

DEVELOPMENT OF ECONOMIC SYSTEMS – IMPULSES AND ALTERNATIVES⁵¹

Veronika Piovarciova, Assoc.Prof., PhD
University of Economics in Bratislava, Slovak Republic

Abstract

At the end of the twentieth century, it comes to an overlap of several important, qualitatively new processes in the global economy. Processes of globalization, integration and interdependence. The nature of advanced economies changes fundamentally towards knowledge-based economy as the basis of a knowledge society. Global transformation conditioned by technological, economic, social and institutional change is taking place in all the real functioning economic systems. Determinants of their socio-economic arrangements are changing significantly, relativising different premises of functioning of economic systems considered essential and unchanging until recently. In pursuing the development of economic systems as crucial can be seen the element of their ability to adapt dynamically to the development of very complex and changing conditions. Adaptive capacity of systems is key to longterm growth. This article takes a look at some important impulses and changes going on in the real functioning economic systems since the end of the 1950s, that gradually led to a global crisis. It also introduces some opinions on how should an alternative to current economic system look like.

Keywords: Globalization of the world economy, economic systems, knowledge economy, alternative economic systems

Introduction

Socio-economic development of the real functioning economic systems since the second half of the 20th century was marked by positive and relatively stable growth. This was also reflected in the development of theories of general convergence of social systems to post-industrial society in the 1960s, reflecting a qualitative turn in the history of capitalism and socialism (among the best known we find: the theory of convergence of the capitalist and socialist economic system as a result of compliant processes taking place in both of them, Jan Tinbergen; Theory of industrial society by R. Aron, Rostow - the emergence of a new economic system exceeding those of capitalism and socialism, where technical and technological progress and social justice and welfare will be crucial; theory of welfare state by A.Pigou - connection of positive effects of the market economy with socio-economic objectives)⁵². Capitalism and socialism may seem to begin to converge to the same scientifically managed system. The driving force behind sustainable economic growth and labor productivity growth is gradually becoming technological progress and information technologies that bring significant changes to economic relations, whether it is a qualitatively new mode of production and distribution, or change in mutual communication of companies, consumers and governments. The basic model of economy in the information society has become a new model - the knowledge economy.

⁵¹This article was elaborated in the framework of the research project VEGA no. 338 entitled "Contradictions of Human Capital Creation in the New Economy."

⁵² For more information see: KORCEK, E.: *O teóriách „transformácie“ kapitalizmu*. Bratislava, 1972. ISBN 75-80-72.

The end of the twentieth century, however, brought to the development of economic systems several new impulses. There is a gradual transformation of the world economy into a single market economy, while improving the differentiation inside the system and increasing differences in different countries depending on their social and economic levels. Many theoretical works today say we are not talking about capitalism or socialism, that there is a single market economy, but with many variations and specific manifestations. Another major impetus is the growing importance of international institutions whose aim is to provide more efficient solutions to common economic and social problems in the process of globalization.

Shaping the Knowledge Society

The advent of modern information technology has led to the formation of a new form of society - the information society, whose economy has received attribute knowledge (new). It is characterized by qualitatively new structure, evolving from the industrial economy under the influence of modern information technology, especially the Internet, which penetrates into all of its areas and sectors. The main inputs and outputs of the new economy are information and knowledge. Crucial role gains human with his specific characteristics - independence, inventiveness, imagination. The determining factor of production is knowledge, and as a result this leads to overcoming the alienation of human. The importance of an educated middle class is growing. This is an education society, learning society. Systems theory and cybernetics were considered to be the beginning of a new era of effective management of the society, replacing political antagonism, market and state. Material abundance and importance of education created a space for worship of values such as meaningfulness of life versus meaningfulness of mass consumption, no competition but solidarity, ethics, culture, quality of human coexistence.

Knowledge (new) economy and society builds on the results of the industrial era, while there is a universal conversion of all productive forces, factors and conditions of the society throughout its structure. It brings profound changes to the economic and social processes, changing the position of man in the production process and shaping their own lives. The key factors are becoming science and its wide-ranging application in symbiosis with versatile development of man and his creative powers. Information technology itself does not lead to productivity and progress, but the ability to transform information into knowledge, which translate into innovation. Growing in importance, unlike the previous class of capital owners, the so-called class of knowledge owners, which has the ability to form, to transform information into knowledge and apply them in different areas of society - in science, arts, production. They are able to create more knowledge and apply it universally.

