ECONOMIC – FINANCIAL AND SOCIAL CRISIS: BETWEEN THE FUNCTIONS OF THE STATE AND NATURE'S LAWS

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ABSTRACT: The paper analyses some of the challenges that economic sciences face during the global crisis. Ideologically, the crisis caused a fierce debate between the adherents of the ultraliberal theory regarding Adam Smith's „invisible hand" and the supporters of state interventionism suggested by John Maynard Keynes in order to overcome recession. The crisis therefore, generated a change in the post-WW II development paradigm. Due to the functions assumed, in order to respond best to an economic model considered to be infailible and immuable, based on growth, a model that ignored nature's laws, the state pushed to moral hazard both entrepreneurs and consumers. The new generations can be characterized with one word – ignorance. Whether we cultivate or not this ignorance, this is another story. It is however certain that the „prosperity generations" have their sense of measure atrophied. They cannot conceive the world outside the comfort they have been used to. The conclusion is that the existing paradigm led to increased instability in the economic system, which led to a crisis.

Keywords: crisis, economic model, paradigm, creative destruction, natural laws, animal spirits

JEL Codes: A10, E00, F63, O10, P00

Introduction

The issue of the international crisis continues to be in everybody's focus. Any crisis, not only economic or financial crises, is a renewal period because it draws attention upon limits that were not taken into account, upon underestimated constraints, upon design or behaviour errors. The current global economic-financial crisis is susceptible to be analysed from several perspectives, by the same science.

Many consider that the current financial crisis has its origin in the dramatic US housing fall, or in the fall of the housing loan market, but the causes of the financial crisis are deeper, both macroeconomic, and microeconomic, as many analysists, such as Altman (2009) and Blanchard (2009) state. Several causes interconditioned themselves and amplified themselves and led to the financial crisis:

– Massive cash created by the main central banks of the world (especially FED) and the wish of the oil and gas exporting countries to limit currency appreciation;

– Surplus saving, generated by increased integration in the global economy of countries (China, South-East Asia in general), with high rates of accumulation and global re-distribution of wealth and income towards hard assets exporters (oil, natural gas etc.);

– Available resources for investment, including sophisticated financial instruments, not easy to understand by some investitors, generated by massive cash and surplus saving;

– Very low interest rates and their reduced volatility, consequences of massive cash. These consequences led to increased appetite for high yield assets. The reduced volatility also caused a propensity to underestimate risk and real lack of vigilance of investors. The risk margins were low and non-discriminatory. Low interest rates, appetite for high profit assets, low risk vigilance and

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low margins masked the price signals on financial markets and led to insufficient understanding of the risks;

– Increased international competition for deregulation;

– Breaches in the business model of the rating agencies;

– Externalizations, which are logical from the private point of view but inefficient;

– Frantic securitization. Once the crisis was caused by the failure to pay back housing loans, the consequence of the frantic securitization was that the financial market became non-transparent. Investors' lack of trust immediately placed the negotiable instruments issued by the Special Purpose Vehicle – SPV in the high risk category (the quality of the financed assets was no longer clear) and refinancing became impossible. Due to the discrepancy between maturities on assets and liabilities, these SPV started to rely on financing from sponsor banks. The cash demand, in combination with the loss of trust in banks, eventually made the effective interest rate increase.

The current crisis brought the issue of the role of the state in economy to the attention of international economic research. After the time when the neo-liberal doctrine imposed the idea of a minimal state, the crisis caused apparently a reevaluation of this doctrine and recognition of the need for a state with a more substantial role and strength comparable with the mechanism of the market. The state and the market are two types of institutions that live together in a dialectical tension. Theories that allow understanding of the concepts of the doctrinary debate revived due to the economic distress:

– Theory I: Markets are always innefficient. The state is efficient. The state must replace markets; this theory is obviously an utopia and contrary to common sense, to historical experience, to empirical data and to the progress made during the last century by social sciences. These are exactly the qualities which make it embraced by those who are antiglobalization, anticorporations, anticapitalism, antineoliberalism etc.

– Theory II: Markets are an inefficient institutional formula but relatively superior to other alternatives. The functionning of the markets is often suboptimal. Thus, the role of a corrective mechanism belongs to the state which executes its functions efficiently; this theory that promotes the intervention of the state, that is the state as a corrective instrument for the failure of the market, assuming that markets can function efficiently, seems naive. It is however the most influent. Keynesism is a version of it. The problem is that, meanwhile, it has become clear that in life, we face the failure of the market but also the failure of the state.

