Towards a critique of the world order[1]

Considerations regarding the bilateral relations between countries – political, cultural and academic aspects

Part I

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Abstract

The actual crisis is an invitation to reconsider the role of knowledge and of sharing it across borders. It seems that the crisis is somewhat the by-product of a paradoxical combination between cultural-ethical illiteracy regarding *the money, the society, the economics of society* and the technical-mathematical abilities to handle computers and markets. Some analysts are even taking into consideration a new political phenomenon: the *leaderless world* – where leaders are either underperformers in front of serious decisions or *faceless* in face of those supposed to be led. Regional aspects of cross-border cultural exchanges will be also taken into account. Where is the place of superior education in this state of affairs? How is the *crisis* related to the way states are *culturally communicating* in a world almost exclusively market-centered is another major topic of discussion of our paper.

Prolegomena

> "If financial markets followed the normal bell-shaped distribution curve, in which meltdowns are very rare, the stockmarket crash of 1987, the interest-rate turmoil of 1992 and the 2008 crash would each be expected only once in the lifetime of the universe" (*The Economist,* **The gods strike back. Financial risk got ahead of the world's ability to manage it**, 2010).

In 2008, the world was struck by the most powerful economic crisis in the last 80 years. Despite its mainly financial nature (determined by the banking system's lack of

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liquidities), it also shuck the fundaments of the economic system and, we may add, some of the social and individual basic perceptions of the world.

There are two ways of regarding this crisis; the first one could be the above mentioned view – a global phenomenon with high systemic implications. The other one may see the financial crisis as an invitation to ***reconsider the role of knowledge*** that leads both the economic and the social world. This is our purpose in this material when we address some aspects of the economic paradigm Starting with the 'innovation' of new financial instruments like derivatives in the '70s and the illusion of proper risk management, the financial sector rapidly became a profitable business, a place in which managers and the whole spectrum of 'financial elites' were receiving high bonuses for bringing more money to the company in such a manner.

> "Their average tenure has declined from ten years in the 1970s to six years today, and boards are becoming ever more likely to sack bosses if they get out of line, particularly in Europe. The financial crisis has also produced a wave of popular fury about over-paid executives and their unaccountable ways. In this sort of climate it is not just the paranoid, but the faceless, who survive" (*The Economist*, **The cult of the faceless boss**, 2009).

A leaderless world

In the above scenario, we understand the importance of leaders, of elites who morally have the role of organizing and orienting social, economical, political or cultural life. But in the newly created image inside the paradigm of neoliberal thinking and acting we may very well speak of a **leaderless world persistence, a space dominated by faceless managers** that are both its by-products as well as its generator.

> "The corporate world is increasingly rejecting imperial chief executives in favour of anonymous managers—bland and boring men and women who can hardly get themselves noticed at cocktail parties, let alone stop the traffic in Moscow and Beijing. … These men are at the head of a vast army of even more forgettable bosses …and you begin to wonder whether cloning is more advanced than scientists are letting on" (*The Economist*, **The cult of the faceless boss**, 2009).

Such an unprecedented development of the faceless leaders can be considered as an effect of the hyper-rationalization expansion[2] George Ritzer introduced in the social sciences and identified starting from the early '60s. The phenomenon is actually part of a *de-ethicising process* (Bulumac, 2011), a fracture between the speculative apparatus and the productive economy that emerged due to the disappearance of the meaning of money. This particular type of context was also analyzed by the philosopher Georg Simmel at the beginning of the 20th century:

> "These conspicuous phenomena illustrate clearly that the that the inner nature of money is only loosely tied to its material basis; since money is entirely a sociological phenomenon, a form of human interaction, its character stands out all the more clearly the more concentrated, dependable and agreeable social relations are. Indeed, the general stability and reliability of cultural interaction influences all the external aspects of money" (Simmel, 2004, 172).

Thus, the hyper-rationalization, from a mere instrument became an end in itself, being centered obsessively on *efficiency, calculability predictability and control establishment* (George Ritzer, 2001).

> "Suddenly it seemed possible for any financial risk to be measured to five decimal places, and for expected returns to be adjusted accordingly. Banks hired hordes of PhD-wielding "quants" to fine-tune ever more complex risk models. The belief took hold that, even as profits were being boosted by larger balance sheets and greater leverage (borrowing), risk was being capped by a technological shift" (*The Economist,* **The gods strike back. Financial risk got ahead of the world's ability to manage it**, 2010).

In these circumstances, the faceless leader in the economic world easily adapts to the liberal clichés, believes/seeks in nothing else than the shortest way to achieving profit, and is an expert in technicalities and quantitative issues. In other words, he is an „instantly forgettable" figure (*The Economist*, **The cult of the faceless boss**, 2009) that determines a depletion of the social capital existent in a given society/organization (Baltasiu, 2009, 86).

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[2] "... [The] process I call *McDonaldization*, that is, *the process by which the principles of the fast-food restaurant are coming to dominate more and more sectors of American society as well as of the rest of the world.*" (Ritzer, 2003, 198)

On the educational basis of the crisis[3]. *The educational fallacy*

The faceless leadership, the leaderless world and the mishandling of risk, are related in the background to the increasing weakness of the educational system. The process of handling risk and money has its background in education. There were in the last 20-30 years several trends in education which could be related to the present-day fallacies of *thinking economics*. The educational fallacy has a particular *accelerator* nowadays under the Bologna process, which we discussed in another paper[4].

One of the most visible accelerators of the educational fallacy is *economizing education.* It refers to the transformation of the social roles of the professor, student and university in provider, consumer and commercial enterprise. In other words, education which was based on a specific significance and content of the University now is fading away. The second paradox is that Bologna is producing far more regulation by deregulating the "old order" and introducing a new one, being at odds with the "Bolkestein rules"[5] which stated that "regulation must be rolled back if its costs outweigh its benefits". Today, even simpler economic activities in education are regulated by special papers; filling out applications for a grant requires specialized services and "networking" outside the university; all these are, in fact, consumers of important research "energies".

Other *accelerators* of the educational fallacy are: the induction of a fracture between Knowledge and Science, in the name of ***freedom of choice*** and the consequent abandon of the personality of the student left to build by his-her choice. Professors are transformed in providers of pieces of knowledge in a short timeframe like workers on the assembly line, in the name of flexibility and compatibility; students are transformed in a "mass clientele"; education is becoming business, losing the proper interest in citizenship and knowledge, and young personalities are brought to pieces by the sheer fragments of knowledge they cannot link with one another; increasing the secondary costs meaning more limitations to mobility. Taking into account the flaws of the undergraduate level, the MA programs are inevitably built on shaky foundations. The secondary higher education is

[3] For further information check Baltasiu, Bulumac, 2011
[4] idem
[5] Frederik Bolkestein – Dutch politician, former European Commissioner for Internal Market and Services between 1999-2004. See *Goliath. Business knowledge on demand*, "Single Market: Bolkestein wants to simplify rules in new policy areas", September 14th 2002, http://goliath.ecnext.com/coms2/gi_0199-2169592/SINGLE-MARKET-BOLKESTEIN-WANTS-TO.html, [April 2011].

becoming more and more of an opportunistic substance. Students do not have enough time to dedicate to knowledge, and due to the life's expensiveness and losing their patience, they are (self)directed merely towards a job search in exchange of a diploma. Neither at this level is knowledge the motor which leads the relationship between education and society, but opportunism for the sake of a job idea. Higher education thus becomes a Hobbesian battlefield: only the very few of fittest reach to the universals of knowledge, i.e. involved in science, and only the fittest are successful in finding a job.

"Europe" through the voice of Brussels recently drew attention upon a "lost generation"[6]. In other words, the problem is not of short-termed and "crisis" related, but a structural one. The "statistical voice" of the European Union, Eurostat says: "high youth unemployment rates do reflect the difficulties faced by young people in finding jobs"[7], a figure that reaches almost 42% unemployment in the young population nowadays in Europe[8].

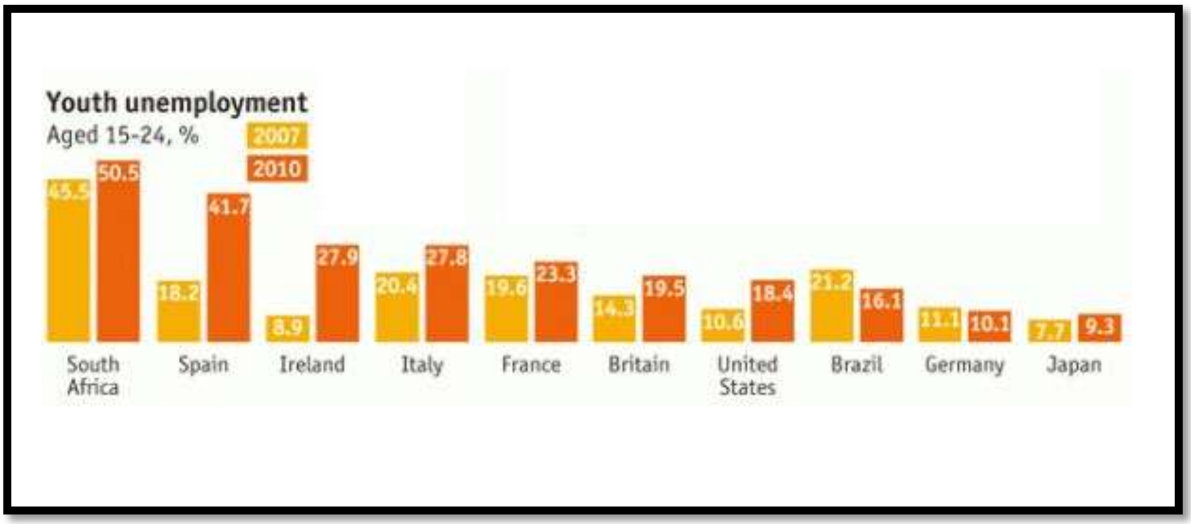

Fig. 1 Youth unemployment (*The Economist*, **Special report: The future of jobs. The great mismatch, 2011)**

