The “illuminating” crisis

The current crisis brought to the evidence a number of severe dysfunctions of the prevailing system, which encouraged discussions about “the end of capitalism” and questionings about what is wrong with economics. Economists and business analysts, as well as policy makers are confronted with the shortcomings of the leading economics and business theories, especially when it comes to be used as practical tools for prediction, prevention and intervention.

If there is anything good with the global financial crisis and its consequences, it is this opportunity of refreshing thinking, and bridging the gap with the real world in the fields of economics and business. While some see the sunrise of economic recovery, others, as Luigi Spaventa of CEPR, consider that “a debate on the lessons of the crisis … is only just beginning”. Even if panic seems now to be overcome, the lack of confidence in the capacity of policy makers and managers to prevent such situations will persist, as long as the system remains unchanged. Until now the treatment was symptomatic. Even today, the debate focus on narrow term issues, as it is, for instance, the conceiving of a practicable exit route for the massive government interventions. But it is also necessary to look deeper into causalities and find a real cure. The world economy is changing, and it might be the case of new paradigms and new regulatory and institutional architectures to accommodate the current and future challenges.

We wonder whether the crisis has affected in some irreversible way our confidence in the tools currently available to understand how businesses and the aggregate economy work, or the decision process at both private and public levels. Thus, Amfiteatru Economic Journal dedicated the present special issue to the crisis and its consequences. It hosts several contributions addressing these concerns. They reflect three main directions of work for economists, managers and policy makers: economic modeling, economic behavior and policy response

Despite its limits, *economic modeling* will continue to provide useful decision-making foundations. Albu explores the possibility of improving, in the benefit of the business community, short term forecasting in crisis circumstances by using composite indicators, while Wang, Lee and Thi, using a threshold vector autoregression model, find that foreign direct investment and domestic gross direct investment are complementary during recession, unlike in expansion periods when the relationship between the two variables is substitutive, providing a substantial support for adapting during crisis the monetary policy.

Meanwhile, other authors are preoccupied about *the behavior of economic actors* and the failures of the institutional setting. From USA, Borgman deeply analyses one case when broker and rating agencies failed in informing investment decision makers, in order to challenge in a more general way the current institutional and instrumental framework. The same concern regarding the “bounded rationality” is highlighted, in the context of principal-agent relationships, by Horst Todt from Hamburg University. Elisabeth Paulet (France) analyses the evolutions in the financial sector industries and bring arguments about the role that universal banks might play in improving the resilience of the sector toward destabilizing factors.

Another interesting approach is related to the public policy response. Oprescu, Eleodor and Damtoft, look at the way in which state aid and competition policies where altered by the crisis and warn about the long term negative consequences of suspending the enforcement of competition rules, while recognizing that it might be room for more flexible procedures. Ciutacu, Chivu and Iorgulescu ask for more precaution regarding the raise of public and private indebtedness, and Năstase and Kajanus find that the crisis represents an opportunity for policy makers to address structural weaknesses with a specific focus on SME and entrepreneurship policies.

Obviously, the articles included in this special issue are well integrated in the current debate suddenly reanimated by new threats. This debate is still far from suggesting satisfactory answers that most of the people see as necessary: a fundamental reform of the dominating paradigms that will simplify the economic life, restore confidence, heal global imbalances, will reward performance and fairness and will reinforce solidarity.

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