– Theory III: Markets are inefficient. Economic agents, searching for profit, optimally allocate resources. This theory induces a very simplistic view upon the state; also, this theory involuntarily created a distorted framework for the perception and evaluation of the market. It created so high efficiency expectations that any practical deviation from the optimality defined by models in theory is perceived as a failure. Actually, the supporters of this theory created the conditions for theory II, and gave it an instrument to define the „failure of the market". After the collapse of the socialist system in 1989, one cannot take the risk to assert that state economy is superior to the market economy. The leftist economists today, regrouped around theory II, adopt an indirect strategy. Of course, they say, when it functions perfectly, the market is great. But ... markets have failures. And the state must intervine and set things right. And we go back to square one. The list of failures identified by this new generation of economy-repairing experts is obvious: markets fail in agriculture, energy, transport, rural development etc. Before, markets had no chance compared to the state. Today, markets have no chance compared to the perfect market model.

– Theory IV: in an inefficient and suboptimal world, where all institutions are imperfect (the world we live in, not the world of abstract economic models), it is naive to believe that the state can be the efficiency factor in the system. The market in an inefficient mechanism. However, compared to other inefficient mechanisms, its suboptimality becomes preferable instead of its alternatives. In the country of the blind, the one eye man is the king, says a proverb. The market tends to efficiency due to its nature and structure. It does not reach efficiency in many cases. But it gravitates naturally towards it. It is not the state's case. Its dynamics pushed the state in the contrary direction. Due to its nature, it gravitates towards inefficiency. As F.A. Hayek suggested long time ago, „maybe the adjustments of the market economy are never „perfect", in the sense conceived by economists in their balance assessments". „My fear, he said, is that our theoretical manner to approach the issue (…) made us blind to the actual function of the price mechanism, thus causing us apply wrong standards to judge its efficiency" (Hayek, 1958). We are today in the position to have a more realistic and stronger view upon the functioning of the state and of the market, separately and in conjunction. We know the market tends towards efficiency due to its nature. It often does not reach efficiency. But it gravitates towards efficiency. It is not the case of the state. Due to its nature, the state gravitates towards inefficiency. We need however the state for reasons that is not connected to economic efficiency. The question is: can we try to be realistic? Can we eliminate the naïve idea that, if the market does not always function perfectly well, shall be dismantled or restricted more? Can we get rid of the absurd Romantic idea according to which the state, populated by bureaucrats and run by politicians, is an efficient mechanism as such, generating economic efficiency? How can we combine these two imperfect institutional mechanisms in an imperfect, uncertain and ever changing world, populated by imperfect individuals?

Some ideas about the crisis, as we can see in the article entitled „Let us take intellectuals out of the crisis" in the January-February 2009 issue of Foreign Policy, notice that economists could not anticipate the nature and the evolution of the global economic crisis, and their recommendations showed that „we cannot rely on their knowledge", as „economists are in crisis themselves"; the economic science can be taken from distress as „a science is measurable though its capacity to explain, forecast and prescribe"; economists will have to invent new instruments, more appropriate for the new era, to revigorate thinking, borrowing more from other sciences such as psychology and political sciences. Colapse will stimulate creativity and innovative thinking arising from mistake recognition; the years to come will refresh intellectual capital that economists use to influence. Such an approach raises the issue of the ability and the role of the economic science to forecast, clarify the competences of science and implicitly, the issue of the expectations we have from science. In this case, (economic) science did not remain unaffected by problems that, to a certain extent, can be found in the current economic crisis. The proof is in the „behavioural economy"; this is based on the idea that people are basically „irrational actors", which proves their consumption, spending and saving behaviours.

Given the above mentioned, our aim is to present in this article a few standpoints that, to a certain extent, must be n issue to think about for economists and political decisions takers. We shall bring about the fact that, by its functions, in order to respond to an economic model seen as infailible and immuable, based on growth, a model that defies nature's laws, the state pushed to hazard both entrepreneurs and consumers. The deep significance of this crisis is not related to its scale and implications but rather to its fundamental character: it is a crisis caused by the current development paradigm.

Literature review

The financial-economic crisis of the years 2007-2008 is the first global crisis that took place after the Big Economic Depression of the years '29-'33. Joseph Stiglitz calls these events „The Big 2008 Recession" (Stiglitz, 2010). The coparison is acceptable because this crisis is, just like the '29-'33 crisis, an exceptional event that marks the world's economic history. The global financial crisis of the years 2007-2008 which, according to many economists, will make its consequences felt upon the global economy for a long time, is maybe the most complex crisis of all times, not necessarily in terms of its effects but in terms of its causes. Ideologically, the crisis caused a fierce debate between the adherents of Adam Smith' ultraliberal theory regarding the „invisible hand" and the supporters of the state interventionism, suggested by John Maynard Keynes, to overcome a recession. The crisis thus generated a change in the paradigm, and proved that the capitalist system has no selfregulating ability and it is pre-disposed to crises. The state therefore must intervene and define regulations to support financial and economic stability.

