

CAPITALISM – CORRECTION OR CHANGE? COMPARISON OF SOME ECONOMIC SYSTEMS

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Abstract

In an increasingly globalized world, issues from a part of the system quickly reverberate elsewhere, and the way globalization has been managed raises high risks with little benefits. We need a coordinated global response, but each country thinks of its own good. The world has a major problem: it thinks freedom in space limits and waiving the limits is a hard thing to accomplish, as benchmarks and familiarities are doing the subject of current human consciousness. There is a battle of ideas that led to the failed policies, which have precipitated the crisis. Economic, ideological and relative fights have appeared to the distribution of wealth. Flawed perspectives led to crisis, both economic and moral, and the main factors of economic and political decision have seized the problems too late. It is underlined the failure of government in managing the repercussions. The policies adopted were similar to those taken with other crises, so they were subject to failure from the start. They betrayed a lack of understanding of the laws of modern macroeconomic core. Fundamentalism creates not only expensive adversity, but also devastating crises.

Keywords: capitalism, crisis, individualism, market, hegemony, United States

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Introduction

Recessions are the like the tip of an iceberg, with deeper rooted problems and unexpected dimensions. But the definition of recession depends on the definition of winners and losers. The crisis began in the capitalism system, whose foundation is based on profit. Capitalist financial system was only interested in earnings and profits, that were easy temptations to distract from the basic functions, making the financial benefit of their innovations.

Economic and financial crisis that started in 2008 was a combination of failures and led to a reassessment of priorities and values not only in terms of state or corporate governance, but also for homo oeconomicus. There were brought into light not only predominant business model flaws, but also the failure of American society, the limits of knowledge, human imperfections, societal vices. Current systemic problems will lead to new insights into long coverage disputes over the most suitable economic system that brings the greatest benefits.

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The American model of capitalism, one of mediatic relevance, is one worth taking into account the context, but has a vision that motivates behaviour arising from irrational behaviour. Model derived from the theory of capitalist economy uses a technique of taking over the private interest of the public sector. But the public system does not have to make the private system and vice versa.

American individualism rough model worked in practice by the fact that people have assumed all credit for success, without evidence of assuming any sense of responsibility. The battle between communism and capitalism is over, but the confrontation between market economic continues. The current crisis has revealed the fundamentals flaws of capitalism or, at least, the latest part of the system, the one existing nowadays. It is argued by the consumerist orgy.

A country that blame socialism came to socialize the risk. There were applied standard rules of capitalism and began a new stage of state interventionism in the economy. Governors could have been able to use the crisis theory, empirical data and rational common sense, but politics is not so analytical. Nobody came up with a clear vision of what has to be done.

The system came to work in a certain way, which has no connection with hierarchical systems, but with he horizontal ones. There were refined the effects of an economic system towards prosecution profit (Stiglitz, 2010).

Capitalist system can withstand a high degree of inequality, but cannot work if the private rewards are not equal to the public ones. Massive intervention in the economy have been discussed as a socialism adapted to the American system, but socialism is supposed to take care of people.

The rules of capitalism have been changed with a surrogate of capitalism, with unclear rules. The monetarist imperialism must be reduced to what it really is: a theory among other economic theories. The history of capitalism is full of chimeras and there was coercion behind the spread of capitalist ideas (Zakaria, 2009).

Small comparison of economic systems

It has been proved that other economic systems have more benefits in time (Stiglitz, 2010). A first comparison is between the American system, a non-transparent one, and the Danish system, characterized by a high degree of transparency and regulation. Another comparison is made between the American system and Chinese system of economic development and adaptation of

capitalism to its own needs. A third comparison is made with the German system of practical training of the workforce. A final comparison is made with Scandinavian system, not bogged down in ideological assumptions.

A. American model vs European model

Three models of economy and society are prevalent globally (Dinu, 2007): American, European and Asian. This is also the pivot around which there is emerging the different forms of globalization. The deviant aspects of the American model are related to the pre-global phenomenology, which stimulates global algorithms (Dinu, Socol, Niculescu, 2006). The US is essentially pre-global, while the EU is essentially global. The conflict between these models is considered to be the most important as the comparison becomes more acute because of the opposite trends. There are discussed the core issues in these two models (Dinu, 2007):

