

# Bulletin of Political Economy

## ABSTRACTS

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### **Crisis as Opportunity: Roads towards Social Capitalism**

**PETER FLASCHEL, SIGRID LUCHTENBERG & CHRISTIAN PROAÑO**

The paper takes its point of departure from the current multifaceted financial crisis in the World economy. It considers against this background different concepts of the "Welfare States" (for short: good, bad and ugly), their recent focused reformulation of the good case through flexicurity proposals, and the modeling of such an economy in a recent issue of this Journal. It then proposes an extension of this labor-market oriented flexicurity concept towards a more balanced system, called "Social Capitalism", where households' life-course perspectives, the educational system and elite formation are considered as the fundamental pillars of such a society. We then argue that such an ideal social architecture for a capitalist society can be an important guide for the formulation of compromises between the current status quo of a small Euro-economy (here Greece), allowing thereby for a significant alternative to the proposals that are currently debated with respect to the Greek situation. We consider the addition of such a tentative reform proposal as best scenario among the given ones. We understand the Greek economic and political crisis situation as an opportunity for significant if not radical reforms, by contrasting it with a return to the Drachma as the worst scenario.

### **Human Needs, the Market and the Crisis – Some Thoughts from an ‘Austrian’ Perspective**

**GERHARD JANDL**

The paper discusses parallels between the Austrian School of Economics' teachings and the current crisis and argues for decision makers to take economic theory into consideration. Menger, putting the human being and his desires at the center of economic theory, advocates an allocation allowing utility for a maximum of individuals, excluding extra profits for only a few, thus a 'perfect' market. Hayek says markets will function if prices – important signals to the agents – are formed without interference. Tempering (money injection, deficit spending, fiscal expansion, interest rates lowering) distorts their informative nature, lead into malinvestment and depression. Schumpeter predicts the downfall of capitalism because the chances for extra profits through innovations create imitators until the system collapses. An "economical", votes maximizing, behavior of politicians adds to that. And he warns of some of the very policies being applied in today's crisis.

## **FDI and Exports in the Process of Development: Taiwan and China**

**KANKESU JAYANTHAKUMARAN & SHAO-WEI LEE**

This paper examines the association between inward foreign direct investment (FDI) and exports in Taiwan and China in their economic development process by using Lumsdaine and Papell approach that allows two endogenous structural breaks. The causal relationships are studied using the Johansen and Juselius cointegration approach and Granger causality tests. Results show that the detected breaks and causal relationships in the FDI and export time series are coincided with extensive government effort, mainly in the form of export processing zones, during a transition period from import substitution to export orientation.

## **The Contribution of Education to Human Resource: An Input-Output Analysis of the Indian Economy**

**R. HEMALATHA**

Education is that service which has manifold effects on the provider, the state, the receiver, the individual, his family and the environment, the society. This important position of education has become a topic of research for quite sometime now. The contribution has been measured by economists using (i) bi-variate regression-correlation analysis of linking education to income, GDP, productivity etc.; (ii) rate of return analysis; and (iii) input-output linkage effect measured using Leontief's inverse. The first two methods have been under the cloud of criticism on methodological and data availability, but the input-output analysis has been very rarely used. This paper is an attempt to measure the linkage effects in India over four enumeration years from 1983-84 to 1998-99. This linkage analysis which includes the direct, total and residentary for a long period enables temporal analysis of the changes that have moulded the sector post-independence and during the globalization era. It has been found that the sector has been undergoing positive changes over the period and has been contributing to each and every sector of the economy.