What Has Caused the Modern Economic Crisis

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Abstract: In the article, the roots and the reasons of the modern economic crisis are analyzed in an uncommon way, as the author shows the link between the world economy crisis and the economic processes in Russia of the XX century rather than the economic processes of the USA of the same period. The attention is given to the fact that the existence of the Soviet political system made the developed Western countries pay significant attention to the problems of many society spheres regulation and improve the living standards and the quality of life of their population. Such regulation smoothed the disproportion and the contradictions. In the article, it is shown how the USSR liquidation cancelled many regulation systems in the capitalist countries. The victory euphoria generated hopes for the self-regulation of the market. However, the market as a universal regulator did not operate even in the globalization and the integration conditions and this intensified the development irregularity process, the misbalance of the financial and then – of the economical spheres in separate countries and the world on the whole. For coming out of the crises and for avoiding them, a stricter state regulation is proposed of the three principal spheres – the financial sphere, the sphere of the energy sources, the social sphere.

Key words: Crisis · Roots · Reasons · The USA and Russia roles · Subsequences · Threats · Way out · prevention of crises · Economical development

INTRODUCTION

The refusal to regulate leads to increase of the disproportions, to new crises, to the growth of the social tension, struggle and stresses, not excluding World W III.

At present, there are many articles published about the crisis at the beginning of the XXI century [1-5]. The Internet is full of information about it. The crisis events are described per days, months and years in the economies of separate countries, regional economic unions and the world on the whole [6-10].

With all the nuances of the crisis situation perception, the Western and the Eastern scientists agree that the beginning of the crisis is of the USA origin. Not opposing what was written about the events having happened in the USA, we need to ask a number of questions. Why was it in the beginning of the XXI century that the world economic crisis took place? Why did 75 years passed with no crisis of the kind? Where are the roots of the modern crisis? Will there be more world economic crises? Are there measures against them?.

Why Was it the USA to Cause the Crisis but Not Russia:

It is possible to answer the majority of the questions above in case the main question is answered – who or what caused the modern world economic crisis. It was not the United States of America that caused it. It was caused by Russia, but no one has written or spoken about it so far.

What is the link of Russia and the crisis? They have a direct link. In 1917, there was a new Soviet public and political system created in Russia. Restoring the economy with the New Economic Policy and the following industrialization influenced the socialization, i.e. the growth of the living standards of the significant part of the population. At the time when the USSR started to built gigantic factories supported by the American, German and
other specialists, the USA and the rest of the world faced a deepest economic crisis (“the Great Depression”). It showed certain stability of the USSR and instability of other countries. In those conditions, USA President Mr. Roosevelt proposes “a New Deal” of the economic development and the social protection of the most vulnerable part of the America’s population. The deal turned to be effective. America avoided shocks.

The second state that entered the socialization was the fascist Germany. The financial help for the industry from the government, organization of the public works and other measures allow to come out of the crisis, to rapidly develop the manufacturing and to solve social issues. There were two reasons for that: 1) the crisis evoked severe problems which had to be solved, 2) the USSR specified a different political system that had to be taken into consideration.

After the Second World War, other countries also shared the socialization course. The socialization now was taking place under the great influence of the Soviet Union where the level of the population social protection was very high. This made the western countries copy it in a way and create their own socialization system. The crash of the USSR principally influenced the world situation. And even more, it caused a new world economy crisis. What is the connection between them? Let us see.

The USSR Influencing the Western Countries: The presence of the Soviet Union influenced much the capitalist countries, making them spend much money on social issues. In the developed countries of the west, similar to the Soviet Union, the free education, free medical treatment, social insurance and relief aid were introduced.

The living standard in the Soviet Union were growing and so the western countries were forced to take measures to have a significantly higher living standards that those in the Soviet Union. For this, different measures were taken. For example, in the USA, it was decided that an employer should pay nor less that a defined minimum level to the employee (3 dollars per hour, then more dollars per hour). A question appears – why does the state interfere into the relations between the employer and the employee? Given that this is a free market society and the relations have to do not with the state but with the subjects of the market economy.

