coming from the answers given by small company managers refers to the necessity to adopt a legislation which favors the profitable enterprises "which pay their dues to the state and support the state budget and eliminate the "foolish tax called contractual, which only gives theft an official aspect."

In what the end of crisis estimation is concerned, the interviewed managers don't express themselves in a categorical manner and, most of all, don't back up their answers very good. Some of them are more optimistic hoping for a soon termination (around the middle of 2010), but most of them think that it will take longer than that (between 3-5 years): due to the economic sectors interdependence an the countries interdependence, due to the "speculations, manipulations and the misleading of population by the politicians" or because of their ignorance and to the big commissions and interest rates practiced by the banks. All these have as a main consequence the dramatic diminishing of the economic agents' trust not only in the governors but also in their partners, banks and implicitly in the economic future of the company and the activity it develops.

It can be observed that there are in Bihor County's economy signs of the economical-financial crisis manifestation. The forms they dress up in are quasi-present in almost all crisis affected economies: production reducing, profit drop, orders and selling drop, growth of lay off employees, difficulty in accessing credits by small companies and financial blockages.

Confronted with the crisis generated problems managers surprise by the lucidity in identifying the practical solutions that might help them cut their losses and continue to go on. They think that all these solutions are at the hand of the state which should show responsibility in applying them. If things stand like they do, it is either due to ignorance or the corruption of the political class which undermines the economic agents' trust. There is also realism in approaching the relation with the banks, which prove to be less available to understanding of the agents' difficulties or to accept profit reducing.

We could say that the Bihor County managers' option to overcome the crisis is a protectionist one, somehow to be expected under the conditions that the outlook on the state's maximal role from the communist period still lingers. Alas, the differences of thinking between the present managers and that of the 1989 ones are essentially

different, in the sense that they approach the relation with the state both from their personal interest angle and from the social responsibilities for the companies they run.

What really surprised me was the feeling of a social tension waiting to explode, between the society's direct productive class and the budgetary class. This tension is fueled no doubt also by the information and media debates contents but is probably also the result of the analyses that every manager does when, faced with the income diminishing, he has to fight with the sometimes excessive fiscal policy. I consider this a novelty that should preoccupy authorities more in order to prevent a possible deepening of the strain between the two social categories in the future.

### Conclusions

- State interventionism varies in intensity, modalities and efficiency based on the concrete historical conditions in which it takes place: "The sphere and limitations of governing cannot be prior described. Time, place and historical circumstances are of utmost importance in determining the area and character of the state's intervention in the civil society" (J. Gray, 1998, p.67)
- At the same time with the complication of the international economical relations, the crises seem to appear at smaller intervals, under more varied forms, with ever growing impact, the local or regional crises alternating with the global ones, and the efficiency, at least long term, of the anti-crisis measures proves to be weaker and weaker.
- The combination of the economic and politic aspects makes protectionism be the first option of the politicians in the case of an economic crisis (a liberal used to recommend to do nothing in the case of a crisis, only the politicians can't help themselves).
- In a global world where the interdependencies between the national economies are stronger, protectionism may have positive effects on short term, while on long term it produces dysfunctions at the level of the international commercial relations.
- At a local level, the economic agents see salvation also in the state's actions backed up by those of the banks. They prove a better understanding of the reality they live trying to overcome it by a moderate optimism regarding the end of the economic-financial crisis.

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