

# THEORETICAL GROUNDS FOR SOME MAIN ISSUES OF THE INTEGRATED EUROPE AND OF THE KNOWLEDGE BASED ECONOMY IN THE ROMANIAN ECONOMIC THOUGHT

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*Paper underlines some essential elements of the economic thought of some most important Romanian economists, reconsidering them in the actual European knowledge society.*

*Methodologically, the paper resorts to the roots of the genuine liberalism, in an interdisciplinary approach. The principles of the knowledge society offer a favourable context for reanalysing, from a post-modern point of view, the market economy and the usual orthodox approach on performance, using Mihail Manoilescu's, Nicholas Georgescu-Roegen's and other Romanians' positions on the matter.*

*The conclusive line of the paper shows that a modern approach, reconsidering the spirit of the analyzed economists can put us profoundly actually in our times, by an approach, showing their actuality and re-finding them in the policies applied in European Union.*

*Key words: market liberalism, productivity, ecological economy, Romanian economic thought*

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## **1. Introduction**

Knowledge society (the concept/ definition and strategies) is an opportunity for finding new valences of some thinkers' ground and conceptions that we should better remind, for better understanding our times and the economic policies of the E.U.

Nicholas Georgescu-Roegen's interdisciplinary and economic complex thinking manner induces a debate on the issues of polluting and reducing of resources, as well as on another matter: *i.e.* how did the "standard" economic thought manage to ignore the issue of exhausting of resources and to allow the phenomena and perspectives which confront our planet today, given the conditions of doctrinarian domination of usual liberalism. The critics made by Mihail Manoilescu show a mostly similar manner of approaching economy, underlying important faces that are still profoundly defining even for the European Union of our days. By reconsidering some of their point of view, most of the recent study matter in knowledge society and globalization can be much better grounded and understood, in their profound reasons and importance.

## **2. Physiocracy and the economic and ecological modern view**

In the genuine (physiocrat) liberalism, being *productive* means to comply with the laws of nature, to apply them and to create the conditions which make the grain germinate, the plants grow, the ear ripen, everything under the care and with the contribution of the skilful people (knowing when is necessary to weed, cultivate, sprinkle, pick up etc.); it means working in the respect and pursue of Gods' laws, helping or making a grain to become an ear; and just such an evolution means an absolute plus of grains in autumn versus the initial grains (in the spring of the same year); just such an activity generating a net plus-product is *productive*: this is the genuine production.

Following the revolutionary spirit of the 18<sup>th</sup> century, of the French Revolution („*liberté, égalité, fraternité*”), the liberal concept about the economy was based on the principles of the divine order, rule and contribution. In this atmosphere, the economic conception was built on a relevant base: *the goods exist through creation*, *i.e.* through the *original creation*, and created further by “God's blessing” of the germination and of the biological growth, with the help of the – again, divinely – sun, rain and earth's juices, etc.; as well as with the contribution of work, care and

know-how (knowledge, competent and adequate activity) of the appointed (unique) “productive class”.

Physiocrats did not analyse the income luring, the absorption from the environment, but focused on the getting of an absolute surplus (maybe in a Pareto approach *avant-la-lettre*). Production meant for them realising (creating) absolute surplus. The fact that everyone lives because of what is produced on this planet, even if (i) some produce these *plus-product* themselves (with God’s help), while (ii) others attract (win and enjoy) parts of *the same plus-product*, through various changes, activities and means (including the transforming of the same goods) was clear. Physiocracy generated a logical delimitation between the meaning of being productive (creating or bringing contribution) and of living upon anything else other than contribution (maybe even only by consumption and destruction). Originally, in the physiocrats’ thought, the above mentioned delimitation did not necessarily suppose a “conviction” of those who weren’t producing a surplus. But the unproductiveness, from this economic point of view, at least *excluded the rights* (pretension) *to economic decision* of those who are not really productive (who are not “creators”, but just “sterile” actors, because the decisions of those who *do not create new genuine value* could have other goals than the natural, good progress of things (other reasons and criteria than following God’s laws). That is because such individuals, following strictly their selfish interests, are rather ignoring (or contradicting and cheating) the natural claim (God’s requests). Such reality facts show that (and how) the genuine meaning of the words *nature* and *natural* were embezzled.