Robert Lucas, winner of the Nobel Prize for Economy in 1995, declared in 2003 that the „main issue in preventing recession has been solved from all practical points of view". He did not claim that the economic cycle was removed but it was „tamed", meaning that the problems caused by the economic depression can be easily solved (Krugman, 2009).

According to George Soros, markets never reach the equilibrium postulated by the economic theory. Wrong judgements and views of the market participants and decision-makers can significantly influence the market prices so that processes such as development and decline appear, and they initially generate themselves, then destroy themselves. Basically, the influence upon market prices is done through demand and offer, but the decisions of the market participants are not based only on knowledge but also on feelings.

People have had a life that exceeded their possibilites and this cannot last for ever. Motivated by incentives, brokers were persuasive in making people with low score in their loan applications to borrow money with inticing deadlines, at least on short term, on the condition that in 1 year, 1 year and a half, payments should be made on due dates. Brokers were stimulated to do that and people who borrowed money and exceeded their financial possibilities never wondered how long that can last. They caused an artificial economic growth (Roubini and Mihm, 2010; Krugman, 2009). SPV changed its name into CDO, thus making the change between old and new in financial transactions. Investment banks concluded transactions only with their money (proprietary trading), and their aim was to initiate and develop business from zero, and to own business in association with other investitors that had contributed with their own money to make future profit. Owning a business appears sometimes to be the most difficult part of a business plan and also the riskiest. Consequently, business developed into generate & distribute further on, business are initiated, developed and placed to someone open to accept risks (Roubini and Mihm, 2010).

The seriousness of the crisis induced strong panick in financial markets. To reduce the negative effects in real economy, governments in many countries massively intervened, like never before, to support markets. As a result of interventions, the budget deficits in many countries significantly increased. Practically, the global financial crisis converted in 2010-2011 into a crisis of sovereign debts of many economys especially in the Eurozone, thus affecting their recovery ability. In Europe, economys such as Greece, Ireland, Spain, Portugal or Italy accrued debts higher than their payment capacity and the Eurozone states had to help them avoid collapse. There is a concern that the Eurozone may dismantle due to the budget difficulties the EU states are facing.

To diminish governmental expenditure, many countries implemented austerity measures, thus diminishing jobs in the public sector, and wages and social assistance aid. All this, corroborated with similar evolution of the private sector, slowed down economic growth. Budget deficit in advanced countries is part of global imbalance due to the fact that some advanced countries, especially the US, consume ore than they produce, while emerging countries, especially China, produce more than they consume, thus achieving significant savings, which they orient towards advanced countrie to finance their deficits. It is strange that poor countries finance developed countries, and the scale of global imbalance appears unsustainable (Stiglitz, 2010).

State interventionism is the topic of theoretical debates for many decades; the debates re-ignited after the interventions of the governments in countries affected by the current crisis. Supported by Keynes, the intervention was harshly criticized by Austrian Scool economists who claim that loose monetary policies, regulations and state interventions in economy affect the good operation of a free market. A prominent figure of this school, Joseph Schumpeter, conceived the theory of „creative destruction", according to which crises and recessions are trials that only high-performance economic agents can face, and they create a new economic order (Schumpeter, 2011). If Keynes considered capitalism a system that occasionally loses its equilibrium, but it can be restored by intervention from the state, Schumpeter sees instability as the consequence of the type of innovation that practically represents the essence of capitalism. According to this theory, the state should not intervene in economy, not even during crises, but it should allow banks and shattered companies crush, so that, in the end, only strong economic agents survive. The intervention of the state to save financial institutions and companies on the edge of banckupcy is, according to the Austrian School, a socializing of the private loss, leading to increased budget deficit and implicitly, of the public debt. This endevour compromises the long term economic growth and the state may incur insolvability; the solution is to print money, with negative effects upon price stability. The Austrian School claims that excessive market regulations is the cause of economic rises, and as a result of a crisis, the tendency of strict regulations make things worse because actions such as deposit guaranteeing or state interventions to ensure cash increase the risk appetite of the banks, even if the immediate effect is to provide security to those who save. Certain economists consider that the best solution in case of economic or financial crisis implies a combination of keynesist ideas and the Austrian ideas, that is a short term application of the Keynesian interventionism and a long term application of the idea of „creative destruction" (Roubini and Mihm, 2010).

