INNOVATION - THE POSITIVE EFFECT OF THE CRISIS

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ABSTRACT: The current crisis has reopened the discussions about the state’s intervention in the economy and about the possibility of replacing the capitalist system, because the role played by the state is no longer consistent with the characteristics of this system. The state’s intervention in the economy could be directed towards other aspects, regardless of the accepted economic system. A state that truly favours innovation represents the desired result.

KEY WORDS: crisis, state, capitalism, change, innovation

The current crisis which occurred in the U.S., considered as an example of capitalism, has also reached in a relatively short period of time and the economies in the most developed capitalist countries because of the interdependencies between them and the U.S. economy.

The crisis was the moment in which voices were heard portending the end of the capitalist system. Giving up this system would imply the existence of another one which, at least in theory would seem better. The superiority of capitalism over socialism has already been demonstrated, thus a substitution between them would not make sense.

Paul Samuelson said: “The mechanism of the market economy has emerged victorious from the fight with the mechanism of command economy, based on the bureaucratic leadership of the centre. But the communist societies were not defeated by the pure capitalism, based on a liberal conception and on the absence of the state from the economy, but by the mixed economy: the market economy with the changes it has undergone as a consequence of the application of the monetary and fiscal policies designed to control the crisis and the inflationary phenomena” [4].

The recent events have led to a new approach to the role of the state. Currently, the way in which the state intervenes in the economy is much wider than the interventions to reduce the imbalances generated by the free market.

However, during the current period “the state will count less as an economic agent, but it will enhance its functions regarding the prudential regulation of markets

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and the protection of the free competition. The state will become a free state. Reconsidering the state’s role in the economy does not mean a weakening of power, but an increase of its efficiency and authority” [5].

Before this crisis, in the specialized literature there were different classifications of the types of states according to their involvement in the economy. One of these classifications is presented in the following table.

<table>
<thead>
<tr>
<th>Type of state</th>
<th>Predominant feature</th>
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<tr>
<td>Protector</td>
<td>Creates and protects the legal framework and the market institutions</td>
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<tr>
<td>Productive</td>
<td>Counteracts the shortcomings of the market mechanisms</td>
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<tr>
<td>Negotiator or corporate</td>
<td>Mediates the concessions within the economic policies</td>
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<tr>
<td>Bureaucratic or exploiter</td>
<td>Engages directly in the management of the economy, gaining autonomy by achieving certain own economic targets in favour of bureaucracy</td>
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The multitude of views on the role of the state does not change with anything the importance it holds, in particular in the economic field. The State performs the following functions [1]:
• The allocative function
• The distributive function
• The regulative function
• The stabilizing function

We can thus say that the state has an important role in the economic and social life, its interventions, as well as its public goods that it provides for the collective consumption are important in the economic development of any country.

The functions performed by the state, as well as other interventions made in the economy should be designed in such a way as to lead to development, to stimulate progress in all areas.

According to the American economist Paul Samuelson the four wheels of the locomotive of progress are:
• Human resources (job offer, education, discipline, motivation);
• Natural resources (land, minerals, fuels, quality of the natural environment);
• Formation of capital (machines, factories, roads);
• Technology (science, engineering, management, entrepreneurship).

Although not diminishing the importance of other elements necessary to progress, nonetheless Samuelson pays more attention to technological innovation. The discovery of a new way to produce when everything is changing gives an opportunity in the economic environment. Edmund Phelps, Nobel Prize laureate, completes
Samuleson’s idea by stating: “The worst thing is to stop innovation in a period of deep recession.”

Usually, in periods of crisis, changes occur in all areas, but by exploiting them one may reach advantageous developments. Trying to overcome the crisis leads to changes in the technologies used so far, to trying to increase productivity with a smaller amount of labour force.

To better illustrate the relationship between diversity, change and technology I propose the following figure.

Figure 1. The virtuous circle: diversity - change - technology

The State’s intervention in the economy should aim at favouring the creation of this new technology and not only to infuse huge amounts of money in order to avoid bankruptcies (the most convincing example being that of the U.S.A.). This intervention of the U.S. in order to avoid bankruptcies excludes free market, competition, some of the characteristics of capitalism. Giving up capitalism is not the best idea, even if it is not a perfect model, but a perfectible one, with certain limitations: inflation and unemployment, but which are not specific only to this model; increasing the number of the poor; social equity appears only as desideratum, profit being the key word; the rich have power and thus can decide.

Thus, together with the other existing types of state, I consider opportune the existence of the innovative state, which supports through its interventions the virtuous circle: diversity - change - technology.
REFERENCES:


