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Economic, political, strategic and humanitarian crises.
The market economy is not a panacea

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Liberal theorists have always argued that the market economy is the most efficient and balanced solution to put humanity on a virtuous spiral of economic development. This analysis is not borne out by the facts, at a time when antagonisms between two systems have normally disappeared. The end of the 20th century has not yet brought solutions to the security of states and people, inequalities are growing and economic development itself is not often virtuous, bringing with it pollution and detestable ecological effects that could jeopardise the quality of life of people of today or tomorrow

Résumé : Les théoriciens libéraux ont toujours soutenu que l'économie de marché était la solution la plus efficace et la plus équilibrée pour engager l'humanité dans la spirale vertueuse du développement économique. Cette analyse n'est pas corroborée par les faits, au moment où les antagonismes entre deux systèmes ont normalement disparu. La fin du XXe siècle n'a pas encore apporté des solutions à la sécurité des Etats et des hommes, les inégalités croissent et le développement économiques lui-même n'est pas souvent vertueux, engageant avec lui des pollutions et des effets écologiques détestables susceptible de remettre en cause la qualité de vie des hommes d'aujourd'hui ou de demain

Economic crisis, security crisis, war, governance, moral crisis, crisis of economic development, crisis of economic science

Crise économique, guerres, développement économique, inégalités, environnement

The market economy system, whose strength and capacity to develop the necessary balances of the main economic variables was so much heralded, is in crisis. It is fundamentally characterised "in fine" by the priority valuation of personal interests and profit. Today's political and economic situation is dominated by a number of intertwined crises whose causes and consequences are open to debate: the fragility of international security and the absence of pacifying world governance, the slowdown of economic development in the developed countries, the financial crisis, the ethical and moral crisis in the face of the persistence of multiple forms of precariousness and poverty, and an economic science that has remained basically a political economy of the strongest.

Military wars have not disappeared (Iraq, Afghanistan), civil wars are burgeoning and economic wars persist (Fontanel, Bensahel, 1993). Moreover, with the endemic persistence of terrorism, international security is still under threat. To highlight the level of security in the world, several indicators are generally used, such as the number of conflicts and their direct and collateral damage, the proliferation of weapons, the importance of military expenditure (content, distribution between states and evolution), the rise of terrorist acts (importance and geographical spread), the resurgence of religious fundamentalism, the persistence of ethnic or regional conflicts, the effectiveness of UN peacekeeping operations, but also the content of world economic development (in particular its geographical distribution and evolution), the living conditions of the world's citizens (hunger raises the question of food security), access to raw material and energy resources, respect for ecological and environmental standards, the functioning of international capital and labour markets and cultural powers. While the end of history was announced a decade before the year 2000 (Fukuyama, 1990), military action is once again present in the strategies of the great powers (Fontanel, Coulomb, 2008).

A 'clash of civilisations' is likely to emerge with the return of threats related to proselytism and religious intolerance (Sen, 2003). Today, American society is in an image crisis, with the permanence of poverty and precariousness, and the progressive loss of the moral values of human solidarity owed to citizens. As a result, the 'soft power' of American power is being undermined. At the same time,

Russia is facing a double transition, from a planned economy to a market economy, and from a militarised economy to an increased civilian economy. The conversion of military industries is proving particularly difficult (Fontanel, Borissova, Ward, 1995), with considerable human costs for personnel (Skharatan, Fontanel, 1998) and for the population (Intriligator, 1998). At the same time, China is moving rapidly towards economic development, which has become the obsession of its leaders, in the context of a lack of democracy and respect for human rights.

For the 'realist' school, the international system is anarchic, because collective rules, when they exist, are not respected, in the absence of any sanction. Only self-interest and individualism are valued in this liberal society in a monopoly situation. However, 'to reduce the general interest to its sole economic dimension is not to be neutral and objective, it is to place market values on the level of finalities and socio-cultural values superior to all others' (Passet, 2000).