The current crisis of sovereign debts affecting the Eurozone and not only seems to be the most serious crisis in the history of economics, due to the big number of states with high debts that are susceptible to become unsustainable. Overdebted governments have and will have negative consequences upon real economies because they are compelled to implement austerity to pay debts, which will have negative effect upon economic growth and slow down the creation of new jobs or the unemployment reduction. People will become aware that the state cannot have debts for ever to save troubled private companies or to fight recession. Some individuals may adopt standpoints against interventionism and be aware that such practices are a temporary solution, with serious implications upon the future. This type of population will formulate demands for a more fiscally responsible state, and from the operational perspective, this will turn into a demand for a fiscal-budgetary policy meant to avoid overdebt and excessive social allocations (Croitoru, 2011).

Research methodology

In order to conduct this study, we have complied with some guidelines regarding the methodology of scientific research. Thus, the principle of unity between theoretical and empirical aspects, the principle of unity between informative judgment and evaluative judgment (all researchers should involve morally to support general values), as well as the principle of unity between quantitative and qualitative, used in order to render efficient the results of the research. This mixed methodology is typical of social sciences. In order to fulfill our goal, we have used fundamental research methods consisting in reading of the specialized literature in this field and some articles and studies covering this topic. Our methods have been: analysis, synthesis, comparison, deduction and induction.

Results and discussion

In the economists environment, we hear that the new generations will pay for the crisis and its bad repercussions. Do the new generations know what is a crisis and where can it lead? We speak of millions of people, especially in the Western world, who don't know what war and famine is and make no effort to imagine. They assume they deserve everything. Hence, a chain of abuses and corruption affecting political systems that was once robust. The new generations can be characterized in one word – ignorance. Whether it is cultivated ignorance or not, this is another discussion.

The „generations of prosperity" have their sense of measure atrophied. They do not conceive the world outside the comfort they have been used to. How many of those who knew prosperity can think about the fact that their grandparents consolidated capitalism through parcimony and not through excess? We are living a moral crisis of capitalism. Economy started as a bunch of moral sciences. Adam Smith was a professor of moral sciences at Edinburgh University. The generations of the '30s knew excess a decade earlier but they knew when to stop. Everybody was spending money lavishly, driving luxury cars and working very little. Those people paid the "bill", and the lesson was learned for 80 years. After the hectic years 2000, the grandsons of the generation have expensive cars and drink champagne but refuse to pay the expensive "consumption". Many young people expect the state to give them well paid jobs. Meanwhile, all kind of managers want to maximize their profits in all ways after they were saved from death through the intervention of the state. The defects in the business view of today's managers have not been repaired (Vasile-Ozunu et al., 2013, pp. 7-8).

In the 1798 edition of the book „An essay on the principle of population, as it affects the future improvement of society, with remarks on the speculations of Mr. Godwin, M. Condorcet, and other writers", Thomas Robert Malthus formulated the model of economic activity and economy evolution as follows: limited land; increasing population. T. Malthus considered that population increases as long as salaries exceed the subsistence level. The population excess causes a pressure upon economy manifested by salaries under the subsistence level; consequently, mortality rate increases and population decreases. Malthus equilibrium takes place when salaries decreases below the subsistence level and economy remains stationary. The regulating mechanism is part of the demographic dynamics. Malthus understood that only by complying with nature's laws we can ensure economic activity and the evolution of the number of population that face obstacles. „These obstacles against the increase of the population exist, stronger or weaker, in all societies and keep people at the level of subsistence, can be grouped in two: obstructive and positive. Obstructive, to the extent to which it is voluntary, it comes from man, from that superiority which is typical of man's reason and allows man to calculate remote consequences. Obstacles that prevent never-ending reproduction of plants and irational animals are all, either positive, or involuntary, when they are obstructive. Man cannot look around without seeing the misery in numerous families. Man cannot think of his current assets and income, almost consumed by himself, and calculating the amount for each of the seven-eight people to which the income must be divided, he will fear that, if he follows his feelings, he may not be able to support his children. ... The positive obstacles in the way of population growth are diverse and they include, vice, misery, all causes that shorten human life – all unhealthy preoccupations: tough jobs, jobs exposed to weather changes, extreme poverty, poor feeding of children, big cities, all excesses, common and epidemic diseases, wars, plague, famine" (Malthus, 1992, pp. 20-22).

At the beginning of the 20^{th} century, based on the economic distorsions caused by the 1929-1930 crissis, the keynesist theory with its macroeconomic model in which national income grows as a result of aggregated demand growth appears. This theory, and all theories after Keynes ignored the link with nature, the limited resources (although all economy manuals state that resources are limited) and introduced and promoted the economic model considered to be infailible and imuable, based on economic growth and, implicitly, on profit growth. Economic growth can be ensured only through increased domestic or foreign consumption. Because Keynes' fundamental psychological law proved to be valid, and the consumption of an individual cannot exceed certain limits, the only solution for economic growth (and income growth), measured by the Gross Domestic Product, was to facilitate the increase of the number of consumers.