“*Le monde va de soi même*” and should work like that physiocrat (genuinely liberal) principle says. In other conditions than following the mentioned principles of *creation* and *divine order* of things (natural progress), this natural, good progress is obstructed, blocked. Essentially, the reasons could be natural (according to natural demands), only if the people carrying them were an integrative part of the creative process (the process of production, in our matter), working under the grace of the (divine) laws of nature, so exclusively subordinated to the justified merit, to individual’s *contribution*. It is the only foundation accepted by the basic, physiocrat liberalism, which serves as base to the economic decision-making: mission granted only to those who are constructively involved, by the nature of their contribution itself. This is the spirit of physiocracy and of the idea of freedom - impossible without justice (equity), having reference to worth, to clear merit, to bringing real contribution.

### **3. The great mistakes of economic Classicism**

From the classical perspective, industry is part of the eminently productive branch. This way of interpreting things offered to the classical economists a way of serving their purpose at the expense of the physiocrats: by leaving the very *clear, obvious and transparent* theory about the “surplus” of these ones. The idea of quashing the physiocrats’ original concept of “productivity” was “borrowed” by the neoclassical economics under the following form: *all activities* were declared useful, if they are accepted *by market*. The classical-neoclassical economics becoming dominant, value-related debates almost disappeared from economics. But thus, the *essence of productivism* itself, its original meaning and its authentic, genuine sense, were lost as well.

The liberal principles request to apply the principles of the natural rights and of the state of law. And, more, *the laws should be not “invented” ones, but just the “transcription” of the natural (divine) ones* - like physiocrats were telling us. The essence of the French physiocrat sophisticated senses are forgotten. Persons get payment thanks to the “black-box” that market can be: the “rights” come by the negotiation principles; and by this method of judging processes, any value absorbed by someone from his environment may get the name of “production” or “value-added”; the private advantage is concerned, maybe despite of the loss of the entire environment (maybe of the real creators or value-producers, of the nature, of the future of mankind). The market principles favour the place where the money is *absorbed*, rather than the place where the

value is *generated* (value *added to the general values existing* in the nature, in the society or in a certain place etc.). The individual merit behind the whole process may, therefore, be also overlooked, as well as the practical utility of the “output”. The supreme validating criterion chosen by the neoclassic economists was simply *the market*. The word *natural* itself was confiscated by this new “instance”, which was invested and set up to be greater: Divinity was replaced by the market itself. The calculated productivity considers rather the values *engrossed* by the concerned entity (by the economic actor) – the values absorbed from its environment – than its production (creation, generation). This represented a shift from the genuine natural order of things, from the order that was seen in the physiocrats’ vision.

God’s (Nature’s) contribution started to be ignored by the economists and it was soon to be completely forgotten by standard economics. Just a century later, Nicholas Georgescu-Roegen will mention and prove it again, trying to correct this primordial mistake of standard economic thought – that of *ignoring the laws of nature*. Meanwhile, *the contribution* of the plus-product (surplus) creators *was replaced with the prices* that were paid by market. Mihail Manoilescu will struggle to correct this second fundamental mistake of the English economic science). Of course, such qualitative discussions can not be formalized and cannot be discovered by usual (quantitative) calculations; just the usually calculated productivities (and gains) show frequently that they have no match with the quality or the merits (and contributions) of some persons... The elimination of nature lasted until the '60s, but, practically, only with regard to the effects on nature. But, besides this last aspect, the other aspects regarding nature are still not recalled or claimed, still waiting for reconsideration and coming to light, their re-put in their “natural” rights, with the purpose of a correct understanding of the realities (including the economic ones). But Nicholas Georgescu-Roegen’s work has the force of an all-inclusive vision, containing the reserves which are necessary for rehabilitating the nature we are talking about.

#### **4. Improvements from the Romanian liberalism and the entropy of Georgescu-Roegen**

The Romanian earlier neo-liberalism (in the ‘20<sup>th</sup> and ‘30<sup>th</sup> years of the XX<sup>th</sup> century) pointed out that work should be a competent and adequate one, as well as the care (like essential of Christianity) and as knowledge – like the essence of human action: taking into account not some short run interests (like today, in the standard economic approach), but the long run state of mankind. This last one included (even if not explicitly pointed out) the *environment* (social, human, moral, natural etc.). Mihail Manoilescu, for instance, have a different approach on *productivity* versus the Anglo-Saxon one: he thinks, searches and speaks directly on productivity and demands to take into account the economic structures of the national economies and the relative positions of the countries. In other words, he required extending approach to the environment of the concerned economic entity (underlining the importance of the relation of the economic agent or entity with the other ones, with the “components” of the environment, at the national level, as well as in the international level).

