

ECONOMICS OF CRISIS VERSUS CRISIS OF ECONOMICS: THE FALL OF CAPITALISM AND THE REMAKE OF THE ECONOMIC WORLD ORDER

Ana-Mădălina POTCOVARU

*The Bucharest Academy of Economic Studies, Bucharest, Romania
madi_potcovaru@yahoo.com*

Abstract

The world in which we live in is changing. And rapidly. The global economic crisis that is our living companion since 2007 might change the world for ever. Our beloved democracies, the US and the European Union, or even Japan are no longer the main economic forces that drive the world's economy. New countries are rising towards becoming the top economies and most of these are not belonging to the western world, nor are functional democracies. But why is this happening? Why are we losing so fast all our power and influence? Well, one main cause might be that every major civilization develops, peaks, and eventually falls. This article insists on our cultural and demographic topics, which are the main reasons for this downward trend.

Keywords: Global economic crisis, Demographic transition, Globalisation, Economic demography.

1. INTRODUCTION

We are in the year 1900. The western countries are at their peak development and they control almost the entire world. The colonization worked at full thrust and the Europeans made up almost a quarter of the total earth's population. Even though the communism was more and more influential at that time and the far right gained popularity, the major western democracies like the British Empire and the newly formed United States of America practically ruled the world.

2. STAGES OF DEMOGRAPHIC TRANSITIONS

Starting in the 1960s, there was a drastic transformation in the pattern of household formation and reproduction in North and Western Europe. The age at first marriage rose again after falling to an all time low during the 1960s. Premarital and postmarital cohabitation increased, and procreation in such informal relations soon followed. Divorce rates continued to raise in tandem with high separation rates among cohabitants (Lesthaeghe, 2006). Also starting in the late 1960's was a pronounced postponement of fertility, which was followed by only a partial catching up at later age. In the 1970's, total fertility rates (TFR's) in western countries essentially reflected differential postponement; in the

1990's, national TFRs mainly capture differential degrees of catching up after age 30 (Van de Kaa, 2001).

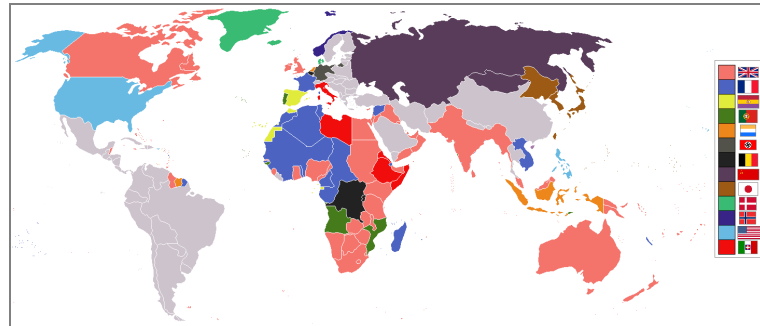


FIGURE 1 – FERTILITY RATES ON THE PLANET
Source: Wood, 1982: 65

At first it was thought that the economic recession following the first oil crisis (1974) was responsible for later marriage and postponement of childbearing, but there were already some suspicions that the roots of the new forms of household formation were to be found in the 1960's, and more particularly in the marked shift in values that occurred during that decade. Demographic changes were linked to the accentuation of individual autonomy in ethical, moral and political spheres, to the concomitant rejection of all forms of institutional controls and authority and to the rise of expressive values connected to the so-called „higher order needs” of selfactualisation (Lesthaeghe, 2006). This connection between the demographic and value transformations became an essential ingredient of “Europe’s second demographic transition” or SDT (Lesthaeghe, 2006).

Speaking of demographic transitions, we might need to explain how this transition happens. In theory, there are four stages (or even five, according to some anthropologists).

In stage one, pre-industrial society, death rates and birth rates are high and roughly in balance. All human populations are believed to have had this balance until the late 18th century, when this balance ended in Western Europe. In fact, growth rates were less than 0.05% at least since the Agricultural Revolution over ten thousand years ago. Birth and death rates both tend to be very high in this stage (Caldwell, 2006). Because both rates are approximately in balance, population growth is typically very slow in stage one. During this stage, the society evolves in accordance with Malthusian paradigm, with population essentially determined by the food supply. Any fluctuations in food supply (either positive, for example, due to technology improvements, or negative, due to droughts and pest invasions) tend to translate directly into population fluctuations. Famines resulting in significant mortality are frequent (McNicoll, 2007). Overall, the population dynamics during stage one is highly reminiscent of that commonly observed in animals.

During the second stage, that of a developing country, the death rates drop rapidly due to improvements in food supply and sanitation, which increase life spans and reduce disease. The improvements specific to food supply typically include selective breeding and crop rotation and farming techniques (Caldwell, 2006). Other improvements generally include access to technology, basic healthcare, and education. For example, numerous improvements in public health reduce mortality, especially the childhood one. Prior to the mid-20th century, these improvements in public health were primarily in the areas of food handling, water supply, sewage, and personal hygiene. Interestingly, one of the variables often cited is the increase in female literacy combined with public health education programs which emerged in the late 19th and early 20th centuries. In Europe, the death rate decline started in the late 18th century in north-western Europe and spread to the south and east over approximately the next 100 years. Without a corresponding fall in birth rates this produces an imbalance, and the countries in this stage experience a large increase in population.

The changes leading to this stage were initiated by the industrial revolution of the 18th century. Nowadays, countries stuck in this stage are mostly sub-Saharan ones, but also Yemen, Afghanistan or Laos. Also, during this stage, the phenomenon of “population explosion” (Caldwell, 2006) appears.