Table no. 1 – The comparison between the American and European model

American model	European model
– the analysis is on the conduct of the parties	– the analysis is on overall system behaviour
– dominated by theoretical visions	– it has its own theoretical vision
– tends to perfect competition	– institutional rules of competition
– the market certifies the efficiency	– common policies certifies the efficiency
– laissez-faire type of economy, unpredictable	– the economy is regulated, predictable
– economy is a purpose	– economy is a vehicle
– managed by irrational tools	– managed by rational tools
– the market creates the economy	– the economy creates the market
– deepening of international division of labor	– is based on the explanatory model of globalization
– principle of adversity	– principle of cooperation
– expression of the triumph of liberalisation	– pure academic value
– open out model	– semi-open out model
– exclusion	– inclusion
– individual discernment	– individual discernment
– includes economic growth and political freedom, but excludes social cohesion	– includes economic growth, political freedom and social cohesion
– expensive labor and cheap capital	– cheap labor and expensive capital

<ul style="list-style-type: none"> - generates concentric integration processes - it is not a transitional model - sets the globalization tone - minimizing costs - economy of profits - casino type construction - it is based on large companies - yield culture 	<ul style="list-style-type: none"> - generates multiple integration processes - it is a transitional model - reduced global impact - maximizing objective - economy of products - mosaic type construction - it is based on a mixed system of companies - humanist culture
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The pre-global stage of evolution, so the one represented by the American model, is market by geographical phenomena and processes, while the global one, the European model, knows phenomena that exceeds geographical limits. The European model is the enthronement of law in international relations (Soros, 2007), wants a globalization not dictated by the Americans, while the current model of globalization, promoted by the US, is based on additionality and operates with comparative advantages created by the desire to control everything.

The United States seems to be lost recently (Friedman, 2010). It forgets to globalize itself and has become a hedonistic society, which refuses to confront reality. Can this model thrive in a world no longer dominated by its tools? To find the answer to this question, we need to consider fundamental change in American approach to the world. The structure based on unipolarity is weakened. The United States seem to be caught in a vice of extremist ideologies, which changes not only its role in the world, but the overall character of the country.

Which is the role of the state? At the onset of economic crisis, there were reaffirmed oldest structures on the structural limits of the state capacity to intervene in the economy (Palan, 2007). But the state is not a personality, but a social construction and its policies are shaped by the social forces. The values of the capitalism were institutionalized. The political system has lost its ability of making compromises. The debates continue in area of worthless things. The system was designed for partisan fights and not for solving problems. It is based on power sharing, one direction communication, overlapping functions and separation of powers (Zakaria, 2009).

State is an obstacle and not a solution for the problems. It stifles the individual initiative on behalf of social welfare. Governments are consciously engaged in a reflection process of structuring and restructuring the economies. The markets have been repeatedly saved from the consequences of their own mistakes. State is a reflection of normative type of intersubjective relations and must decide on the laws, not the mercy of mankind. But the state has shown a passive way of attacking new challenges on the market. It created an uneven palying field through favouritism and preferences shares. The political decision

has been gone far away from people through bureaucratic actions. Political system has never been more dysfunctional and ineffective in solving problems.

The poor corporate governance, inappropriate application of law, lack of transparency are just a few of the effects of bad policies applied by the state. Financial rescue is another example of incoherent policies and they encouraged banks to be imprudent. Aid rose moral hazard, which is more pronounced than ever. The deviant behaviour of the banks falsifies the rational behaviour and finances decision filters in economy. The gap between filters and content led to the loss of confidence.

There was no quality control and all the efforts were to minimize the state role in the economy. The state has come to assume an unprecedented role. If it continues in the same manner and pays the broken shards of obtaining profit, crises will continue to become more and more frequent and dangerous.

It keeps saying how important is democracy, but when it comes to economic governance, things are too important to be left as usual democratic processes. Capitalism is not able to provide ideal solutions for ethical problems, and the ethical problems of capitalism are not at the theoretical level to be transposed into reality (Dăianu, Vrânceanu, 2006). The driving idea behind the disturbances arised from the outbreak of the crisis is the corporate capitalism of free market.

B. Corporate capitalism vs state-run capitalism

There is a distinction between corporate capitalism so blamed lately and state-run capitalism. The two systems can be confused due to similarities, but they have some differences to be outlined (Baumol, Litan, Schramm, 2009):

Table no. 2 – Corporate capitalism vs state-run capitalism

Corporate capitalism	State-run capitalism
– government guides the market	– companies guide the market through prices
– political leaders benefit from the economic processes	– the most significant economic activities are carried out by large and very large firms
– centralized targeting of the resources in an economy is the way to maximize growth	– monopolistic markets
– banks are the main tool	– it removes the competitive ideal of small companies
– government can guide investment activities	– firms can be lazy, living in the financial circuit without innovating
– champion companies are favoured	– they seek to obtain a monopoly position by government's help
– government can play an important role in providing goods and services	– large firms are important for the export innovation
– this strategy can succeed and last for a long time	– speculation

<ul style="list-style-type: none"> - export-led growth - belief that the state administration will always work - overinvestment - wrong selection of winners and losers - prone to corruption - difficulty in redirecting government resources 	<ul style="list-style-type: none"> - the purpose is to improve the position of the firms - government policies promote the interest of companies - inequality of income distribution - prone to corruption - difficulty in redirecting government resources
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Capitalism remains an explanatory model, full of anachronism and ambiguous. No one can say that it is a reality or a factor of essence. The economy has put a distinct stamp on the theory of corporate capitalism when in started to transplant its own individualistic behavioural assumptions outside firms.