In fact, within the *genuine* liberal thought (that Manoilescu applied), the effects that the market prices disproportionately induce for the actors’ *contribution*, precisely mean unfairness, injustice, because the reward is not consistent with the actual contribution; while the dominant thinking that industrialism imposed, based on other (market) criteria, take into account a simple mathematical (and market) result, *declared as productivity*: the resulting effects on the market (the solution given by the market) is considered (and called) “productivity” (this is the “calculated productivity”). In fact, this last one shows how much every individual or every national economy seizes from the environment. By replacing God (*physios cratos*) with the market, distortions were involved and they should be corrected, bringing the facts to a state that is more consistent with the real merit and creative quality; the correction Manoilescu demands tries to bring reality to the equivalence between *payment* (individual reception within the social and planetary frame) and *contribution* (actual merit). The essence of economic liberalism is the

principle of creation. Mihail Manoilescu tried to correct the conditions of exchange (unfavourable exactly for those dealing with plainly productive activities – i.e. agricultural) explaining the function of prices set on the global market in the distortion of exchange rates. More recently, the demonstrations of Georgescu-Roegen also show requests in the consuming manner, in the purpose of sustaining economic activities on the most long run: *destroying effects should be rejected*. So, he also conceived a kind of correcting the usual economic activity of mankind, activity targeting the same *absorption from the environment*, which can become most destructive in some private and short run benefits. Nicholas Georgescu-Roegen explained and claimed implicitly such corrections, in an ecological approach. Nicholas Georgescu-Roegen requires economic science to take into account the whole planet (including the natural environment), with its growing entropy. He speaks about the economy in general, meaning mostly the production process and, implicitly, the productivity: it concerns also the “productivity in garbage”, the “productivity in entropy” etc. But the market does not notice such damage, and in Smith’s, Ricardo’s, and Jevons’s time, there still were, even in England, woods to oust.

When the genuine self productivity is really growing, it is rewarded by savings in resources or in material productions in the field where productivity has just grown. But the fight for bigger and bigger profits does not always use the way of real improvements: in this case (when “other ways” to win and to enrich are used), growth will be just in official numbers (numbers resulted on the market, but not in the genuine substance of the phenomena of productivity growth). In this last case just the calculated productivity grows up and not the genuine liberalist one (the profound productivity that we described as *servicity*). It is the case of the actual crises we have today! The interest of the entrepreneurs for gaining more and more profit (by any mean), can bring just official (“calculated”) productivity growth, and not real productivity (*servicity*) growth. This last one (genuine self productivity) is not consistent with some natural resources savings, but rather with consumption growths. Growing consumption is the most usual way to gain bigger incomes, rather than savings (of course it is valid just in the short run; but market is always short-sited; in the purpose of seeing in the long run, we should reason in other wider terms than the market reasoning: we should understand and apply Georgescu-Roegen and Manoilescu’s spirit). Manoilescu and Georgescu put the question of the natural and energy resources of the planet (especially of those on the territories of the less industrialized countries); this issue leads us – in a way or another – to the idea of the necessity of saving: because of their exhaustion and entropysation (at Nicholas Georgescu-Roegen), because those resources earn just the payment of the market (under their fundamental value, from the view of the developing countries, which are exporters of such rough goods) - at Mihail Manoilescu.

Nowadays, people are becoming more and more aware of the complexity, breaking the limits of the narrow standard conceptions and perception in economics. Stress is laid on the ever growing necessity of regarding the person – whether physical or organizational – as a member of a social group or community, instead of merely as an individual. Depending on the perspective, different (wider) behaviour patterns can be observed and interpreted. Humanism started to have a place in the economic practice itself (an increasing place!). The pattern of the *shareholders* (according to the unique *ethic of profit*) became to be gradually replaced by persons (individuals and companies) closer to the reality and having different interests and claims, persons who turn to (bank on) organisations for more than just profit: “*stakeholders*” (owning interests, stakes, claims, support, assistance etc.). The struggle between society and economic interests, between regulations and free economic acts (unrestricted economic action, referred to as *freedom* – in the standard propagandistic language) is a never-ending one. It is an expression (a part) of the effort society makes in order to promote its perennial set of values in spite of existing private short-term interests and in spite of ‘economic moral’, but supported by the wish for better that the most elevated spirits are burningly carrying further on. It relies on their desire and sacrifice: they do it in spite of not having enough reward for their efforts and even if their contributions are growing



the calculated productivity of some rapacious predatory ones. Today a lot of governments subvention farmers, because else the free market system does not pay peasants enough: they are not motivated – by the free market mechanisms - to remain in that field of production and provide food to all the other entities in the society. It could be better for them winning from other speculating economic activities. The special state and situation of the food providers allows for agriculture-based countries to be cheated on.

