Miscellaneous

Doctrines and Contemporary Economic Theories in the Economic Development

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Abstract: Contemporary economic theories justify economic polarization, both before and after the second world war, through enhanced differences between the rich countries and those in course of development. The instrument quantifying this economic gap is represented by the high price for industrial products and a very low one for essentials thus maintaining at minimal level the purchasing power of the agrarian countries (of the under-developed states). Through the agency of some institutions and specialized organizations like U.N., U.N.E.S.C.O. or the E.U., there are conducted international programs for the sectorial support mainly aiming the resolution of all kinds of problems.

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The principle of free competition, expressed as the guiding principle of liberalism began to be deliberately disregarded, as the economic development allowed the emergence of corporations and companies with monopoly power in certain fields of activity. The effectiveness of these practices questioned the liberal conception through new perspectives thus leading to the upgrading of neoclassicism or neo-liberalism in contemporary thinking.

Legitimacy was even more questionable, as the model of socialist economic and political organization was settling into shape in the Soviet Union. Later, after the war, in other geographical areas, as in Central and Eastern Europe, China, Cuba, it was implemented the communist model of economic development, the relative success of the planned economy failing to eliminate the neo-liberalism and neoclassicism out of the contemporary economic mentality. The connection between economic and political freedom was absolutely essential in defining a company as being democratic. The advocates of this view criticized the partisans of the dirigiste theory which was seeking to grant a large role to the state market, claiming that "the key areas of the government policy relevant to the economic stability were the following: monetary, fiscal and budgetary policy. Neoclassicism in Europe spread under the authoritarian political regimes, consequently, the central authority's implication in organizing the economic life contributed to the emergence of the dirigiste economy which had to take into account the individual freedom of the economic agent on the market. Neoclassicism was successfully represented in the economic thinking by illustrious names like: Friedrich von Hayek and Milton Friedman. (Tanasescu, 2004, Galati)

Neo-liberalism was a reappraisal of the economic liberalism's ideas at the level of theory and economic policy. Thus, neoliberals acknowledged the concept of natural order, place the notion of economic individualism at the centre of their doctrine and paid a particular attention to market and price analysis. In relation to the economic policy, they were in favour of privatization, tax and public spending cuts. Since both classical liberalism and marginalism failed to cope with the economic and social difficulties of prime importance, such as unemployment and economic crises, and dirigism reduced citizens' liberties and evolved towards dictatorship, neoliberals, following an old tradition, asserted themselves in the process of a harsh criticism both against dirigisme and orthodox liberalism. Dirigism, they said, either of Keynesian orientation, Nazi or Soviet, could not possibly ensure a sustainable economic balance, while creating a large, parasitic and inefficient bureaucracy which inevitably inclined towards the establishment of dictatorships of all sorts. The state's massive intervention in the economy implied not only the risk of infringement on economic freedoms, but also on the political ones.

The originality of the neoliberal intercession resided in accepting a distant implication of the state in the economy. But this intervention had almost nothing to do with the economic activity as such. The goal of the state's intervention did not lie in reducing the economic freedoms (as proposed by the dirigists), but on the contrary, in creating a legal framework that could protect the market and the competition. Neoliberals argued that, in order for the market economy to function effectively, there should have been an appropriate legislative framework, a framework that could be developed and maintained solely by the regulation. However, few followers of neo-liberalism questioned the necessity of the government's intervention in the economy, the subject of controversy between them being the determining of specific areas, shapes and volume of such action. The state paid a special attention to the organization and protection of competition, without which a normal functioning of the economy would have been impossible. Neoliberals made a clear distinction between competition and the laissez-faire policy. Competition was an essential element in the functioning of the market economy, while the laissez-faire policy, in defending the idea of complete freedom of economic agents and state's total passivity, had brought great harm to the market economy. It was this policy which favoured the emergence of monopolies, the economic crisis and the unjustified distinction between producers. This position, favourable to competition, and against the laissez-faire principle was one of the most original ideas of neoliberals. Competition maintaining and strengthening could be guaranteed by the state through active intervention in the economic life. The state had also the mission to intervene in prohibiting certain forms and methods of economic activity and to encourage the emergence and the development of small companies. (Salajean, 1994)

Practical successes of the monetary policy from the United States and Great Britain (the unprecedented economic growth in the 80's) brought further into discussion the state's role in the economy, this being considered the engine of the economic development, and had in view building a new concept- that of rational expectations which tempered the enthusiasm of the followers of neo-liberalism. Globalization had only amplified the phenomenon as the economic interdependence of states grew at a level so high that none of these states were able to recoil from the advantages or disadvantages of the economic cycles (see the current economic crisis). The distinction between the dirigist economic development policies and the neo-classicist ones was easily nuanced, both having a common denominator such as the aim to stabilize the market by resorting to state's support in key-moments like economic crisis. The increasing economic interdependence, after the World War II, of all countries of the world brought into the focus of the economic sciences preoccupations, the external trade policy of the Great Powers and its influences arisen on the internal and external market. Moreover, the main beneficiary countries of the Second World War suffered significant human and material losses thus, the states had to accelerate the economic recovery. Except the United States and Canada, the other belligerent states were heavily affected by the war thus becoming dependent on economic aid from overseas. The Marshall Plan and the Truman Doctrine had, in addition to the obvious political component, a purely economic goal such as -the economic recovery of the Western states in order to restore the pre-war economic balance.(Gheorghe, 2009)

The surprise lied in Western Europe's incapacity to shuffle of the USA militarily, politically and economically especially since Central and South-Eastern Europe countries had shirked themselves from market economy laws and had separated from the civilized world through the Iron Curtain. The solution was back then represented by the efforts of the Western European block to create a unique market and a common economic policy of the EU.