After the WW II and especially at the beginning of the '80s, developed countries adopted, more or less explicitly, a development model based on the quick replacement of goods and large scale use of services, often beyond a reasonable threshhold of the needs (consumption society). This paradigm became a model for other nations as well, especially after 1990, in Central and Eastern Europe, countries that wanted to become EU members or, at a larger scale and different levels, the FRussian Federation, China or India and Brazil. The paradigm was based on a consumerist approach, but globalization gave it a dimension never seen before. The mechanism was simple: people were taking loans and were buying more products and services than needed or they were replacing the existing ones sooner than their physical wearing out was visible (sometimes, sooner than their moral wearing out was visible). People were changing their phones or laptops every 6 – 8 months, or their tv sets or “home theatre” equipment every year or their cars every 3 – 4 years. The increased demand generated a good opportunity for production at full capacity, which meant more jobs, better salaries and higher bonity for employees who could get loans to buy more goods and services, thus generating new jobs, and so on. This economic process seemed a vicious circle. At what scale, and for how many people and for how long? The first issue with this model was that it was not sustainable for various reasons connected in a way to a 2nd thermodynamics law (Georgescu-Roegen, 1979) – regarding entropy, a measure of non-available energy (also called bound energy such as the heat contained in the soil or in the sea and ocean water, that we normally cannot use. If society wants to use the bound energy, it will have to use free energy from outside its system. Such an action will increase the amount of bound energy (not available) from the Universe. The above mentioned remarks may sound abstract but they have a significant impact upon economy and led to the bioeconomy concept, or today’s concept of sustainable development.

The economic model after WW II implied large scale use of raw materials and energy to produce goods and services as much as possible, especially in advanced countries, and increasingly in countries under development. The outcome of this process implies more enthropy, that is more bound energy, more pollution and eventually, even a climate change. At the same time, this economic process required “import” of energy available from outside of the initial system, represented by developed countries. From this point of view, globalization represented an objective phenomenon because preserving the high development level in advanced countries could not be obtained without “import” of energy available in other parts of the world which thus became parts of the system. The operation of such a system requires ”integration/inclusion” of more and more parts of the world in the economic process, thus making the economic process larger/more compehensive. In common terms, we speak of an increasingly integrated economic system rather than an increasingly larger economic system. This interpretation seems to be the correct one since at the beginning of the 20th century, most parts of the world had been already discovered and included into a system of economic relations but many of them were loosely connected to the main economic centres of the world. Globalization meant significant growth of economic relations at the global scale. The question is what happens when all parts of the world are integratd at a high level of consumption of available energy. From the point of view of a physician, things are simple: under these circumstances, the system either stops, because all the energy is bound and the free energy is no longer available, or the system continues to expand which would mean, practically, beyond the limits of this planet. This approach can be easily called science fiction but it is not; we can check the existence of such plans during the last 30 years in countries such as the USA, Russia, Germany, Japan or China. In practice, the conclusion is that the economic system cannot continue in the same way. If it hadn’t been for the financial crisis, it would have been the global climate change the obstacle to block the post WW II development paradigm. Thus, the world became aware again that for a certain technological development (that is, the current level, during the crisis) it is not sustainable to ensure the same consumption for all human beings on Earth (Meadows et al., 2004; Moldoveanu and Bonciu, 2010).

The Keynesist revolution ended the „laissez-faire doctrine” and the role of economies and investments in the calculation of the national revenue, to ensure economic growth. The fundamental relations established by Keynes among consumtion, revenue and the interest rate through the consumption function, among the net investment, the interest rate and the revenue through the capital marginal efficiency, among the currency amount, the interest rate and the revenue through the liquidity preference function reveal the characteristics of the Keynesist model. Keynes’ name is mainly associated with his economic theory, and with his strict recommendation that the state should not interfere in economic events. According to Keynes, the state should take political, fiscal and monetary measures to weaken the effects of recessions and *boom*-s. At hard times, economy must be supported by an expansive fiscal policy in order to cut unemployment. At prosperity times, the deficits must be reduced through surplus savings. Economy fluctuations could be therefore adjusted. Keynes' major preoccupation was to establish correlation between economic development of a society and the employment of the available human resources in order to provide solutions for unemployment.

