

STATE, ECONOMY AND TOURISM - A POWERFULL RELATION (Stat, economie și turism – o relație puternică)

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Abstract

The complexity of tourism phenomenon, its social, cultural and economic implications, and the join of its elements needs to be taken into account by the governments, which understood that it can be obtained benefits from these activities.

In theory and practice, one of the most important problems is the relation between state and economy. For two hundred years, Economics has been dominated by the controversy related to the economic role of the State, shaping a lot of theories.

It is well-known the idea that the central pillars of Economics are Smith, Marx and Keynes. The first described the virtues of the liberal Economy, the second one described the contradictions that determined its fall in and asserted that it had to be replaced be economic planning, and the third one presented the solutions to avoid this fall in by the State intervention, in a managing economy.

Keywords :

- State;
- Economy;
- Tourism.

Rezumat

Complexitatea fenomenului turistic, implicațiile sale sociale, culturale și economice precum și alăturarea elementelor sale trebuie luate în considerare de către guverne, care au înțeles că se pot obține beneficii din aceste activități.

Atât în teorie, cât și în practică, una dintre cele mai importante probleme o reprezintă relația dintre stat și economie. Timp de 200 de ani, economia a fost dominată de controverse legate de rolul economic al statului, modelând multe teorii.

Este bine cunoscută ideea că stâlpii centrali ai economiei sunt Smith, Marx și Keynes. Primul descria virtuțile economiei liberale, al doilea contradicțiile care îi determină eșuarea și susținea că trebuie înlocuită cu planificarea economică, iar al treilea prezenta soluții pentru evitarea acestei căderi datorită intervenției statului într-o economie direcționată.

Cuvinte cheie:

- Stat;
- Economie;
- Turism.

1. Background

Liberalism stipulates that the state mustn't interfere in economic life. Adam Smith, one of the liberalism founders (1) asserted the sovereignty of the fellow and the self-regulation character of the market. He asserted that there's an "invisible hand" which determined the producers to promote the society's interests. He accepted the state intervention only in case there wasn't a private interest in producing goods, such as infrastructure or education. This doctrine has as paradigm: private property, free entrepreneurship, free shifting of the factors of production from a sector to another function of barometer of the prices, state nonintervention in economic life, and its role is one of a night watchman; general interest satisfaction by the free play of individual activity (2).

In Smith vision, the economic role of the state is limited at three important responsibilities (3):

- The responsibility of protect the society of any attack or invasion from other independent society;
- The responsibility of establish a good sharing of justice;
- The responsibility of fulfill and maintain some public works, whose maintenance will never be the interest of a private or for a small group of private.

A classic economist and a follower of Smith was John Stuart Mill. In the essay about freedom, Mill denounces any tyranny on fellow, even the tyranny of the majority and for that reason, if his predecessors accept the states' intervention, minimal zing its role, he doesn't conceive the state's intervention but for the social utility. Even the state's intervention but for the social utility. Even the state's intervention which is accepted by Mill doesn't proceed but for encourage

individual initiative and in the context of respecting the principle of individual liberty: "a good government will show its help in a way that encourage and feed all that means individual effort to produce" (4).

About the state's implication in economy, John Stuart Mill played attention on two new concepts: "externalities" and "public goods", which will be take over by the neoclassic. Mill shows the danger of red tape's extension, and then is lent weight to administrative proceedings.

The neoclassic theory took over some elements of the classic liberalism paradigm, its representatives being supporters of the individualism, protectors of the market economy and of the private property; also they was against state's implication in the economic activity of the private agents and they backed up the policy of the free competition and of the exchange (5).

The neoclassic consider the society as "an aggregate made by self-contained fellows, free an equals, the market being their touching point.

By neoclassics (6), state's implication in economy is justified only in those situations when the market isn't managed: achievement of some public goods (national protection, justice, police, public enlightening etc.) and of externalities (the effects determined by the one economic agent on the utility or profit of the other economic agents besides a market transaction. The state must provide for fellows the collective goods with compulsory use, subsidizes them by a system of stamps duty contributions; the contributions mustn't be an obstacle for the economical exchanges and must cover the public expenses. Also, the state's implication is needed for the straightening of externalities to a competitive activity.

Karl Marx contests the liberal theory and the capitalism and he conceives a new line of approach and analysis for the economic problems. His economic concept, reflected in *The Capital*, substantiates a theory of capital's dynamics and of capitalism's way of production. The capitalism's study leads Marx to the conclusion of its threatened bankruptcy; its cause is the contradiction between the collective way of production and the individual way of production performance's appropriation. A natural following is the replacement of the capitalism with the socialism.