In this case, the educational reforms, Bologna included, appear as unsuccessful enough regarding the practical things. The figures published by Eurostat were sustained by the state of distrust regarding the Bologna system's capabilities to create a solid relationship between the shorter three-year period and the employability figures (in comparison to

[6] *Financial Times*, **Europe grapples with youth unemployment**, February 16th 2011.
[7] *European Commission. Eurostat,* **Unemployment statistcs. 1.3 Unemployment trends**, data up to February 2011.
[8] *News N Economics. Daily analysis of global economic and financial conditions*, **Unemployment in Europe: it's not just Spain,** January 2nd, 2010.

graduates of the longer cycle[9]), verbalized also in the academia (Pastore, 2007). This situation rises two important questions: a) what is the remaining role of education regarding the `production` of quality citizens if we take into account such a weak self-interest (sic!) as the basis of knowledge and b) what is to become of the economic efficiency of the Bologna process if so many young people can hardly find a job (related to their field of study)?

A sociological enquiry of the crisis. The cultural fallacy

Further, we approach our analysis through the establishment of the crisis definition. From this perspective, we can address the question behind the international financial crisis, its components, and the lessons that we could learn from it. We already have seen *the educational fallacy* of the crisis. Now, it is time to broadening the analysis taking into account the general cultural and economic context.

Before the speculative economy emerged by taking over the economy based on the actual production of goods, the crisis represented a state of "heavy imbalance between production and consumption" (Vulcănescu, 2009, p.51). In nowadays economy, a crisis represents the tendency reversal, characterized by prices falling down, after they reached the maximum of speculative effervescence in the phase of prosperity […]" (Vulcănescu, 2009, p.52). A similar phenomenon happened starting from 2006, when the real economy was not able to support anymore the speculatively created bubbles by the financial sector.

The financial crisis we are witnessing, triggered by the Lehman Brothers[10] bankruptcy, **wasted 12 trillion dollars of the world's economy**, the "equivalent of around a fifth of the entire globe's annual economic output" (*The Telegraph*, **IMF puts total cost of crisis at £7.1 trillion**, 2009). The problem is that the *real* economy was bypassed by the *speculative* economy, thus the market price was not sustained by a real (material) expression:

[9] "In the EU-27, more than one recent graduate in eight (13 %) is unemployed; this is nearly three times more than those who graduated at least three years ago (5 %)" – Eurostat, 2009, **The Bologna Process in Higher Education in Europe. Key indicators on the social dimension and mobility**.

[10] Lehman Brothers is one of the most important firms in the US banking system before the crisis. "The bankruptcy of Lehman Brothers was, at the time, the largest bankruptcy filing in U.S. history. Although the stock market was in modest decline prior to these events, the Lehman bankruptcy, coupled with the earlier collapse of Bear Stearns, greatly eroded confidence and led to a precipitous declines across the major U.S. indexes in late September and early October 2008" (*Investopedia.com*, Dictionary of economic concepts, available at: http://www.investopedia.com/terms/l/lehman-brothers.asp#ixzz1XcuS70Vi, September 2011).

> “According to the Bank for International Settlements, the notional value of all outstanding global contracts at the end of 2007 reached $600 trillion, some 11 times world output” (*The Economist*, **Taming the Beast**, 2008).

An easy to follow example of the carefully calculated market price is the housing business bubble that interfered with the mathematicization of the speculative type of applied economics. From the 1990s, the price of houses constantly rose until 2008, almost doubling its value in ten years (*The Economist*, **Between a rock and a living space**, 2011).

In 2008, the housing bubble was unable to hold its prices, after starting to decline in 2006 and 2007. The collapse of the real estate sector reached a large range of the economy’s sectors – from the home builders to foreign banks.

The meaning of economy actually separated from Adam Smith’s perspective according to which the most important characteristic of the economy is the ***moral*** (in Durkheim’s terms the sense of solidarity) component (see Rostow, 1990). Rostow, actually, started his book by sustaining that ***the community is the economics’*** “***tradition***”, turning to the next day’s generation of economists:

> “To the Economists of the Next Generation: in the hope that, without abandoning modern tools of analysis, they may bridge the chasm of 1870 and reestablish continuity with the humane, spacious, principled tradition of classical political economy” (Rostow, 1990).

How was that possible? How was moral economy displaced by this ‘fratricide’?

First of all, there are the cultural-ethical components that constitute a basis for the economy: the way we regard *the money* (as mentioned above in *A leaderless world* chapter) and *the society*. Secondly, the technical abilities were combined with the mathematical power of advanced computers, therefore creating the illusion of managing the risk of investments, through some financial instruments called derivatives (see *Illusion of risk handling* chapter in the second part of the article).