Given Keynes' recommendations, countries gradually undertook more and more functions as a response to economic and social crises that took place in history in order to ensure economic growth. Countries therefore took the role to preserve full employment and a stable economy, on a background of price stability and recently, inflation stability; innovation promotion; prevention of abusive exploitation; protection and social insurance. „We can definitely state that in the 20^{th} century, politics was hugely influenced by controversies regarding appropriate dimensions and powers for countries. The century strated with a liberal worls presided by the main liberal country of the world, Great Britain. The scope of the state activities was not large in England or in other European powers, except for the military field, while in the US, it was even smaller. There were no taxes on income, poverty-curbing programs or food health regulations. As time was passing, with wars, revolutions, economic crises and wars again, the liberal global order dismantled and the minimalist liberal state was replaced in many parts of the world with a more centralized and more active state. A development trend led to what Friedrich and Brzezinski called a „totalitarian" state that was trying to abolish civil society and subordinate the individuals left atomized to its own political purposes (Friedrich and Brzezinski, 1965). ...The dimensions, the functions and the scale of the state expanded in non-totalitarian countries too, thus including all democracies during the first three quarters of the 20^{th} century" (Fukuyama, 2004, pp. 10-11). „The problem is, basically, a conceptual error of dissociating the various dimensions of stateness and an error of understanding their relations with economic development. ... It is consequently logical and necessary to make a distinction between the scale of the state activities, referring to various functions and goals of the governments, and the strength of the state or the possibility of the state to plan and implement policies and to correctly and transparently enforce laws – currently called state capacity, or institutional capacity (Fukuyama, 2004, pp. 13-15).

Although "Most valuable things in life cannot be bought with money", as Albert Einstein said, according to Paul Samuelson, money is "the blood that irrigates the economic system", while for Aityan and Ksenzhek, „money in economy can play a role that is similar to energy in physics" (Aityan, 2013). Given the undertaken functions, and the goal to ensure economic growth, and money's role in economy, the countries of the world, through economic policies, especially through the monetary policy and direct instruments, as well as indirect instruments to implement these policies, stimulated the governments to take loans, and banks to give loans, thinking that by injecting more money in economy, for consumption or production, they will make the body called „economy" grow nicely and harmoniously and they will boost revenues. They forgot or ignored however, a natural law: if you inject in the human body more blood than necessary, that body will fall sick and die, and the system will also disintegrate with unforeseen consequences. On the other hand, both creditors and debtors, acted under the sign of moral hazard and iraitonal exuberance induced by the functions of the state, especially by the function to provide protection and social insurance. „Put simply, moral hazard refers to someone's availability to take risks – especially excessive risks – that he would normally avoid, simply because someone else will help him with potential negative consequences, and maybe even save him, financially" (Roubini and Mihm, 2010, pp. 123-124). Banks and individuals, in capacity of consumers or entrepreneurs, thought it enough to define loan as „bringing future into the present", considering that this future is certain. They neglected that fact that in nature, wild animals such as the lion and leopard do not eat today the deer they will catch in a few months, and the deer does not eat today the grass that will grow next year. If they lack food for some time, they no longer breed and they may even become scarce. Human beings' not taking into account the natural laws is a proof of man's loss of wisdom, favoured by the economic model that has operated so far and made people live the prosperity illusion. They became just rational, in the sense of coherence (Stiglitz, 2010, pp. 391), in decision-taking (proved reckless later on) that could meet their short-term interests (materialism) and they ignored the uncertainty of the future that they explain by the failure of the market or of the state, a state that they consider guilty and responsible for the systemic irrationality of their behaviour.

Let us assert clearly. We do not support the interdiction of loans but we do not agree on the blackmail that banks practice with countries on the principle „too big to fail", following the economic-financial situation reached as a result of the lobby for deregulation, made by them as well. If you want to stabilize a bank with public money, you will incur huge costs. And why should tax-payers pay for the greed of the banks in their race for profit? This intervention is an attack to democracy and a deviation from the natural laws of life and death sequence. Why should not the shareholders and those who benefited from the interests pay? It is only by allowing banks to fall, and all the subsequent consequences, that moral hazard can be eliminated, prudence and individual responsibility can be restored, and economic activity and human life will return to wisdom. It is the only way to ensure a development (not evolution of growth) of the economic and human activity allowing creative destruction and animal spirits.

