On the Nature of the Present World Enonomic Crisis. A Non-neoliberal sketch

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The debates on the operational method and the regularity of capitalism usually brisk up in crisis periods. And since in the previous years several illusions have existed on the possibility of the crisisless development of capitalism (e.g. the neoliberal general equilibrium concept, the vision of the information society capable of ruling itself, the concept of the „new economy" absolutising the opportunities of technical and productivity development during the long lasting boom of the '90s, etc.), the crisis itself and the organic laws of movement were hardly dealt with. Economic thinking was dominated by micro-economic approaches of business respect, and the interpretation of the macro-economic processes was based on the supply-demand models elaborated for company-bank management. And these are short or perhaps medium term models hardly capable of considering the complex nature and long term fluctuation of the national economic (and societal) processes, not speaking of the complicated interconnections of the globalizing world. The representatives of the *political economic approach* (some of them will be mentioned later) were pushed into the background both in the literature and the economic life. And in Hungary, the neo-liberal economic way of thinking is still, even under the present depressive circumstances, stronger than it is in the West, where several university departments of Keynesian and even Marxist view have been operating over the previous decades, and the neoliberal principles of minimal state contribution and economic incitement have been stepped over as a result of the present global crisis. In Hungary, the leftist and rightist economists, hand in hand in the Reform Alliance, announced a restrictive program which is *one sidedly* based on neoliberal principles, deepens the crisis and raises social contradictions.

The present crisis is not merely financial, nor only over-production, but a kind of node crisis of global capitalism.

A new generation of economists has grown up who, although have learnt about non-liberal (conservative, in a political sense) ideological trends and interpretations of capitalism, consider these as archaic, and in fact are very little informed on the theoretical system of these. I have made the following analysis within the frameworks of a professional debate, partly in order to make the young colleagues get acquainted with that a sort of political economic view. This work is a brief, sketch-like summary of a more or less didactic nature also explaining basic terms.

Crisis and theory

The economic depressions have been analyzed many times in the history of economics. Here I only mention some of the most important ones.