This positive trend did not however last for a long time. Financial crises, which emerged gradually from the 1970s, first in less developed countries, reversed the society of post-materialist values. There was a leak from investments in people, in human capital. It was replaced by predatory financial capital - new financial investments, which have proved to be quickly and easily profitable. The 1970s are referred to as the end of the welfare state. The weakening of labor follows, the onset of labor-saving technologies - economic growth is not accompanied by growth in jobs. This is documented by data showing that GDP growth of 1% causes the growth of new jobs only by 0.3%.

System Changes in the New Millenium

The changing balance of power between labor and capital leads to strong pressure on the labor. Equity is characterized by high mobility and becomes transnational. Labor is not so mobile. The role of trade unions weakens, structural unemployment is increasing, and becoming a long lasting phenomenon, the pressure to work part-time and to flexible work is extending. A group of the so called working poor is gradually increasing together with income polarization and consumption decreases. Representatives of neoliberalism argue that growth

of wealth on the part of capital will support economic growth and lead to consumption growth even of the lower levels of society. But this was not confirmed. Consumption credit has become a necessity in developed countries (the U.S.) to maintain consumption, which is a major component of GDP growth. Household borrowing compensates for long-term stagnation of wages.

The global financial and economic crisis, the causes of which have been discussed from different points of view, despite massive measures by national governments and supranational institutions is still not over. We often hear the opinion that the failure is due to the very economic and social system and not just an economic crisis, but the crisis of liberal democracy and democratic state. Liberal democracy was established together with the emergence of nation states, civil society, media, the rule of law and market economy. In the last 20 years, however, these conditions of existence of the liberal democracy have changed. According to M. Šikula (2009) global crisis that causation suggests that this is a qualitatively new, multidimensional crisis process, is also due to the unsustainability of prevailing neoliberal tradition coupled with market fundamentalism, based on absolutization of the invisible hand of the market. Postindustrial transformation acquired a dangerously contradictory form, challenged the concept that simultaneously with technological progress will automatically go hand in hand human culturing of socio-economic relations. The global crisis has revealed major systemic failure of capitalism in its current form.

Nation-states are gradually crushed by the globalization process. There is tearing of the originally very close link between democracy and the market economy as a result of the globalization process in the form of transnational corporations and financial institutions, governed by top managers. On the one hand, there is a global functioning market arising - more or less uncontrolled by anyone, and on the other hand a cumbersome national democracy. Globalized markets require flexibility and economic rationality, nation states are slow and the economic rationality is subject to the requirements of voters. The growing asymmetry between globalized capital that is able to enforce concessions to democracy from nation states better than the democratic nation states can regulate or enforce concessions to transnational capital. Rating agencies may sink the entire states where they do not comply. Transnational financial markets are not subject to almost any external constraints. Global financial markets require that nation states, which must address the specific realities and social problems, operate in accordance with the transnational context.

The form of civil society also changes under the influence of the new communication technologies on the "virtual" civil society, which has the ability to mobilize rapidly, but is not very stable, and often influenced by various undemocratic, interest and lobby forces. The nature of modern media also changed, earlier considered as independent public space, as the public voice, as the guardian of democracy. Their gradual privatization converted them into a form of business where profit plays a central role. Now is the tabloid media, coalescence with politics and interest groups.

Alternative to Economic systems

Is there a need for a new alternative to economic system? This issue is increasingly discussed. There are different views about how should an alternative to contemporary economic system look like. Many authors stress that there can no longer be only a sort of cosmetic change of the existing system of capitalism, which apparently already exhausted its growth and adaptation potential. It is not being able to stabilize itself. Conversely it is heading to a form of authoritarian capitalism - restriction of political and democratic principles, where elites decide, narrow groups, where cronyism and corruption formalize. There will probably not be any reinstallation of socialism, which in the form of real socialism operating in Central and Eastern Europe discredited itself.

Iлона Švihlíková (Švihlíková, I. p. 155) suggests an interesting alternative, based on new technologies, which necessitate their mass application and are a key factor in the change of the economic system. These technologies, if applied all that was discovered, would lead to about 60% increase in unemployment. According to her, these technologies have in addition to their labor-saving feature, another feature "sharing", which forces interference of outdated copyright monopoly dominated by private ownership.

The new economic system should accentuate the basic needs of the population in those areas . The aging population in developed economies requires emphasis on social and health services - creating the so-called . " Care economy " . However, there is need for such work , which does not bring profit , is inconsistent with private ownership , it is not attractive to capitalism , does not provide quick returns . Therefore, the current system mainly due to crises privatized these areas , respectively limited them because the majority of people (the unemployed and the elderly) is not needed, it is not necessary to provide them with general social and health care . However, the new system working with the new concept would create a lot of jobs connected with the aging population, an emphasis on ecology, science, and culture. These are activities which by their nature are public and not private.

As pointed out by I. Švihlíková if they should actually work, it has to come to a change of the monopoly of private property ownership and to strengthening of other forms - national, regional, municipal, community, cooperative. These forms should help people to develop an interest in governance - strengthening the political, social and economic rights, which are in current economic systems repressed. Whether it is the operationalization of genuine democracy through public awareness, media ownership by the public or by economic democracy that assumes responsibility, intrinsic activity, but also self-help and solidarity, employee participation. Condition for the functioning of such a system is just democratic decision-making and public scrutiny. Great importance is placed by the author on local production, which will be forced by the need of savings in transportation costs (prices of oil and gas), environmental protection, healthy lifestyle, they all require increasingly strong emphasis on decentralization. In the banking and financial sector is also to be assumed that this is a utility sector, which should assist the growth of the real economy and not by its power and influence to outgrow it. The role of money should be reexamined, a number of operations that do not make sense for the real economy should be eliminated. Here, too, should establish itself democratic decision-making on investments and development at the level of a given region, in a given locality.

Additional alternative solutions include proposed work week reduction, or a very strong movement calling for the introduction of so-called basic income (unconditional) that would exempt people from monotonous and unnecessary activities and supported their creativity. Unconditional basic income is an idea, which is today, especially in German-speaking countries discussed and considered a lot. The aim is a marked change in patterns of social and economic system so that the company was able to cope with rising unemployment caused by automation and rationalization, and that would release the sources for creative work, public activities and gratuitous services, which are in the current socio-economic climate lacking space.

Conclusion

The transition from unlimited growth to sustainable development reflects the need to allow not only the present but also the future development of individuals and society as a whole. In the industrial stage of development economic growth was artificially supported by maximizing consumption growth, maximizing profits, serial mass production. In a society based on knowledge economy is expected to adequate consumption of goods and services, diversification of production and services according to individual needs. Significant changes can be recorded on the labor market in the concept of labor as human capital. A person ceases

to be part of the masses of homogeneous workforce, uniqueness is welcomed, level of education and general cultivation of the intellect, the need for a flexible labor market, pressure for higher quality. Restoring economic growth connected with employment growth in the reality of labor-saving technology is not possible without a fundamental change in the perception of labor, democracy and governance, emphasis is given on the diversity of ownership, equally important is new understanding of the functions of the state in the era of globalization as well as other important elements of the functioning of the economic system .

References:

- Barša, P. Rozcestí kapitalismu. In: Pehe, J. a kol.: Krize, nebo konec kapitalismu ? Praha: Prostor, 2012. ISBN 978-80- 7260-267-4. s. 113.
- Decressin, J.,Faruqee, H., Fonteyne, W.: Integrating Europe's financial markets. Washington D.C.: IMF, 2007. ISBN 978-1-58906-623-6.
- Korček, L.: O teóriách „transformáte“ kapitalizmu. Bratislava, 1972. ISBN 75-80-72.
- Krugman, P. : Návrat ekonomické krize. Vyšehrad 2009. ISBN 978-80-7021-984-3.
- Obadi, S. M. a kol.: Vývoj a perspektívy svetovej ekonomiky: Medzi stagnáciou a oživením. Bratislava: EÚSAV, 2012. ISBN 978-80-7144-197-7.
- Martincová, M.: Nezamestnanosť v kontexte Veľkej hospodárskej krízy a globálnej hospodárskej krízy v súčasnosti. In: Nová ekonomika. Č. 1. Marec 2012. Ročník V. Bratislava. ISSN 1336-1732.
- Rievajová, E. a kol.: Teória a politika zamestnanosti. Vydavateľstvo Ekonóm. Bratislava, 2006.
- Soros, G.: Nové paradigma pro finančné trhy. Úvěrová krize 2008 a co dál. ELK Praha 2009. ISBN 80-86316-82-6.
- Staněk. P.: Globálna kríza – hrozba alebo výzva? Bratislava.Sprint.2010.ISBN 978-80-89393-24-4
- Stiglitz,J.E.: Freefall. America, Free Markets and the Sinking o the World Economy. New Yor: W.W.Norton&Company, 2010. ISBN 978-0-393-07596-0.
- Šikula, M.: Kritická miera rozporov civilizácie a globálna ekonomická kríza. In: Membere T.Workie a kol.: Vývoj a perspektívy svetovej ekonomiky. Bratislava. EÚ SAV 2009. ISBN 978-80-7144-175-5.
- Švihlíková, I. Skutečná podoba súčasnej krize – formační krize a krize Západu. In: Pehe, J. a kol.: Krize, nebo konec kapitalismu ? Praha: prostor, 2012. ISBN 978-80- 7260-267-4 s. 155.