Joseph Schumpeter defined in short the basic aspects of capitalism and private initiative: 1) initiative, 2) organization and reorganization of socio-economic mechanisms, and 3) acceptance of risk and failure. Schumpeter speaks about the "creative destructione" (2011), noting that, for a dynamic growth, constant innovation and volatility are needed and this is the only way to progress. Schumpeter saw capitalism to be the system giving birth to material progress and higher life standards through competition, technological innovation and entrepreneurial activities. The entrepreneur is an individual with a view and energy, representing the motric force of economic change. According to Joseph A. Schumpeter's theory about the „creative destruction", in capitalist economies, the new innovations erode the positions of old companies giving them at the same time new and unexpected chances of economic growth. Today, the effects of progress such as MP3s – replacing CDs, which in their turn replaced cassettes and vynil discs – proved that his ideas were correct. Prophetically arguing that in capitalist societies, destructive phenomena "burst out" that destroy wealth, this great economist revealed the vast, and sometimes chaotic, economic landscape of global capitalism.

In 1739 David Hume published *A Treatise on Human Nature,* a paper in which he used the term animal spirits to identify the basics of man's decision-taking, as a major field of study of human nature (Hume, 1739, pp. 62-98, Rogojanu, 2010, pp. 48-62). The most important economist who wrote about animal spirits was John Maynard Keynes, who used and developed the concept in The General Theory of Employment Interest and Money. Keynes wanted to discover what is the determinant that makes people decide to act rather than not to act in real life, when they must make a choice. Keynes concluded eventually that economic activity may be led by human feelings, expectations, emotions and states of soul such as optimism or pesimism. Without animal spirits, and making use only of mathematics and economic analysis, justified and supported by empirical data, people may limit themselves to shy, doubtful reactions and they may even avoid reaction. In other words, animal spirits can be seen as basic concepts in the study of people's decision-taking processes: „Probably most of our decisions to do something positive, whose full consequences will be felt during many years to come, can be considered to be the result of the animal spirit – a spontaneous drive to act rather than not to act, and the result of a weighted average of quantitative benefits multiplied by quantitative probabilities" (Keynes, 2009, pp. 225-226).

The intervention of the state to save financial institutions and companies threatened by bankruptcy is a socializing of private loss that will lead to increased budget deficit and, implicitly, to increased public debt, but also to proliferation of moral hazard and postponing of the return to natural laws. The more the return to nature is postponed, the more painful it will be. Saving entities in trouble from bankruptcy by using public money, socializing loss and budget deficit increase cannot last for long. Uncompetitive companies must be left to bankruptcy; otherwise, moral hazard makes them take more and more risks, and the burden of the taxpayers will increase.

The result of the states' assuming more and more functions was the need to finance these functions which made governments take costly loans, while budget deficits increased, and taxes were imposed upon economic actors. In Romania, for instance, a person hired with a gross salary of 3,000 RON (1 EURO = 4.45 RON), before spending one's salary, knows that some money must be given back to the state: for the pension (10.5%), health insurance (5.5%) and unemployment (0.5%). Out of the 3,000 RON, contributions to social insurance, health insurance and unemployment makes up about 500 RON. The person is left with 2,500 RON, but this amount is imposed a tax of 16% under the law. After deducting various contributions and taxes, the person is eventually left with 2,100 RON. The person lives in a flat of 50 sqm so he knows he will have to pay an annual tax of 120 RON for the flat, so, out of precaution, he saves 10 RON each month. For the car in the parking lot, a Dacia Logan of 1,600 cm^3, 5 more RON for the tax on the car tantamount to 64 RON per year. Then he can calculate and organize the rest of the expenses. After shopping and filling in the tank, the employee pays the expenses for his dwelling, the electricity bill, television bill and Internet bill. He finds that 24% of the money paid goes to the state as VAT. Practically, out of his 3,000 RON salary, almost half, that is 1,420 RON, goes to the public budget under one form or another, as contributions to pension, health and unemployment, or taxes and VAT. The taxes on the labour is a burden for employers who also pay social contributionse. If for a gross salary of 3,000 RON, the tax payer pays almost 900 RON, the costs of the employer are 840 additional RON for the salary of 3,000 RON, that is social insurance/pension - 20,8% (624 RON), health insurance -5,2% (156 RON), unemployment - 0,5% (15 RON), contribution to holidays and benefits - 0,85% (26 RON), contribution to the Guarantee of Salary Debts payment - 0,25% (8 RON), contribution to the Labour accidents and Professional Diseases - 0,4% (12 RON). Practically, the total cost of a company is 3,840 RON to give an employee a salary of 3,000 RON.

The more states take taxes from economic actors, the more they amplify moral hazard, weaken prudence and increase dependency on protection and social insurance.