There was a significant situation of the competition in the world of capital – which countries living standard is better. This happened because depressing the living standard could cause social disruption up to the risks for the existing political system.

Under the influence of the law and the government pressure, the owners of the capitals had to share their profit with the hired employees, supporting by that the “status quo” at the enterprises and in the society. If not for the external threat in the USSR face, the western society would have been more misbalanced in incomes and correspondingly – more confrontational.

The “competition” that was not declared or organized by any one had its effect. The leading western countries had significantly out marched the USSR in the living standards and the quality of life, leaving the USSR far behind the top ten countries with its living standards. The quality of life was even worse. With this policy, the western countries not only kept themselves in the social stability, but created backgrounds for ruining the Soviet political system, what later happened in reality. It seems like the goal was achieved and the West could repose on its laurels.

What the Freedom of Market Gave: However, it did happen what had to happen. As soon as the capitalism turned to be the winner in the historical competition of the systems, the social sphere started the reverse process. For all the western world, there was an era mark in the face of the social countries had disappeared and everyone having an opportunity started to capture more and more profit share created by the employees.

Along side with the entrepreneurs, the states art ed a similar process, changing the legislation on insurance, pension coverage, social laid and etc [11]. As a result – the living standard and social security level of the population worsened. This caused the confrontation grow thin many counties including those highly developed.

Planning and Regulation: On wards. The Soviet system was based on planning and this allowed it to avoid crises and stably provided for a rather high tempo of the industry development. To avoid a big difference in the speed of development, the western countries started to use the regulation mechanism and in some places - the planning mechanism. Although, planning in Germany in the 30-th was short but effective. During a short period of time the fascist Germany created a powerful industrial and military potential which allowed it to bring many European countries to heels and be a threat for the most developed countries of the world. The regulation smoothened disproportions and irregularities in development caused by the capitalism in the conditions of the free market.

The liquidation of the USSR cancelled many regulation systems in the capitalist countries. We can’t but admit that starting from the USSR formation, the West
did not face a singular deep crisis for a very long period of time. This allowed for the world scientists to doubt if the crisis always accompanies the market model of the society.

Many scientists both in the West and in the USSR started to write that the capitalism had changed and the market society model could exist with no crises. Indeed, in case there was no world economy crisis for more than 75 years, there were grounds for such opinions.

It is a pity neither the scientists nor the politicians realized that the powerful stimuli for overcoming the crisis elements were outside the bourgeois world. The capitalist economy was forced to take the USSR achievements into account and to introduce the elements of the state regulation and modernization.

The Meaning of the USSR Crash: The crash of the USSR destroyed the existing balance of powers and the background for the crisis started to appear. After the collapse of the USSR the capitalism started to live by its own laws which caused numerous disproportions not only in the economy. The development irregularity inevitably leads to the economy misbalancing not only in separate countries but in the world economy as a whole. The market as a universal regulator does not operate even in the conditions of globalization and integration.

Modern authors are completely right to enumerate many reasons influencing the formation of the present situation. But the principal thing is that the “brakes” of the global crisis were loosened. By only its existence at the global stage, the USSR defined the presence of many stabilization factors which smoothed the contradictions and saved the world from the economic crisis and that was not understood either in the West or in Russia.

Are the New Crises to be Expected?: We have to answer a number of other questions asked earlier. Will there be other world economic crises? The straight answer is – yes. One can definitely insist that this crisis will be followed by the second, then – by the third economic crisis and so on. Will there be a similar break between this and the following world economic crisis? And the answer is – no.

There are two possible variants of the course of events when the world will come out of the crisis only to enter the subsequent crisis. It can happen that the crisis will be permanent, when between the two phases of the crisis peaks or the economic activity decline there will be a period of revival but not the crisis overcoming. In reality the situation will depend on the politicians and the policy implemented by them.

Why New Crises Are Inevitable: Why are the statements so categorical? The crises are the birth marks of the market system of the society. Not going into the details of the political economy let us look at some of the factors, for example, irregularity of development and the purchasing power of the population.

It is not a secret for any one that in the free market conditions with free competition the irregularity of the separate industries, branches, regions and countries development is vividly expressed.