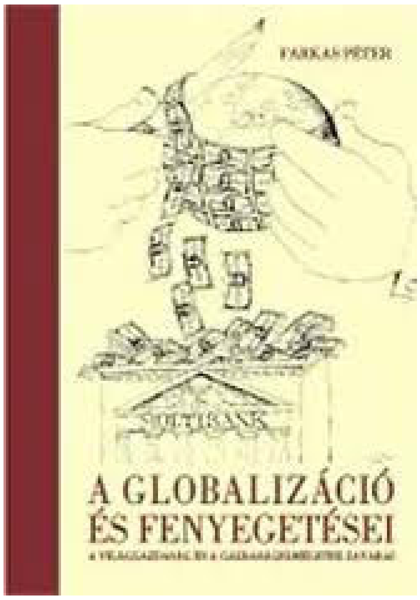
Of the early theoretical economists, *Jean-Charles-Leonard Sismondi* (1773-1842), for example, was clearly aware of the fact that the machines supersede human from production, the working class falls into poverty which results in the contradiction between production and the insufficiency of demand. Therefore Sismondi thought that crises are inevitable and that they are eased only by the existence of the small producers, not the capitalist markets. *Thomas Malthus* (1766-1834) was also of the opinion that over-production is typical of capitalism. He said that the capitalists do not spend enough, and the workers are unable to spend enough to make the demand adapt to the pace dictated by accumulation. According to Malthus, surplus can be drained by the existence of the "non-producing consumers'" class (aristocrats, priests and state buraeucracy). (At the same time – actually contradicting his previous thought –, in his famous thesis he emphasized food shortages, and demanded the increase of population to be stopped at any price.) At the beginning of the 19th century, owing to the spread of the *Say dogma* – this says that total supply always creates its own demand –, the possibility of a crisis was considered partial and temporal. The French *Clément Juglar* (1819-1905) was the first to make time series analyses, and relying on these he mentioned investment periods of 7-11 years long that depended on prosperity and hided in the background of trade depressions. In our days, *Karl Marx* (1818-1883) is regularly referred to in crisis interpretations. Marx's set of thoughts most referred to is the one saying that in production the proportion of the production tools necessarily (and at a growing extent in the globalization process) increases to the detriment of the labour force creating the new value (the organic composition of production grows), therefore the profit rate shows a declining tendency (which must continuously be counterbalanced by new methods) on one hand, and the demand is insufficient on the other. During the time of a good boom, the contradictions accumulate in a latent way, and burst to the surface suddenly. And the periodicity of the crises is a consequence of the contemporary mass renewal of the capital assets. Marx, however, in his deeper theoretical approach, attributes the depression to the basic contradiction of capitalism, the antagonism lying between the societal nature (organization) of production and the individual dispossession of the results of production (private property). This is the basic root of the contradiction between the organized nature of production and the anarchic nature of the market, and the contradiction of production and insufficient demand. *Josef Alois Schumpeter* (1883-1950) related the crises to the periodicity of the introduction of new technical developments into production and the cyclic nature of innovations. He emphasized the positive side of the crises, that is the creation of the conditions necessary for the boom period meaning a new technological level, the "creative destruction". According to *Nikolai Kondratieff* (1892-1932) and his followers, the adoption of certain technical inventions of great importance and the amortization and the supplement of these (partly the international flow of factors and within that the international flow of capital and labour force migration) designate big cycles of 50-60 years that are divided into an emerging (A) and a descending (B) phase. Analyzing the American economy, *Simon Kuznets* (1901-1985) found that economic crises occur every 15-20 years, and explained these primarily by the cyclic nature of infrastructural investments. According to *John Kenneth Galbraith* (1908-2006), over-production is a consequence of the monopolist character of the economy. The depressions may be prevented by economic planning and an increase in state contribution. He also wrote a book on the history of financial speculations. *Paul Samuelson* (1915-2009), in his Economics studied by several generations, considered the crises as immanent elements of capitalism. In the early editions he described in details for example the extremely short-term and profit hunting psychosis which leads, in today's term, to the development of bubbles. This part, however, was removed from the text of the editions published from the '60s. According to Samuelson, *Roy Forbes Harrod* (1900-1978) and *John Richard Hicks* (1904-1989), the Keynesian multiplicator and accelerator effect (and the retarded impacts of these) may divert economic growth from the equilibrium path. *John Maynard Keynes* (1883-1946) himself dealt with the possibility of crises, but in his general theory he considered them avoidable by an anti-cyclic state economic policy and its multiplicator effect.

In addition to the disequilibrium models of crisis explanations introduced above, there is another trend which places the focus at the anomalies of financial and fiscal processes. According to *Johan Gustav Wiksel* (1851-1926) and *Friedrich Hayek* (1889-1992), over-production is the consequence of over-capitalization. In his early book *Paul Krugman* (1953-) wrote that the economic stakeholders keep governmental over-spending unsustainable. They expect the government to fill in the deficit by deficit financing and selling currency. The previous causes inflation, and the latter one may end in currency speculation which finally leads to imbalance. *Nouriel Roubini* (1958-), who is the most known "predictor" of the present global world economic crisis in the US, explains the effects of financial and real economic processes in their interrelation.

The nature and history of crises

Economic cycles and within this crises are the natural phenomena of the operation of capitalism. The first over-production crisis broke out in England in 1825. The first real world economic depression burst one and a half century ago, in 1847 (partly giving ground to the revolutions of 1848). The economic business cycles are generally of 7-10 years long.

At the beginning of the bustle and boom classic economic cycle, also because of competition, new production increasing technology is introduced (intensive phase), and new production capacities are created as a result of the good conjuncture (demand), and later the production bases are extended at the level of the existing technology (extensive phase). Production flies high on one hand, and so are the prices of the stock exchanges and the securities. After some time, the capital – its financial and producing forms, too – become "over-accumulated" from the profits of the boom incomes. The financial, exchange and production-service (capacity) "bubbles" come to life. Competing in production and services keeps growing, over-production (or rather over-capacity these days) starts, and technology becomes more and more a substituted for value making labour force (press on wages). Supply is not followed by solvent demand (neither on the market of products, nor on that of securities later). At the end of the boom the profits start decreasing. The crisis, which appears at the surface as the loss of confidence, arrives ("the bubbles burst"). In the depression period a considerable capital loss (devaluation) takes place. The stock exchanges,