„For a along time, manufacturing production was the climax of a certain stage in evolution, the way in which countries under development could overcome the stage of agrarian society. By tradition, jobs in production were well paid and represented the spine of the 20th century societies, dominated by the middle class, in Europe and North America. During the last few decades, progress in productivity has cut jobs in this sector, although this sector is developing and this evolution pattern will most probably continue" (Stiglitz, 2010, pp. 311-312). It happens because „the means for preserving jobs do not necessarily increase at the same time with wealth, and the lower classes of a society do not depend exclusively on the increase in the means to preserve labour or on the ability to feed more workers" (Malthus, 1992, p. 310). In other words, while labour productivity increases, as a result of scientific and technical progress, some workers lose their jobs and implicitly their incomes, while the profit of the enterprise increased. While profit was increasing, the entrepreneur thought he could develop new business as a result of his outstanding entrepreneurial abilities. Obviously, the new business enjoyed the benefits of scientific and technical progress and automatization which led to the removal of more and more people from the labour force and to forcing the remining workers to accept lower salaries under the threat of poverty. Those who were beneficiaries of the products of the entrepreneur's business and who were not taken into account when profit was distributed, they were buying by credit, due to loan given by banks which, in their turn, were looking for higher profit for their shareholders.

The normal evolution was that this vicios circle stopped, and economists and analysts should think about changing the economic model and, although they do not accept yet, about bringing activity and economic and social relations back to nature and to nature's laws. More and more of today's economists and analysts, when asked how long the crisis lasts, reply that it may last for many years, maybe tens of years. Countries will give up certain functions and keep only those functions that do not violate nature's laws and make the individual lose his prudence, responsibility and wisdom, namely: national defence, public order, legal framework for the creative destruction and animal spirits inside national economy, ensuring emergency medical services and basic medical services for which a certain amount of money is deducted from the salary of each individual, irrespective of one's income, provision of educational services up to a certain level (8, 10 or 12 grades), territorial planning and infrastructure support.

This is the only way and chance to remove moral hazard and reconsider happiness. Barry Schwartz, a psychology professor with Swarthmore College, appreciates that a major reconsidering of the factors that make us happy, except for money, should take place, and social sciences experts already noticed that. Consequently, the manner in which wealth is assessed by society and leaders will change. There is a need to invent a measurement unit for the Gross Domestic Prosperity. This will add to the GDP or even replace it, in order to measure wealth and social progress.

Thomas Jefferson, the president of the USA, stated that there is one single ethical system for mankind and states: to prove gratitude, to keep promises, under all circumstances, to be open and generous, and promote the other parties' interests on long term. Practically, a return to the basic Justinian law principles: *Juris praecepta sunt haec – honeste vivere, alterum non laedere, suum cuique tribuere (Principles of law: to live honestly, not to harm anybody and to give everyone what one deserves).*

Conclusions

The idea is that we have to do not only with an economic-financial crisis or an energy and raw materials crisis, or a social crisis, or a climate crisis. It is all these crises altogether and even more. The current crisis is complex and systemic. The complexity of the current crisis and the long term implications of all possible solutions require a level of communication and coordination unseen before among transnational actors.

Through its functions, in order to respond to an economic model seen as infailible and immuable, based on growth, a model that defied nature's laws, the state pushed to moral hazard both entrepreneurs and consumers. The conclusion is that the existing paradigm led to increased instability in the economic system, which led to a crisis. In practice, we can see that the economic system cannot continue in the same way. It is certain that „the generations of prosperity" have the sense of measure atrophied. They do not conceive the world outside their comfort. If it hadn't been for the financial crisis, it would have been the climate change that would have stopped the post WW II development paradigm. Mankind became, therefore, aware again that, at a certain technological level (the current one, in the case of the crisis) it is simply not sustainable to ensure the same consumption level for all human beings on Earth.

The solution for this crisis cannot be found through an intervention of the states in economy, but through acceptance and participation in what Schumpeter called "creative destruction" meant to reveal the real "animal spirits" that Keynes was speaking about.

After the separation from the real, unsustainable economy supported by artificial expansion of financial markets materialized in their crisis; the old paradigm regarding the functioning of the markets was dismantled. Due to interventionism, the market crisis degenerated into a government crisis. The crises in cascade induced the idea that the economic science faces a crisis that underlies the financial and economic turmoil. The paradigm that governed so far the economic life should be changed. The new paradigm should be based on social responsibility and business ethics. The new economy should cause a return to equilibrium and moderation that only nature and nature's laws can provide. Practically, mankind faces not only a crisis of economy, but also a crisis of values and to remove this, the system of values of the society must be reshaped and assumed.

The animal spirits are determinants for economy, but unfortunately not for the economic thinking. Economists should review their theoretical knowledge and progess in their economic thinking, because economic crises already progressed. If this challenge is not dealt with properly, we shall have to admit that it is not economy in crisis but economic science (Dinu, 2010).

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