Human security cannot be ensured in the face of chronic threats of poverty, famine or endemic disease. Economic development must lead to the conquest of social rights and the path to personal and collective fulfilment. "The relentless pressure of global competition is jeopardising solidarity, the invisible heart of human development... National and global governance must be rethought, focusing on human development and equity" (UNDP, 1999).

However, the economy can also become a weapon of war in the process of globalisation (Fontanel, Chatterji, 2008). A powerful state can use this means to force a nation to respect its own objectives. Today's global system is one of power relations, collective violence or failure to assist a country in danger (Smith, Fontanel, 2008). War is always present in today's world, with its human costs and its physical and moral destruction.

In 2009, the United States' conflicts with Iraq and Afghanistan cost the American taxpayer \$180 billion, to which must be added all the destruction caused by the destruction, future operational costs, future pensions for veterans and all the costs associated with the destruction. These areas of armed conflict have cost more than 120,000 Iraqi and 4,000 American lives and injured nearly 800,000 people, including 30,000 Americans. Two million refugees have left the country; two million people are or have been displaced within Iraq. Then there were 1.5 million people who served in these two theatres of operation. 720,000 soldiers came out traumatised and 250,000 are being treated in hospitals for their mental health. On the other hand, destroyed, worn out or obsolete weapons also need to be re-equipped, which means an additional 10 to 15 billion dollars per year in expenditure. The economic cost of the wounded, the value of the cost of living, the cost of the veterans and their families should be

included. Finally, the macroeconomic costs of the war's influence on oil prices and consumer purchasing power are estimated to be around \$250 billion per year.

Bilmes' (2007) analysis suggests that the cost to the United States ranges from \$1,100 billion to \$2,200 billion, depending on whether or not the war continues. If all the costs to the Iraqis and the global economy are taken into account, the total cost is estimated to be \$3 trillion (Stiglitz, Bilmes, 2008). Calculating the cost of conflict or its deterrence is considerable in the context of a solidarity-bankrupt economy. The action of non-governmental organisations, often useful, is not enough, even after conflicts (Bensahel, Fontanel, Corvaisier-Drouart, 2009). Moreover, peace is not free; it involves considerable financial efforts (Fontanel, Ward, 2002).

These figures should be compared with official development assistance (which includes grants and subsidised loans), which today totals 100 billion dollars. Official development assistance (ODA) policy is committed by default, without a clear global strategy (Jacquet, Comolet, 2009). During the 'Cold War', it was used to develop 'pull effects' on newly decolonised countries, with a view to buying their political support in the conflict between Western countries and the USSR (and its affiliates). Today, donors refer rather to good governance, but also to the general principles defined by the UN with the "Millennium Development Goals". Thus, the structure of ODA is becoming more oriented towards social issues and Sub-Saharan Africa, given the relative failure of the famous structural action programmes. However, the sums committed are first and foremost used to reduce debt and not to generate new demand using the famous Keynesian "multiplier effects". Under these conditions, ODA is subject to the "Haavelmo effect", which shows that it is more attractive for growth to increase spending and taxes in the same proportions than to reduce spending and taxes for the same public deficit.

Investment in global public goods, such as the fight against major pandemics or the preservation of the world's bio-diversity heritage, is often considered essential, but is not always a priority in countries with high concentrations of poverty. In general, aid is most effective when the assisted countries are able to define and pursue their own present and future needs. Private organisations (especially non-governmental organisations) deprive states of their monopoly on aid, even though states often try to support them with subsidies or tax incentives for donors. In this context of multiple aids without a central organisation, the results remain disappointing or insufficiently visible in relation to the charitable and solidarity effort undertaken. To be more effective, ODA should become an instrument for developing political and economic partnerships between countries with different

standards of living. This strategy is likely to favour the preservation of global public goods and the implementation of sustainable global development policies, through a coordination of private and public actors that the current anarchy cannot ensure.