In Marx theories there are two different approaches the state and its role in economy and society. On the one side, is contested even the state's existence, the communism being a society without classes and state, on the other hand, state's existence is bounded of society's division in social classes, the state is an instrument of the dominating class. In practice, his theory was translated in the majority of the communist countries through the state's intervention in all the domains of economic and social life, by the excessive centralization of the decisions and the diminutions of the initiative and of action's liberty of the economic agents, the instruments being administrative-bureaucratic.

2. Research findings

Contemporary economic thinking emphasizes a new vision about the state's economic role. Keynes's revolution marks the change of traditional vision about state's role. After this moment, the ways of state's intervention in economy evaluate under the impact of the economic environment's change, of the public authorities and of the theoretical fundaments of the economic policy (7).

Admitting the market's lack of self-regulation capacity, anytime and automatic, by its own mechanism and by the free competition, John Maynard Keynes suggests completing the market's mechanism with the state's intervention, in order to correct the cyclical instability and to avoid its amplification.

Starting from the economic, social and political realities of the capitalist world in the third and fourth decade of the last century, Keynes draws up a more comprehensive theory which change the economic analysis from the microeconomic level to the macroeconomic one. The object of this theory is "the analyses of the market economy's functioning for provide it a lasting existence, diminishing or eliminating the instability" (8).

Being a defender of the capitalism, he wants to save it using the state's intervention in economic life. By his vision, (Keynes) the state is a specific economic agent whose intervention is legitimate in the exercising of three major functions: the production or allocation of goods and services, incomes' distribution the stabilization or economic regulation.

In Keynes conception, the only mean to eliminate the instability is the expansions of the democratic state's functions. The principal objective of its measures is the whole employment. The state's intervention in economy has a social purpose, as Keynes says: the principal defects of the society's economy are the disability to provide the whole use of labor and the random and unjust allotment of the property and earnings (9). The state's action discourages the saving and stimulates the expenses/spending, especially public expenses, in order to increase the effective demand using two economic-financial levers: monetary policy and budgetary policy.

The economic role of the state is to counteract the market's hitches concerning investments, the market being unable to show the entrepreneurs which is the investments' level for the whole employment of the labor. "The state is able to calculate the marginal utility of the capital on long term and taking into account the social interests of the community, it will take the responsibility in organizing the investments directly" (10).

The explanation of the state's economic role has as a consequence in the post war period an increase in volume and a change of nature of the public finance. The state's intervention, which are now very numerous, aren't based any longer on public finance, but they also regard measures for establish the roles of the economic game (the drawing up of regulations regarding competition, period and conditions of work, fall-back pay, social protection), also the using of monetary policy's instruments. The state manage also the public sector, which is developing very much, including traditional public services (post-office, telecommunication, railways) and some enterprises which produce goods in various domains (coal and ore's extraction, siderurgy, cars' building, planes, banks, insurance companies).

By the mean of public finances and monetary policy, in the countries with a market economy, the state realized interventions in the level of economic activity, making public investments and encouraging the private investments (lending, subventions, and fiscal facilities), guaranteed the production of goods in public sector, distributed the incomes and fought against inequities. The state encouraged in that period a strong and balanced economic increase, with a low inflation, unemployment and trade deficit.

After the second war, the economist Roy F. Harrod conceives the work "To a Dynamic Economic Theory" when he presents a model of economic increase based on three rates: real, natural and guaranteed. The state's intervention in economy by Harrod's conception, pursues to reduce the swings of rates.

For diminishing these swings, Harrod recommends the state's intervention in economy by "stop and go" policy. This means to use the fiscal and monetary policy, for hindering the expansion ("stop") when the economy is too warm, by the increasing of taxes and the growth of rate of ingest, and, when the economic activity stagnates is necessary a pump priming ("go") by reducing the taxes, growth the quantity of money on the market and diminishing the interest. The concrete ways of intervention are: public works, operations on monetary market, ten years budgets (whom the surpluses from the boom cover the deficits in the recession, "buffer stocks with a regulating role (made in recession and put on market in boom).

In his conception, Harrod recommends the public sector's growth, but he warns about the negative effects of exaggerate estates: "till now dominated the tendency of concentrating in the state's hands the work of taking the most important decisions regarding the economic life. In the future epoch, this system will be changed, because its incompatibility with the democracy" (11).

In the United States, the most important supporter of Keynes' theory was Aluin H Hansen. The American economist pleaded for the reconstruct of a new market economy based on a new institution (12). He says that "what are developing are the welfare state and not the state as owner or economic agent.

The welfare state is, formerly, an income's distributor and a great purchaser of private products. But the private enterprises make all the works (13). Hansen gives a big importance to state's investments and to budgetary expenses, generally, as a mean against crisis. In the fight against crisis and unemployment, he recommends the use of budgetary expenses of the state, the military one, taxes, loans and other financial levers.