the share prices, the prices of the real estates and the securities substituting for real estates and serving speculation (only PC data today) fall, production capacities are closed, high numbers of less competitive (mainly smaller) producers go bankrupt, and the goods on stock are put on sale or eliminated After the surplus securities not covered by any realia have become devaluated and the surplus capacities disappeared, the equilibrium slowly becomes restored, and the possibility of starting a new cycle is created. (This is why Schumpeter called the crisis a "creative destruction".) Upturn often begins after some months of a depression (stagnation or slow development) period again.

The deepest global crises are at the same time daybreaks in the history of capitalism (they are more than just cyclic crises). The declining tendency of the profit rate, which is typical of capitalism and accelerates in crisis periods, must partly be counterbalanced by a new operational method. The node crisis means that capitalism is unable to operate the earlier ways, or it must renew its ways of operation (see Rozsnyai 1994). The depressions that are less deep, and do not reach each of the sectors and economic fields are also called medial or intervallic crises.

There was a nod crisis going on from 1873 during which capital concentration accelerated, and the capitalism directed by economic-financial monopolies was born. The Great Depression of 1929-33 confirmed state intervention (the prototypes of which

appeared already in the war economy of World War I). The evolution of neoliberal capitalism directed by transnational companies, and so the completing globalization of the economic relations started with the crisis in 1974.

The node crises are more or less *connected* to one or another *industrial revolution*. The crisis in 1847 was preceded by the introduction of steam engines, and was followed by the rapid development of the means of transportation and the building of railway lines. After the 1870s mass production started on the base of the new results of physics (electricity) and chemistry which made (in parallel with the sharpening of market competition, that is the fight for realizable profits) the concentration of capital in big production units, the monopolies, necessary. The Great Depression of 1929-33 was preceded by over-production also connected to belt-system production, and then recovery became possible partly with the help of the war industry boom preparing the new war. After World War II, the most important traction sectors were oil-chemical industry and car production. After 1974 it was the micro-electronic, telecommunication and transportation revolution that made the recovery and globalization itself possible.

Across the development history of capitalism the basic nature of the crises remained, but their characteristics have changed a lot. In some cases not all of the developed countries got into a recession at one time, so they "rescued" each other. The state interventionist Keynesian anti-cyclic economic policy decreased the amplitude of the cycles at a considerable degree after World War II, however, trade fluctuations became some more frequent in the '60s and '70s. Earlier, it was the colonial system, today it is modern economic dependence and the debt problem which in many cases allow the shifting and spreading of the crisis phenomena upon the less developed and the developing countries, e.g. during the regional financial crises between 1997 and 2000 (making them indebted, speculative capital movements, displacement of existing production lines, etc., see Artner 2006, pp. 165-171.)

The pecularities of transnational capitalism (globalization)

The nature of the present world economic crisis (several of its peculiarities) originates in some of the important characteristics of transnational capitalism and those of the globalization era. These latter ones are as follows.

1. *The evolution of a financial balloon of never ever seen size.* After the crisis in 1974 the displacement and rescue of the over-accumulated capitals (gained from international transactions and also appearing in high raw material prices) that were condemned "written off" within the national frameworks during the previous crisis periods started (indebtment of the developing and the then socialist countries through temporarily negative interests and production displacement). This was supplemented by the becoming of currency speculation general and later the introduction of derivative (speculative financial) means. In 2008 speculative cash flow amounted to 24 times as much as the global GDP (own calculation relying on the statistics of the Bank for International Settlements). The total cash flow (the previous ones + bank credits and their instalments, direct investments, wage and profit transfers, foreign trade payments, etc.) reached almost hundred times as much as the world trade. Owing to this, the exchanges soared (in 1929 the capitalization of the New York Exchange amounted to 80 percent of the American GDP, and to 160-180 percent in the first decade of the new millennium – see: the various data of the World Development Indicators). The power of financial capital is more enormous than it was in the earlier phases of capitalism, and financial capital and producing capital are directly intertwined (e.g. of the 13 branches of General Electric the financial one is the far most profitable; the pension funds and venture funds finance production investments; the big companies, like Volkswagen, conduct huge transactions on the speculative money markets). It clearly shows the power of financial capital that the money investment, that is speculative, incomes – first in the history of capitalism – have become higher than that of production capital. This encumbered the financing of production activities and the states of decreasing incomes.

2. Driven by competition and adopting to the demands of global production organization (and allowed by the informatics, telecommunication and transportation revolution), *transnational companies (TNCs), or producing-financial conglomerates that are of much bigger size and financial muscle than the former monopolies, and cooperate and compete at the same time, have evolved* (fusions and buy-outs).

3. The global liberalization and completion of economic contacts (including the outstandingly important ownership relations) resulted primarily in *the displacement of labour intensive production* to the rising countries offering good conditions (mainly to a dozen countries, first of all China). So the extensive and the intensive phase of the economic cycle "have been placed side to side" in the global scope: the technical-production tools condemned to be discarded

are kept in operation in the low-wage countries (in the form of direct investments), while technological renewal has become permanent in the developed countries, e.g. in electronics (see Rozsnyai 2002, pp. 88-89). *In the hierarchy of the capitalist centre, the semi-periphery and the periphery production cycles (also depending on global processes) of the country groups and regions unite in a global cycle not always synchronistic but subjected to the developed countries in complicated interconnections*. According to Tamás Szentes, the global nature of the present crisis proves the "*only and organic* nature of world economy", including the trade, the technological, the creditor, etc. inequalities and the asymmetries of international ownership relations (italics in the original text, Szentes 2009, p. 62 and pp. 111-147). Not even China can escape from the impacts of the present crisis (since the most of its industrial production and its export is provided by the TNCs).

4. Production displacement serves and contributes to the global capacity over-accumulation. In the developed countries both state policy and the trade unions are braking capacity reductions, or at least their final termination. *Surplus production capacities highly exceeding those of the former times have evolved*. One third of the global capacities remained unused in car industry traditionally, and in steel industry and building material industry after the millenary, and the situation is very similar in electronic industry (where these capacities disappeared at the beginning of our decade, after the informatics bubble had burst out). The maintenance of the surplus capacities was made possible by the enormous financial muscle and money market extra profits of the TNCs.

5. Production displacement results in *the increased global competition of the workers (and countries)* and so the reduction of wage costs and social benefits. Primarily in the developing countries, technology supersedes human from production, but industrial employment has been stagnating since the late '90s in the rising countries, as well. Actually, the real wages have been stagnant in the developed countries during the previous two decades, and considerably fell in the USA in the 1990s. The proportion of the capital incomes in the GDP is growing to the detriment of work incomes worldwide (this has very much contributed to the sustainability of the profit rates and the lengthening of the economic cycles). *The weakening of consumer demand (and consumer savings) was overbridged by consumption inciting credit dumping* (see Szalai 2006, pp. 35-36).

6. *Thus credit market, the stock of debts, has swollen enormous*. The decrease in the real economy incomes (compared to the financial incomes) and the lack of demand – not only in the case of the population – was surmounted by growing credits during the previous decades. Loans and the increase in the stock of debts were used to a./ counterbalance the stagnation or decrease in the population's work and other incomes were; b./ finance the production less profitable as compared to money incomes; c./ counterbalance the governmental incomes narrowing as a result of neoliberal policy. The data is terrifying: according to the bank of banks, the Bank of International Settlements in Basel, the banks and other financial institutions of the world kept USD 585 trillion debt (credit loan) registered in 2008, which is ten times as much as the world's annual GDP!

7. *Globalization allowed the evolution of much bigger international trade and payment balance disequilibrium than the former phases of the world economy did* (Farkas 2002, pp. 142-144). The outstandingly high, 6-7 percent deficit, which is predicted to be 8 percent in 2009, and is unsustainable in the long run, was and is financed by the rest of the regions, including Africa ("perverse capital flow").

8. *The theory of the percolation of wealth has not proved to be true: the income differences grew further within and between the countries which has caused serious social tensions*. In the seventies, the difference in the average GDP per capita between the developed and the developing countries was 19 times as much, today it is at least 25 times as much. The difference between the end values is 80 times as much. According to the OECD, there are hardly more than 4 or 5 countries where the domestic income differences (measured with the Gini coefficient) has not grown between the "upper" and "lower" social groups over the previous decades (OECD online). Although as a result of China's development, the number of those definitely underfed has decreased by 2-300 million during the previous decade, the present crisis has already "overcompensated" for this, and the number of the starving people has grown by 3-400 million (not in China). So today 1.2 billion human beings are starving!

Thus globalization allowed imbalances of never ever seen sizes both at the national and the international level. *The transnational capitalist (globalization) system* – although it had some medial cyclic crises at the beginning of the '80s, the '90s and our decade –, *kept the problems rolling forward, and the tensions, not even hidden in most fields, have been continuously accumulating through 30 years* (see more details: Farkas 2002, pp. 107-185).

In order to keep this rolling sustained and to prevent an even bigger crisis, primarily the USA – contradictory to the neoliberal principles (of the Washington Consensus ensuring the opening of markets for the strong ones) officially announced and called to account upon other countries – *applied a policy mix, and within that anticyclic demand inciting and liquidity creating means, sometimes even protectionism, mainly between 2000 and 2002* (e.g. the governmental economy incentive package of USD 150 billion, the increase in money amount /M2/ exceeding 10 percent or the raise in steel industry duties). The low level of the interbank rate (its permanent reduction to 1 percent after 2002) and the credit dump creating demand were the means of economy incentive, as well. So the Keynesian economy incentive steps made by the US in the present crisis (bank rescuing packages, creation of liquidity, that is partly [bankóprés], production inciting and workplace creating activity, public works, etc.) are not without preliminaries.

The general characteristics of the present crisis

The present serious and at the same time node crisis is the consequence of epochal economic processes clearly describable according to the above. The bigger the tensions in a system grow, the more probable it is that it will be broken apart by the internal powers. From the middle of the '90s, for example *Thurow*, in one case

Greenspan and then *Soros, Krugman, Stiglitz, Wallerstein* and many other, and in the previous years even *the IMF warned us of the danger of a great crisis*.

The present crisis has *general peculiarities connected to the classic crisis process*. Paul Samuelson said that: "The present situation is very similar to the (Great – P.F.) Depression, and in some fields, the property market, for example, the conditions are even worse" (Prior to 2012… HVG (Weekly World Economy), Jan. 24., 2009, p. 8.). So contrary to all other rumours (and expectations) the present crisis is not merely a property market crisis (as it has been clear since at least the autumn of 2007, the first bank problems). Contrary to all the earlier rumours, this recession has proved to be more than a credit market crisis, and it has not only caused the general depression of the money markets. The simple fact is that the crisis, after the property bubble had burst out, found its way through to the financial and exchange processes just as it had done in 1929. *The present crisis is a "general" over-production (and profit realization) crisis, similarly to the former serious recessions*. Over-production, however, does not only mean the over-production of goods, although it is also present in the current depression (car industry, electronics, building material industry, metal processing, etc.). *Over-production refers to capital in general, independent of its concrete form (money, security, goods or producer)*. And, as it has already been mentioned, owing to the information revolution, the production of surplus stock is not typical any more, but the accumulation of surplus and unused production capacities (waiting for better times).

The present crisis "plays the same role" as the former ones: liquidation of capital surpluses and of economic disproportions, rehabilitation of the demand and supply balance allowing the start of a rise and the growth in the profit rate by the introduction of new techniques.

Many simplifying views of the present crisis have been born. These disregard the lessons of the epochal economy historic analyses as well as the peculiarities of today's capitalism and its depressions. (One of the most simplifying ones was the one given high publicity in the Hungarian media

saying that the reason of the crises is that bankers are replaced after some time, and the new ones do not know the mistakes made earlier.) We can understand the nuances of today's global recession in case we consider, in addition to the general phenomena presented above, the peculiarities of the current capitalism, as well.

The pecularities of the present crisis

So the current global crisis possesses some important characteristics originating in the peculiarities of transnational capitalism (summarized above) *and playing influence on the future*. According to my opinion, these are as follows.

1. Globalization played an outstanding role in the evolution of tensions and disproportions as well as in their accumulation: the internationalization of the economic processes, the new wave of capital concentration, the sharpening of global market competition, the neoliberal world order and the rolling of the global disproportions and tensions mentioned above – all these owe to the development of technological possibilities (the revolution in info-communication and transportation).

2. The tensions and disproportions in trade, payment, capital flow, finances, debts and production capacities are much bigger than they were during the former crises. Thus – as it is provable by statistical data – the evolution of the crisis meant *the start of draining national and global tensions that exceeded even those having accumulated prior to the Great Depression of 1929-33*.

3. This time the depression definitely set out from the capitalist centres, however, the rising countries increasingly building in the world economy and the under-developed countries are very much involved, as well (through e.g. capital withdrawal, the narrowing of export possibilities, the working capital flow and the reduction of supports).

4. *The decisive element* of the evolution of this serious situation was *the differing company interests of the transnational companies and the big investment corporations which were a lot less limited by governmental economic politics and the national borders than they had been in the times of the so-called welfare-state contribution capitalism*. The neoliberal game rules (e.g. in the WTO) and the principles of the Washington Consensus were practically created by the representatives of the TNCs and the Trilateral Commission (and were then turned into practice by international organizations like the WTO, the World Bank Group and others). Despite the warnings, the activity of the TNCs and the investor-venture companies were

not regulated in order to ease the global tensions (e.g. the reform bringing a stricter control of the money markets – the introduction of the "new financial architecture", which had been promised to be done during the crises of 1997 and 98 – failed, the Tobin tax aiming at braking speculation was not introduced, the crediting-saving rules were made looser, and the interests were reduced to an irrationally low level, especially in the USA). So *responsibility* – as it could be clearly seen in the irresponsible real estate crediting practice – basically burdens *the investment corporations, the banks, the TNCs and the governmental economic politics representing their interests*.

5. *The highly extended range of the global competition of the labour force, which atomized and (through the fear of capital withdrawal) weakened the workers' positions and the representation of their social interests, is an important characteristic*. Nevertheless, the trade union movement (Greece, Germany, Great Britain, Italy, France, etc.) and the voice of the Social World Forum (Belem, 2009) strengthened as the crisis expanded. The developing countries, too, are expressing their interests at the international consultations (e.g. the WTO meeting at Doha or the G20 at Davos, 2009). Still, especially in Eastern Europe but elsewhere, too, demagogic, xenophobe and racist extreme rightist interpretations are gaining ground which may lead to serious consequences (neo-Weimarian situation).

6. Seeing the deepness of the depression today, it is clear that *the neoliberal idea of the self-governing market has at least been seriously leaked* even if not yet sunk.

7. The size of the tensions and the devaluation of the economic doctrines of this era show that *this is a node crisis again*. After the crisis ends, an at least partially new economic-social world order, a new model of capitalism will evolve.

8. I lay great stress on and deeply analyze the fact that, especially in the central countries, *the evolving crisis is dealt with in a very differing way as compared to that in 1929-33*.

In 1929-33 – still in the spirit of the liberal doctrines excluding intervention – capital loss was let loose, and protectionism became dominant. The value of the capital mountains fell to one tenth, the debts – the international debts, too – disappeared, they were written off, production slumped into a deep abyss, and unemployment grew to five times as much.

In opposition to this, today *the developed industrial countries are trying to lessen the devastating impacts of the crisis by internal cash generation, capital injections, guaranties, the assuming of doubtful demands, nationalization and economy incentive programs* (the total amount of these is between USD 10 and 20 thousand billion). *This is a double-edged weapon, a trap situation!*

In case the surplus (virtual) funds and the surplus production capitals – or a part of them – are saved, and the US remains allowed to grow its domestic consumption from external resources, the economic rise may start again without the (total) restoration of the equilibrium. Capital loss is, of course, serious even now (only at the exchanges and the housing markets it amounted to app. USD 40-45 thousand billion, and virtual values uncovered with commodity values or realias and equal in value to two thirds of the global GDP "disappeared"), still it is possible that the banks' and customers' financial means, which can be considered over-accumulated, and a part of the production-service capacities will, with more or less losses, be rescued before the equilibrium gets restored, and the macro-economic disproportions remain existing at a certain level. In this case, global capitalism will go on rolling forward the problems that have accumulated over the previous 30 years, and as a result of this the next economic cycle may be relatively short, and the chance of the evolution of a new deep depression remains on the stage. The new good conjuncture period will again –at least partially – be a story of problem rolling.

And in case the governmental rescue policy is not applied, the consequences might even be heavier: the total collapse of the global capital system and production, the termination of international payments, thus the victory of protectionism, the writing off of all types of debt, the disappearance of the ten and hundred millions of jobs, a two figure fall in the GDPs, and the bursting appearance of the social tensions. So we would face a total disruption similar to that in 1929-33. And the deep crisis leads, according to the historic experience – towards the rise of the extreme right, fascism (we are experiencing that in Eastern Europe) and wars.

There is one more important remark to be made here: *the developed countries make the governmental Keynesian intervention steps possible primarily for themselves*. (As it has already been mentioned, over the previous years the West, and especially the USA, applied the neoliberal principles a lot less strictly than they expected their application of other countries.) The demand incentive, internal cash generating, capacity and work place creating, sometimes nationalizing economic policy increasing the state incomes in the middle run are usually realized by the most developed countries, even at the expense of increasing the state budget deficit or the state debt. (The state budget balance deficit of the USA will amount to 13 percent of the GDP in 2009, that of Great Britain is probably similar, and the most of the developed European countries' deficit will exceed the 3 percent Maastricht threshold. *So in order to restore the equilibrium the most developed countries – at least some of them – are escaping forward. It is the most developed ones who divert from the neoliberal ideas, while they account the less developed ones for the principles of the neoliberal Washington Consensus in an almost unchanged way (e.g. in turn for debt management). They expect policy of restrictions of the indebted poor and less developed countries* even if the level of their state debt is not higher as compared to the GDP than that of many developed countries. *This is a double scale – originating in naked economic interests* –, and expresses the one-sided economic-market-power interests of the developed countries and the crediting banks. Liberalism-neoliberalism is the ideology of the strong and the interests of subordination – we have known this since the second part of the 19th century, from Friedrich List, a famous economist of the then rising Germany.

The probable course of the crisis

According to the historic comparative analysis, in the cases of the global growth crises, which were accompanied by financial depression and were at the same time strongly synchronized, recession lasted for almost two years in average, and the GDP decreased by almost 5 percent during this period. Then came a stagnation or light conjuncture period of almost the same length in the course of which the GDP grew by only 2.8 percent. The rapid rise started only subsequent to these two phases, that is 3.5 years after the growth crisis had started. However, Europe is usually 1.5-2 years late in following the American uptrend. And it must also be emphasized that the total stabilization of the financial sector demanded 7(!) years in average.

In the present recession we must consider *two contradictory facts*. On one hand, the recent crisis is deeper, however, the Keynesian anti-cyclic money injection economic policy may prevent its further deepening and protraction on the other.

In the Institute for World Economics of the HAS we have drawn up three scenarios. 1. In the basic variant we postulate the fact that the course of the crisis will be similar to the – mentioned – tendencies of the previous decades' bigger recessions. Thus in the USA and the non-European rising countries the economy stabilizes from the spring of 2010 (from 2011 in Europe) and a rapid uptrend may start from the summer or autumn of 2012 (from the end of 2013 in Europe). 2. According to the optimistic prognosis, after the stagnation-like state in 2010, 2011 will bring along a rapid upraise. In this case, the European Union is likely to follow the US's uptrend from the end of 2012, but consolidation and a slow growth may start already in 2011. However, this scenario makes it quite probable that the next expansion period will shorten to 4-7 years. 3. According to the pessimistic variant, at least one of the triad of the developed countries will face economic collapse (a decline in the GDP exceeding 10 per cent), or the Japanese type of the lost decade syndrome appears.