Although the theory of relative advantage was unanimously approved in the international trade system, afterwards there was a focus on the international division of labour and implicitly on production with minimal costs through. The present unequal economic changes between the countries of the world show that in other situations there is not necessarily a loss for the one who resort to importing more than to exporting, on the contrary, if for instance, the technology imported is used to produce products that are sold on the internal or external market this was in the state’s advantage These approaches pertain to unconventional theories and are based on ideas expressed by the critics of classical liberalism and economists preoccupied with protecting national economies and wishing the reformulation of classical liberalism. (Popescu, 1999)

In the early twentieth century, the growth of the states’ social policy component fostered the emergence of economic distortions). The largest international economic crisis unfolded between 1929-1933 highlighted the conceptual assignations at a macroeconomic scale. The most significant reaction of economics was traced in the work of J.M. Keynes who supported, besides the idea of the government economic intervention, a macro model based on the interwar economic realities. In this context the theory of economic growth referred also to "growth restrictions" related to pollution, resource depletion, the impact of the international economic relations and cyclical repetition of economic growth. (Ionescu, 1996)

Economic growth, usually associated with terms of development, progress, economic dynamics (especially at macro-economic scale) , induced, in some cases, the illusion of the myth of economic growth which could provide with a general solution social and economic issues at the state level. The globalization of some particular economic problems such as the increased gap between developed and underdeveloped countries, inflation, environmental pollution, resource depletion and further maintenance of large areas at a subsistence level brought into the attention of specialists and state structures, the need to create new concept and economic models in order to solve at least a part of these problems if not others too (unemployment, education and training, health, political issues).

The main feature of these models took into account the over-sizing of the state model to the global level due to problems with both regional and global character.

Through specialized institutions and international organizations like OUN, U.N.E.S.C.O. or U.E., there were registered visible changes up- against the previous and rather passive policy of these institutions. In this respect, there are ongoing international programs of sectorial support with specific targets.

The theories based on these economic models regard also solving immediate aspects through effective programs designed to detect problems on long term. One of the largest non-governmental organizations in the twentieth century which took position on solving social and global matters and was represented by the Club from Rome set up in 1970 a simple sectorial model confined on: population, capital, resources, environmental pollution and food production. This model improvement contributed to implementing a zero-growth global strategy aiming to maintain a positive balance of the natural growth. This would essentially correlate the economic growth with the democratic one and stop the increase of the national income per head. The criticisms of this zero economic growth model came particularly from underdeveloped states which were practically condemned to poverty as opposed to developed countries whose income per head was already high. The UN model 1977, coordinated by Professor Leontief, planned the states into 15 relatively homogeneous regions and imagined eight scenarios for reducing economic disparities between developed and underdeveloped countries. (Rujan, 1994)

Currently, the European Union's regional economic policy is defined by a set of instruments and processes applied in order to accelerate economic and social cohesion of the community system. Cohesion is a level of real convergence between economies and regions of a system in an ongoing integration which ensures optimal functioning, balance and promotes sustainable economic development in conditions of minimum social and economic cost. Although, the European Union is one of the richest regions in the world, hence the interest in creating a communitary model of economic and political development, there are significant differences between its regions in terms of income and opportunity. Through its regional policy, the EU offers the possibility of transferring resources from the wealthy areas to the poorer ones. The objective is to modernize the less developed regions by enabling them to achieve the economic and social level of the other regions of the Community area. Regional policy is an instrument of financial solidarity between member states and, at the same time, a powerful engine of economic cohesion and integration. This solidarity strives to help citizens from disadvantaged and less developed regions. Cohesion is based on the principle that

EU citizens have more to gain from reducing disparities between regions in terms of income and wealth level.

Still, there are great differences between member states in the terms of prosperity. With respect to GNP per head (standard unit of measurement of wealth degree), most prosperous regions are located in urban areas of Western Europe or in the states belonging to the EU's hard core - London, Brussels and Hamburg. Luxembourg, the wealthiest country in the EU, has been for over seven years richer than Romania and Bulgaria, the poorest member states which joined the Union. The increasing powerful economic role of the massively industrialized countries, be it G7 or G8 (the United States, China, Japan, Britain, Canada, France, Italy and Russia) need to take account the new economic markets like Brazil, Iran, Indonesia, Mexico, etc.). In other words, the decision-making role in the global economic policy comes now to the emerging economies reunited with G8 into what is called G20. The democratization of global decisions can only be beneficial to the regions characterized by insufficient economic development or to third world states where measures must take into account the traditions and the precarious situation of the majority from Africa, Middle East, Oceania, South America, etc.

Prospectively, the European Union aims to become a model of economic growth both by ensuring the implementation of sustainable development concepts and regional development and by considering itself as one of the two major players of the global market after the United States. Currently, only certain indicators situate the EU on this honourable place, although the other strong economies of countries like Russia, China, India, Japan are serious competitors to EU member states. The economic model proposed by the European Union considers the concept of sustainable development, a concept which allows member states or the Euro-regions to develop economically in a project based on the repeated extension in waves. Increasing the number of member states by stages is an argument for the viability of the centre and periphery economic theory and European Union’s limited possibilities.

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