Another important step in the development of the Keynes's was made by the American professor Paul Samuelson. This considers that the occidental countries' economic system is mix, one of the free entrepreneur and one of the society's economic control (by its democratic and specialized organs) and other private institutions with a monopolistic tendency. In this system, the control is provided by the simultaneous action of the private institutions and the public institutions through the agency of invisible orientation of the market, respectively of organizing regulations and fiscal stimuli" (14). The concrete objectives of the state's macroeconomic policy are: the ensuring of a high and increased level of real product, of a high level of employment, of a pay rise, of a prices' level on free markets, of a firm rate of exchange.

Samuelson thinks that the state is not a useless relic from a precious epoch, because "it has an essential role providing the climate for markets' boom and eliminating the excesses on absolutely free markets. The prosperity of a modern economy depends on finding the equilibrium and on sharing the responsibilities between markets and state" (15).

The strongest critics on economic role of the controller state come from neo liberal economists. The critic made on

classic and neoclassic liberalism by the controller state's economists determines the liberal economists to reexamine the liberal message in order to adjust it of the nowadays world's reality. The liberals thinks that the state is an agent preoccupied by the private property's observing and by respecting of the competing rules, to provide the using information's for the economic agents and peaceful social relations, by representing the country's interests outside, to provide the respecting of the territorial integrity and to protect goods and persons corresponding to low. The state's intervention is accepted only as an exceptional measure, conditioned by the insufficiency or the abuse of private property.

Friedrich Hayek was the enemy of the controlled economy of any kind and the supporter of the liberalism. In the age of '30 in the last century, he polimized with Keynes. In his work, "The Road to Serfdom", Hayek shows that it can be accepted the existence of a mix system where market economy and state's intervention and the pacification coexist, because "both the competition and centralized management become weak tools if are incomplete they are principles which provide alternative solutions to the same problem, and their joining means that none of them won't be really used and the result will be worse even if we are based consistently on any of the two systems" (16).

By his views, liberty must be conceived and accomplished only in conditions of market economy's existence. The state's intervention is admitted only as means to guide individual efforts, Hayek is against state's intervention by measures which hinder or deform the free functioning of the market's mechanism, especially through prices' mechanism, considering those are the causes of some breaking off

or crisis. The state's role, by his views, is to provide conditions by creating the legal juridical frame for the competition between the economic agents and also by supplying services for the society but for the economic agents don't get profit, such as public order, national defense etc.

Another important economist who criticized the Keynes's was Milton Friedman. He was a defender of modern market economy based on private property and individual liberty. By his vision, the key of a good market economy's functioning is people's choice liberty. By Friedman, the economic role of the state is "to do what market can't make by itself" (17). By his views, the state must "maintain law and order, to define property's rights and other rules of the economic game, to solve the disputes concerning interpretation of rules, to impose fulfillment of contracts, to promote the competition, to offer a monetary frame, to counteract technical monopoly and to intervene in activities for getting over the effects of vicinity, to complete individual charity and family protecting irresponsible persons" (18). In other words, in a free society, the state's functions are, on short, the following: solving the conflicts between the liberties of different fellows, defining the property's rights and providing a monetary order.

In the last decades, even the most categorical liberals assert that, in some situations, the state's intervention in economy is justified, to correct some unfavorable results in the domain of production and distribution, to facilitate the economic activity's carrying on, by creating a stable monetary frame and providing the collective services.

There are some other authors who had different positions as Keynes. One of the greatest economists of the XX century, Joseph Schumpeter,

demonstrated an original thinking which can't be framed in any traditional trend. In his work "Capitalism, Socialism and Democracy", Schumpeter investigates with means different than Keynes uses, the capitalism and its alternative socialism. From economic point of view, he shows capitalism is performing; its performances are due to the big company – the promoter of the innovational progress. But, while the economic performances of the capitalism increase, the big company destroys the social structures, attacking the base of the capitalism's institutional system – private property, destroying the system from inside. Thus, the socialism imposes not only for its superiority, but also for the capitalism's surrounding a devoured from inside by its own triumph.

In this context Schumpeter's position about state is to defend the liberalism, being against controlled economy and state's intervention in economy by controlling measures. He anticipates that the price of capitalism's success may be a raised public power and for that reason he recommends a policy of supporting "innovational spirit" and solving the social inequities through wealth tax.

One of the nowadays economists with a large reputation is John Kenneth Galbraith, who proposes an original vision of the contemporary capitalism, using the concept of institutional organization. By his views, the economic system functions as a response to market's demand. But there were, for different reasons, the response to this demand is improper or imperfect, the state must intervene to correct the demand and harmonize it with public interest. In his work, "The Perfect Society", Galbraith asserts that "a modern economy can't, without government's intervention, get a high level and a continuous general progress"