Market failure can be avoided if there are applied coherent policies. Economic policy decision involves compromise, but technocrats only cannot solve all the problems. Government anti-crisis programme was too small and not well designed. It was shown that the government has little knowledge about what is a systemic risk.

State has strengthened the banks because they are “too big to fail” (Chang, 2011), it has worsened the moral hazard problem, has been burdening future generation with huge debts, has emphasized the doubts regarding the fundamental correctness of the system.

American model has exported also the philosophy of deregulation, and then the economic recession. With the appearance of deregulation, past economic horrors have appeared. Deregulation has become an obsession of competition. The real cost of deregulation would suppress innovation, but the financial system has come up with innovations in their own interest. Banks are greedy and have a foolish behaviour not because of regulation, and the regulators believe that markets are able to take care of themselves. Increasing inequalities makes everyone responsible for its own destiny, but the change of the social system is not the best direction to choose (Alessina, 2006).

Advocacy for change must be in the direction of change and not for correction. The first sign of change is the acceptance of regulation (Monbiot, 2005). Regulating institutions are necessary, but not sufficient. Those who are in charge need to take correct solutions, because human decisions are responsible for all the problems. There is need of choosing a direction, building rules and not the interest, cooperation and tolerance, asymmetrical thinking and not a generalized one, confirm legitimacy other than it does now.

It was concluded that there is no need for good economists to promote good economic policies; the most successful bureaucrats are rarely economists, but mostly lawyers and engineers. The capitalism is politically correct as long as capitalist sponsors take politically correct actions (Volkoff, 2004).

The theory of corporate capitalism is based on methodological individualism and has created an economy, not has described an economy. It led the aberrations from corporate economy to the societal economy on the basis that the power equals wealth (Stiglitz, 2010). The theory generates a model in which the order is vertical, leading to an oligarchic system of wealth management: hegemonic order type. But the hegemonic strategy has analytical difficulties (Palan, 2007): historical compromises and a holistic foreign policy.

Hegemon, in this case the United States, creates an order with its own rules, it has the power of shaping the economic environment and the economic future of other, but its position does not provide long-term advantage. Hegemons lose power because they are too inflexible in their response to changing conditions. The “elites” win from the hegemonic practices. The United States used incorrectly its hegemonic position because of the structural limits and political system based on repression and exploitation. But we do not believe that American hegemony has emerged only in the latter part of economic existence, but was a permanent trend of states in the global history of international politics.

The economic crisis is the latest product of the theory of corporate capitalism and the natural end of a whole series of exaggerations and exploitation. It can be interpreted as being a product of insecurity and helplessness of global governance (Dinu, 2010).

Current economic system can be reconfigured in the following areas (Chang, 2010):

- giving up the free market and choosing a regulated capitalism;
- understanding the fact that human rationality is limited;
- individuals are not determined by personal interest that much, they are influenced by the society in which they live;
- people remain material beings, that cannot live only with ideas, but that does not necessarily mean they are materialistic beings;
- achieving a balance between financial and real economy;
- governments need to become stronger and more active;
- world economic system should be reviewed in full;
- recognition of economic failure and start rebuilding from ground.

Financial system: wallstream vs mainstream

Financial markets have failed to fulfill their essential functions for society. Profits were obtained at the expense of the rest of economy in terms of prosperity and efficiency. The scale of the crisis was largely by the interdependence and interconnectivity of the banking system. Financial markets impose truly globalist tendencies, but the direction is perfectly wrong.

Failures in financial system are emblematic of much broader economic system. It was noted a schizophrenic behaviour of the banks, which took advantage of public hysteria and fill their pockets. Abnormality, extremism and radicalism have moved within the normal range of financial society. But financial problems are similar to those in other fields, but not at this magnitude.

Morphological analysis has been a relative culpability of bad behaviour of banks and there were highlighted the shortcomings of corporate governance. Trust and safety have evaporated, as they should underpin the banking system.