### **5. Coming to our days knowledge-based economy**

Concerning knowledge society, we can also add that *poorness* and the bigger and bigger *differences between the poor and the rich* makes us think again of Manoilescu and to think now by his perceiving reality and reasoning way. The knowledge based economy reminded us that altruism and generosity should be rediscovered, mercantile interest being not the only – and definitely not the most important – human interest. It also put *information*, innovation and research *in the core* of all the activities. Those new main resources should not be used just for pecuniary short term profit, but mostly for widening knowledge horizon, involving ecological equilibrium of the nature and of the entire environment, generating sustainability: understanding that makes us thinking again to Georgescu-Roegen and to his special thinking system and economic approach.

Interests are not the only elements to be considered and judged according to market logic; in fact, other commandments and necessities should be taken into account as well (many of them have yet to be formulated, such as those regarding nature's needs that the human being is not aware of; awareness is not achieved through sensitivity nor is it achieved through profit or any other business purposes whether short-term based or not). The horizons of *human* interest should extend itself, taking into account that all the actors in economy and society are, ultimately, inhabitants of the same planet; and they are active inhabitants and they are interested owners and should be responsible owners of that planet. This kind of interest and responsibility should be in the spirit of Nicholas Georgescu-Roegen, meaning the extension of the economy across the artificial borders established through the embezzlement the standard economic thought operated, as discussed before. Just as the specialized economic agents accept support for possible others' risks (according to insurance contract terms), agriculture-based countries take the risks of economic activity oriented towards feeding mankind (and, possibly, other countries as well). This situation allows for agriculture-based countries to be cheated on. The market system itself is that which allows for this to happen: because of the criteria used. The market mechanisms are not interested in compensating (this would amount to more than in the case of other European countries having more forested land than Romania). Therefore it can be implied that only the economic criteria are of interest; and if it is happening, Romania can but exploit its assets in a world with other demands as well, because Romania is more agriculture-based than industry-based. As a country, it has however to maintain its rights and benefits on a niche market. The "cheating" takes the form of behavioural attitudes (even changes in the behaviour) of economic actors – based on the same pattern of the moral hazard (the all-pervasive moral danger) - having no care for the environment. And the most of nature that still can be exploited (for profit-making) is in the countries having weak economies, primarily agriculture-based. These reckless attitudes towards the environment and towards those parts of nature still to be exploited (with profit-making in mind) affect primarily the countries whose economies cannot rely on a very developed manufacturing industry. Unfortunately, many processes are long-term natural ones, depending on natural-climatic conditions etc.; and they are *irreversible*, generating major problems in the market functioning (the product is much more perishable than in any manufacturing industry). So, on this plane (in those matters) Manoilescu's thought is consistent with the thought of Nicholas Georgescu-Roegen and linked with some of Amartya Kumar Sen's contributions.

## 6. Epilogue

The paper aimed not describing technical details, but underlining the penetration of the spirit of thought of some Romanian economic thinkers, by keeping itself in the fundamental level of principles. We remained at the fundamental level of principles, mostly some essential elements of Manoilescu and Georgescu-Roegen scientific conceptions, with emphasis on comprehending the spirit of their thinking, in the opportunity of knowledge society.

Reviewing Romanian economic thought of the last century we can discover that some issues, ideas and concerns of the knowledge-based economy can be found in the researches of Mihail Manoilescu and, of course, in the works of Nicholas Georgescu-Roegen. This can bring light in better grounding and understanding the economic policies of the EU of our days. The Romanian contributions to the socio-economic and ecologic policies of the actual EU should be reconsidered. The traditional economic liberalism could thus be better understood and also its opposition to regulation and new forms of European governance: just regulated market allows the respect for sustainability and for our unique planet.

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