Developing countries are still in great difficulty, trapped in "poverty traps", which lead to the establishment of real vicious circles that prevent any economic incentive to transform social structures with a view to cumulative economic progress (Sindzingre, 2009). A few countries seem ready to break out of this trap. However, while China has experienced a strong rise in power, geared towards an export policy, its imports have mainly been in search of natural resources. Moreover, the economic progress achieved by the poor countries of the South has been mainly the result of increased global demand for raw materials or energy in the face of limited short-term supply. China's trade with low-income countries, especially Sub-Saharan Africa, based on trade, investment and aid, is more in the form of barter; mainly trade in raw materials for turnkey agricultural and industrial projects.

In this context, trade relations between developing and emerging countries do not always produce positive economic and industrial effects. The specialisation of many poor countries in unprocessed commodities makes them highly dependent on economic downturns, with no control over financing arrangements, global financial regulation, dollar exchange rates, price volatility and demand for their products. These factors make it difficult to engage in long-term development plans. Cumulative economic development requires diversification of production, which African countries have not been able to do. There are two reasons for this: firstly, the pre-eminence of raw materials in exports hinders diversification and industrialisation; secondly, the constraints on industrialisation are so strong that all that is left is a policy of specialisation in the production of raw materials and commodities, in view of the unfavourable competitive factors that developing countries face in the absence of protection for "infant industries" and sufficient "development of productive forces".

China's entry into global competition is likely to reverse this trend, by reducing the cost of manufactured goods and increasing the price of raw materials. However, these two favourable effects do not stand alone and "perverse effects" are bound to appear. Indeed, the countries of Sub-Saharan Africa are suffering from the increase in the price of oil and the volatility of international prices for these products. In this context, they reinforce their specialisation, thus increasing their dependence. Industrialisation is the only known development path for countries in the early stages of development. Growth strategies based on the export of manufactured goods are threatened

by China's entry into the global economy, as it is also an exporter of manufactured goods.

Africa is becoming a battleground between emerging countries and major economic powers seeking to diversify their oil supplies, as is the case with the United States. The result is an increase in civil wars and corruption. The increase in the price of raw materials primarily benefits private foreign firms, which are often not involved in the national taxation of developing countries. Inequalities become significant, preventing the local use of the funds collected in this way for the benefit of capital exports to Western countries or tax havens. The result is a "Dutch disease" that is endemic in developing countries, with rising prices for imported goods that make it difficult for the poorest people to afford them. In conclusion, volatile commodity prices have a negative impact on the economies of developing countries that are already highly specialised in commodities.

The 2008 global crisis highlights the failures of national and international regulatory systems (Feuer, 2009). The international credit crisis has impacted the real economy in different ways and at different speeds from country to country. It started in the United States, followed by a major wave to developed and emerging countries. The neo-liberal ideology of disengagement from public authority broke the balance between respect for the general interest and the defence of particular interests. Deregulation and the sophistication of financial techniques have not allowed the optimal realisation of the 'invisible hand' that Adam Smith predicted in the hypothesis of established national and international security and an international currency based on gold. The contradiction of a global economic system based on a national currency which, in order to provide the world with liquidity, has to be created by a country with a financial and commercial deficit, has been reinforced by the indebtedness of the US government and Americans and by financial procedures of securitisation and recourse to derivatives without control of risks, nor consideration of the long term in investment choices. The result was an economic crisis that highlighted a deep moral crisis.

The primacy of the market and the maximisation of individual profits have provoked a moral, ethical and psychological crisis (Fontanel, 2007). In the minds of most economic agents, from traders to governments, from company bosses to banks, from speculators to consumers, the cult of money and consumption has become self-evident, leading to psychological disturbances with serious ethical and economic consequences. The whole of modern culture has been impregnated with these ideas and behaviours, leading to collective

blindness and irresponsibility, which obviously have no chance of bringing the system back into balance.