It has been speculated the passion of political spheres for extreme actions. Americans believe that fundamental changes begin at home and then spread worldwide (Rifkin, 2006), and the assumption is also taken by the financial system.

Financial system derive has led to poor allocation of human beings talent. Fundamental moral deficit was brought to the surface, as well as moral deprivation through exploitation. The financial system has not risen up to the moral standards to which should aspire. As day passes, the list of ethical problems is being thickened and everyone claims to be innocent. Of course the bankers have blamed the large helping hand of the state, not recognizing that the aid was being materialized in salaries and bonuses. Massive speculation is the result of short term thinking in economic activity (Mayall, 2000).

Financial system should be a mean for attracting a purpose and not a purpose in itself. Policymakers had a perverse incentive to encourage behaviour without providing long term and excessive risk taking. Deregulation has led to conflicts of interest and misinformation, and banks were the main contributors to the erosion of needed information quality.

Prevailing economic theories are based on rational behaviour, which allows the determination of equilibrium price. And the equilibrium situation is far from what characterizes the banking system. The current system is characterized by the belief that economic profit can be obtained independently of national sovereignty, belief supported by the hegemony of liberal ideological precepts. Such an ideology exempt the state from responsibility to the economic difficulties (Peicuti, 2011).

As crisis escalated, nor bankers or governors were unwilling to engage in philosophical discussions about how a good financial system should look like. It was proved the lack of responsibility and transparency on the magnitude of the crisis. Common sense was absent altogether. Perverse financial system tends to dehumanize society. Wealth is no longer a mean, but a purpose of individual benefit.

The capitalist idea is to create real value from nothing. This is the purpose of Wall Street and it is appropriate to mention a comparison between the wallstream and the mainstream, so the differences between profit oriented system and social oriented system:

Table no. 3 – Wallstream vs Mainstream

Wallstream	Mainstream
– focus on profit	– focus on livelihood
– use money to make money for the money	– use resources to meet community needs

<ul style="list-style-type: none"> - large firms - outsourcing to public - patronage is impersonal and absent - unlimited global capital - maximizing personal profit - profit is a goal - financial capital profitability - centralized planning of corporations - competition for eliminating the misfits - government protects property - free and deregulated trade - democracy of money 	<ul style="list-style-type: none"> - small and medium enterprises - internalisation by the user - patronage is personal and rooted - local capital with clear limits - maximizing productivity - profit is a mean - human capital profitability - market and self-organized networks - competition for efficiency and innovation - government protects human benefits - fair and balanced trade - individual democracy
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Banks have become not only “too big to fail”, but holding too much political power to be constrained. Financial markets continue to be the most important single factor in American politics, especially in economic sphere. Banks dominate financial system not by performance, but by the tacit support of the state. Financial capital has cancelled the social functions of the state. It becomes a common thing to say that the roots of the crisis is the loss of confidence in the financial system, but the failure of government to undertake salvation measures has contributed to the loss of confidence. The consequences of brutal awakening to reality materializes in lower living standards (Huntington, 2004).

The crisis is among the structural changes that put an end to a regime on unsustainable growth (Peicuți, 2011). There should be an intrinsic control on the instability of financial system to define the optimal size of bank functioning in terms of benefits for social system. The activity was planned and conducted by people, an area controlled by subjectivity and relativity. A healthy financial system must be characterized by the following attributes: balance, reciprocity, cooperation, optimization, maintenance, diversity, sharing.

The system need to be reformed and should not focus on the financial capital again. It requires tolerance and transparency. Problems must be judged not only in terms of market mechanism. It takes a change of attitude from pursuing unilateral self-interest to concern for the common benefits of humanity.

Conclusion

The world economy is undergoing a series of seismic shifts and feel the urgent need of changing the model and the vision to be reported to, because the assumptions are wrong in the old model of capitalism. Without a proper vision, the whole reform process could be seized by the financial system.

In an increasingly globalized world, issues from a part of the system quickly reverberate elsewhere, and the way globalization has been managed raises high risks with little benefits. We need a coordinated global response, but each country thinks of its own good. The world has a major problem: it thinks freedom in space limits and waiving the limits is a hard thing to accomplish, as benchmarks and familiarities are doing the subject of current human consciousness.

The battle between capitalism and socialism is fiercer than ever. Free market ideology has proven to be a pathetic excuse for a new post-colonial forms of exploitation based on lack of fairness among trade liberalisation rules.

Unfortunately, no one has begun yet to discuss the fundamental problems. General sense is that the world economic order will undergo major changes in the balance of power, but to define the course of the action, it takes vision and reforming the economy and economic science.

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