It is, however, to be feared that this consolidation is temporary, and the procession line of the crisis will take up a W form, so there may come another slump period. This is not at all impossible according to the experiences gained during the Great Depression in '29-33, since the indicators of the New York Stock Exchange rose at a level exceeding 20 percent three times which were followed by falls in each case. Of course, we do not consider this possibility only owing to the historic antecedents but because real *risk factors* originating in the present crisis situation exist. These are: the still existing surplus production capacities; the demand (export and domestic market) limits; the deflation danger, at least in 2009, and its impact on the profits; the probable bankruptcy of a part of the consumers' and companies' debts; the failure of the clearing of the bank portfolios and so the possible further difficulties of the global banks, state indebtedness, and the narrowing of the possibilities of financing the latter. Nouriel Roubini, the lecturer of the New York University having become an economist star because of his prediction of the world economic crisis, has come to the same conclusions (Roubini 2009).

Models of the future

As it has already been mentioned, the present crisis is not merely financial, nor only over-production, but a kind of node crisis of global capitalism. Thus after the crisis finishes, *its operational method must surely change*. The extent of this change is not yet clear at all. Professor Lesley C. Thurow was right when saying that capitalism used to change owing to big depressions or peoples' movements (Thurow 1995., pp. 310-311). The very weak trade union and workers' movement will – probably – not play a strong effect, although the deepening of the crisis may bring about surprising developments. It is rather the economic pressures that will influence the socio-economic model evolving just after the crisis ends.

1. In case the present crisis does not deepen, because the bubble gets rescued and partially repumped, the model to come will probably be an *altered neoliberal model*. It will be a subdued neoliberal model in which the financial flows, the banks, the investor and hedge companies and the credit rating institutions will be controlled and regulated more strictly than they are today, and the financial control authorities will be strengthened. The G20 decided to do so at their London meeting in April 2009. It is primarily the uprising BRIC countries (Brasilia, Russia, India and China) and perhaps Southern Africa, the developing countries in general, that will have an increasing impact at the international institutions and organizations, but all this can not mean that their capability of interest enforcement will basically be strengthened. Probably, the state role played in economy organization and economy incentives will grow in the centres. However, the peripheries will still be forced (by various conditions) to conduct neoliberal policies.

2. In case of the considerable deepening of the present crisis, a real economic collapse, a model leaning to Keynesism is likely to come. The operational method of capitalism would change at the international

level, as well. In this model the international financial bubble would more consciously be tried to be kept between limits, or perhaps even terminated. The multilateral institutions would be reformed, the state debts written off in a rather wide range, the development state would be given legitimacy, anti-cyclic state economic policy would be allowed everywhere in the world, the global coordination of economic political activity would strengthen, the environmental aspects could come forward, and some kind of a change of political order would also take place. While the first, neoliberal model fits into a US-directed unilateral world, this latter one wants a multipolar world.

3. And there is a third model which may only become possible in the long run, as a result of the societal crises probably following the present depression: the *social/socialist/sustainable model*. Everyone can use the most beloved of the three words. This model will place, in opposition to the principle of individual responsibility, the creation and warranting of general employment and the individual and collective "social and economic rights" (creation of high numbers of work places, societal minimal wages, the right for housing, medical care, etc.), as well as strict environmental protection, including the spread and traction role of the green technologies. In this model democracy allowed by economic safety, the direct and indirect democracy practiced by each member of the societies continuously, that is the democracy of the global world order will come which means the placement of the majority's interest into the foreground. This model lets much more space for community property forms than the one today even if the multi-sectorality of properties remains – more or less – existing. This is, however, a long-term vision.

Today, in the political dimension, we must even fear that, in case the crisis deepens, and in case unemployment keeps growing in the following 18-24 months, the dark clouds of rightist autocracy shouting for "order" will gather, as it is usual in chaotic crisis situations.

The historic past teaches us that these are the sketch lines of the alternatives we are facing. Of course, many variants of these models may evolve. And in addition,

models do not usually occur in clear forms, they overlap or dissolve into each other.

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