The irregularity in development with in one country causes property and power redistribution. This is not risky but involves the maximum strength of the political struggle. The Parliament Building shooting from the tank guns in Russia in October of 1993 shows how critical the redistribution of power can be between the followers of one and the same capitalistic development path.

The irregularity of the world development is more risky for every one which in the XX century led to two attempts of the world repartition causing World War I and World War II. This is the logic of the historical development.

At present, when the leading countries of the world have loosened the mechanisms of the regulation, they will encourage the irregularity and so – will escalate the global fighting. Irregularity can bring the world to the edge of World War III.

To simplify the nature of the crisis let us have a look at the purchasing power of the population. For the market society model could operate, one needs to manufacture first. Let us see how this mechanism used to work and works now in Russia. During the formations of the “perestroika” the Russian democrats said that in Russia, a worker having manufactured a product that cost 1 ruble, receives 11 kopecks as a salary, i.e. he gets 11% of the sum whereas the worker at the west gets 35-40% or more.

The figures were correct, but no one mentioned that each Soviet man received 2000 dollars more a year through the public consumption funds. This was the free education, medicine, low passenger fare, free apartments, low communal services and kindergarten fee and many more. Now, when the Soviet system is over, the Russian worker started to earn 6 to 8 kopecks from each ruble manufactured and this means that he is able to buy goods or services costing not more than 8 kopecks.

Low purchasing power of the population result in the over production crisis. This causes reduction of the production, unemployment and social pressure. In case the production is reduced – the budget is not properly filled. Incasethebudgetissmall – there is no money for saving the manufacture from the bankruptcy, for
supporting the unemployed and the poor and this can cause the social tension or even the social fallout.

Today the leading countries of the world smooth this situation by the in equivalent change with other countries, by the dictate of the prices at the world’s markets, by the manipulations with securities and currencies, or by credits. For along time the y succeeded in neutralizing the negative consequences in misbalances between the produced mass of commodities and the purchasing capacity of the population.

This, the western market civilization had two life buoys which protected them from deep crisis. These were the socialization and the credit-and-mortgage doping. At present the consumer’s demand is limited not only by the salaries but also by the limited credit repaying capacity of the population. When the situation with mortgage came to the boil, the financial crisis started which expanded the economical crisis into other countries of the world.

**How to Avoid or Smooth the World Economic Crisis:** Is there a way out? Yes. The XX century experience shows that it is necessary to switch on an effective mechanism of the of the state regulation of minimum three principal spheres – 1) of the finance sphere, including the tax, pension and other systems and regulation of the financial flows, 2) of the energy sources sphere and 3) of the social sphere. The market elements cannot regulate these spheres. They can be regulated by the state only.

Why is it so necessary to have a state regulation in the modern period? The pointies that as a result of the integration and globalization, the gigantic monopolies and transnational corporations were created, which need not only the profit but the excess profit. This is such a power that has no equal power except for the power of the state.

If the state does not restrain the growing appetite of the monopolies by the regulation, this will lead to the price growth, impoverishment and the dissatisfaction of the population, to the social tension and struggle.

The declared provisions are not new. All that has already been test edin the USA, Germany and then in many other countries. If there cipe is known, then what’s them attter?.

And the pointis that after the Soviet political system crash thew estern countries experienced the euphoria of the victory and got the illusion of the importance of all the society spheres liberation in the modern world.

This euphoria influenced there presentative soft he liberal wing of the democracy who made a bit for the self-regulation of the market. President of France Mr. Sarkozy declared to the whole world: “The state should not intervene in the economics”. Other head soft he states, leading politicians, economists, publicists and local regional leaders repeated it after him.

If the head soft he states will continue to share this point of view, then the market elements will soon bring to a new global economic crisis, but a deeper and a more destructive one. If the world and the powers that be will not realize the fatal necessity of the state regulation of the key society activity spheres, then we will see how each subsequent crisis gets deeper, more destructive and dangerous, because each crisis can finish with the dictatorship of both the left-wing conservatives or the fascists, or with a war.

**REFERENCES**