In stage three, birth rates fall due to access to contraception, increases in wages, urbanization, an increase in the status and education of women, and other social changes. Population growth begins to level off. The birth rate decline in developed countries started in the late 19th century in northern Europe. While improvements in contraception do play a role in birth rate decline, it should be noted that contraceptives were not generally available nor widely used in the 19th century and as a result likely did not play a significant role in the decline then. It is important to note that birth rate decline is caused also by a transition in values, not just because of the availability of contraceptives (Weber, 2010). The changes in the age structure of the population leads to population ageing, but can also make significant improvements to the economic activity, through an increase in the ratio of working age to dependent population (demographic dividend).

During stage four there are both low birth rates and low death rates. Birth rates may drop to well below replacement level as has happened in most European countries, but also in Japan, leading to a diminishing population, a threat to many industries that rely on population growth. As the large group born during stage two ages, it creates an economic burden on the shrinking working population. Death rates may remain consistently low or increase slightly due to increases in lifestyle diseases due to low exercise levels and high obesity and an ageing population in those countries (Weber, 2010). By the late 20th century, birth rates and death rates in developed countries levelled off at lower rates.

Even though the basic model has only four stages, there is impossible to not notice that most developed countries passed the fourth stage and are now getting older and decreasing in number. Some theorists consider that we need a fifth stage (Tremmel, 2008), in which the fertility rates are below 2,1 (sub-replacement rates). In this stage we find most European countries and also many countries from Asia.

Finally, according to a recent study, there might be a sixth stage (Kohler, 2009), that should be our salvation, in which people get very rich and they start having more children once more. But this stage remains only in theory, simply because there is not a whole country that got into that point. There might be some individual examples, like many billionaires or multi-millionaires that tend to have 3+ children.

Towards the end of the 1980s, several features of this transition seemed to stop at the Alps and Pyrenees. Italy, Portugal and Spain had started the postponement phase with respect to marriage and fertility, but the other two features, i.e. cohabitation and procreation outside wedlock, had either failed to gain ground (Italy) or were just beginning to spread (Portugal, Spain). Until 1990, earlier patterns of marriage and fertility had also been maintained in central and Eastern Europe. As yet there were no clear signs of postponement or of the diffusion of premarital cohabitation. It thus seemed that the SDT was a northern and western European phenomenon, which had crossed the oceans (Australia, Canada, New Zealand, United States), but not the old European cultural and political sides.

After 1990 this picture changed rapidly. In the Iberian Peninsula, the proportions of births outside marriage rose more rapidly, signalling that both cohabitation and procreation within informal unions were spreading. In Central and Eastern Europe (but not yet in the CIS countries), the postponement of marriage and childbearing started and progressed to the point of causing a fall in national TFRs to levels below 1.5 children and even 1.3. A new term was coined: „lowest-low fertility” (Lesthaeghe, 2009). A direct connection was made between marriage and fertility postponement on the one hand and the effects of the difficult economic transition on the other. In particular, these demographic changes were directly linked to rising unemployment, a reduction in activity rates especially for women, to the end of life-long employment guarantees, the drop in real household incomes, the decline of state support for families and the enhanced visibility of poverty.

It became clear, however, that the economic crisis was not the sole explanation for the demographic changes in Central and Eastern Europe. In fact, by the 1990s the younger generations which were to marry and start childbearing, had different priorities and aspirations compared with those of the older cohorts who had spent much of their lives during the communist era.

The problem was not only the civilizational development, but also the dilution of the culture and set of values. New ideas appeared, like: *secularisation* – reduction in religious practice and decline in

individual sentiments of religiosity; *egalitarianism* – gender equality or tolerance for minorities; *new civil and moral behaviour* – grater tolerance for drugs, prostitution or tax evasion, but also for euthanasia, abortion or suicide; *unconventional marital ethics* – the quality of a relationship (communication and sexual happiness) prevails in front of conventional and institutional foundations of marriage and parenthood, tolerance for adultery and casual relations.

3. CONCLUSIONS

We can all see what is happening, an old era is about to end and a new one is about to be born. The Western civilization as we all know it might cease to exist. There is not an economic problem, not an ideological one, not even a demographic one, but a crisis of values. We started to love quantity over quality, to like material things over spiritual ones, to be more selfish and reluctant to our history and teachings.

There is only one solution to this problem: to rediscover our forgotten values and apply them in our everyday life. Then we shall resolve our demographic, economic or even environmental issues.

REFERENCES

- Caldwell, J. C. (2006), *Demographic Transition Theory*, Springer.
- Kohler, H. P. and Myrskylä, M. (2009), *Advances in Development Reverse Fertility Decline*, Nature.
- Lesthaeghe, R. (2006), *When History Moves On – Foundations and Diffusion of a Second Demographic Transition*, New York: Lawrence Erlbaum and Associates.
- McNicol, G. (2007), Taking Stock of Population Studies: A Review Essay, *Population and Development Review*, 33(3), 607-615.
- Tremmel, J. (2008), *Demographic Change and Intergenerational Justice. The implementation of Long-term Thinking in Political Decision-Making*, Springer.
- Van de Kaa, L. (1987), *Europe's Second Demographic Transition*, Strasbourg: Population Reference Bureau.
- Weber, L. (2010), *Demographic Change and Economic Growth*, Berlin: Springer-Verlag Berlin Heilderberg.
- Wood, H. S. (1982), *World Affairs, 1900 to the Present Day*, Edinburgh: Oliver & Boyd.