The market needs the law and its respect. It can no longer be driven, organised, and cultured by an oligarchy that bypasses it, modifies it, and manipulates it, thus depriving it of all its qualities of spontaneous equilibrium. Liberal globalisation without controls and brakes leads to violence, to the refusal of the other and to an identity crisis. It is a 'wild' globalisation, which takes the concept of the regulatory market as a pretext to turn it into a poker room in which some people gamble with the money of others. We need to return today to the spirit that presided over the implementation of Keynesian recovery plans, valuing cooperation between states and using the strategic models of game theory leading to cooperative "win-win" results by avoiding "beggar-thy-neighbour" national policies.

Economic governance is in crisis (Lirzin, 2009). The decline of 19th century industry, the replacement of the Fordist system, the digital revolution and modern innovation are leading to an increase in crises, due to the complexity of financial markets and weakened global governance. The American subprime crisis caused a global recession, through the well-known "domino effect". Today, public authorities are back in the spotlight. The entire financial system did not collapse in the crisis thanks to their support and guarantees. International institutions have been overwhelmed, even if the European Union has been able to demonstrate its relative strength and unity in the face of the economic storm. The financial crisis is part of a series of economic difficulties, from the stock market crash to the rise in commodity prices, from the imbalance in the US balance of payments to global (and particularly US) public debt. The financial crisis of 2008 was fundamentally a crisis of deleveraging, i.e. the liquidation of debt by banks or hedge funds. The investment banks involved in the subprime markets became insolvent, bought up by competitors, then by the state, or financially supported by the public authorities.

The loss of confidence is profound and states often commit their own solvency to resolve the effects of the excesses of speculative banks. During the crisis, the coordination of the financial agents was correct, but the stock market prices quickly plummeted. Behind the unity of the European plan, national strategies diverge in view of the particular situation of each country. The crisis has highlighted the weaknesses of global governance, hypnotized by the supposed regulatory virtues of the markets, among which it is possible to underline the inefficiency of its transmission of information, its inability to react quickly to the complexity of international markets and its poor perception of the related risks. The financial crisis is based on the loss of confidence of economic agents in the value of

securitised loans. Today, central banks have once again become the privileged interlocutors of financial actors. In the face of this crisis, it is necessary first to contain the effects of the bursting of the financial bubble and to fight against its reappearance, to recapitalise the banks, to provide guarantees to the interbank market by buying back junk bonds and to resort to better transparency and genuine regulation of the financial system.

It is necessary to create a central regulatory authority in order to avoid the "every country for itself" approach. In this context, the European Central Bank (ECB) must appeal to other central banks and national governments. The ECB, with a new statute, must rethink the objectives of monetary policy in the light of new developments, in particular the increasing intervention of governments in the global banking system. With the crisis, it has acquired more responsibilities, but the European Parliament should control these.

Moreover, economic figures forget about our heritage and lead to decisions being taken in a direction that neglects the living conditions of today and tomorrow's citizens. The major powers want to preserve their economic gains and are undertaking the revolution needed to preserve the natural heritage (water and air quality, in particular) at a pace that suits them, albeit too slowly in the face of the urgent action needed to save ecosystems. Lobbying by the economic interests of polluting sectors seems to reduce the potential for transformation of an economic system driven by the search for short-term profit. Moreover, the "good" use of the digital economy, without state control, but especially of citizens, can favour the emergence of "Aldous Huxley" social systems.

The 21st century is starting with big economic and social clouds. Economic science has not been able to provide solutions to this crisis, only to explain it a posteriori. During the 19th century, many economists, often also philosophers, claimed that, because of the knowledge acquired in economics, people would understand that wars were unnecessary and that respect for the market economy necessarily led to the best possible situation for people's living conditions in view of the interdependencies it implied (Coulomb, Fontanel, 2003). Today, economists often tend to justify the existing system. Instead of being concerned with the costs of man (feeding, caring for and liberating people), they become devotees of a system. Keynes in his time managed to find satisfactory theoretical and empirical solutions, but the system of globalisation profoundly alters the quality of its response. Moreover, the madness of men had not failed to lead them to a second world war.

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