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# THE RELATIONSHIP BETWEEN THE ATTITUDES OF MARX, KEYNES AND THE NEW KEYNESIANS TOWARDS THE ECONOMIC CRISIS

Krste Sajnoski[1*], Violeta Madzova[2], Tatjana Boskov[3]
[1]Integrated Business Faculty, Skopje, Macedonia
[2]International Balkan University, Skopje, Macedonia
[3]Faculty of Economics, University Goce Delcev, Stip, Macedonia

## ABSTRACT

In terms of the treatment of the global financial and economic crisis after World War II, Karl Marx and John Maynard Keynes rose to the surface after a long period of suppression of their knowledge about the crisis whereas the New Keynesians made a contribution to overcoming it.

Starting from the crisis as an economic phenomenon having an internal logic of development, we have analyzed whether there exists a relationship between the attitudes of Marx, Keynes and the New Keynesians. After having reviewed separately the apparently contradicted opinions of the authors, we found out that there is a relation between them which makes them complementary. The differences arise out of the method for analysis of the crises and of the conditions under which they emerged and needed to be overcome. However, their common denominator is the insufficient demand even though they find its reasons within the different phases of expanded capital reproduction. They mostly differ in the way of overcoming the crises taking into account the different systemic conditions which they had at their disposal and the constant tightening of the contradictions in the national economies and at a global level. In fact, the changes of the systemic conditions were made in order to mitigate those contradictions.

This knowledge elicits a contemporary political economic approach to crises in order to accost them more effectively or to overcome them efficiently if they occur, taking into account their negative socio-political repercussions.

* E-mail addresses: krste.sajnoski@fbe.edu.mk (K. Sajnoski), v.madjova@ibu.edu.mk (V. Madjova), tatjana.boskov@ugd.edu.mk (T. Boskov)

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## INTRODUCTION

It follows from the comparative analysis of the scientific findings of Karl Marx, John Maynard Keynes and the New Keynesians about the economic crises and the way of overcoming them that there are significant differences. The differences grow out of the method for analysis of the crises and of the conditions under which they emerged and needed to be overcome. However, their common denominator is the insufficient demand even though they find its reasons within the different phases of expanded capital reproduction (Marx within the production and distribution, Keynes within the consumers' conduct due to the larger tendency towards austerity, and the New Keynesians within the distribution because of the increase in inequality).

It is a fact that a certain crisis can be avoided or overcome more quickly by settling the insufficient demand. This means that their attitudes are not as contradicted as they seem when being reviewed separately and superficially, but in fact, they are complementary, especially when looking at the reasons for the crisis. It can be even said that the chronology of their findings creates a sense of comprehensive political economic approach to the economic crises since they occur both in the national economies and at a level of the global economy. Hence, in order to avoid future serious violations in separate countries and at a global level, there have to be found global solutions. The absence of such solutions led to the largest economic and global crisis after World War II.

By reviewing the attitudes of Marx, Keynes and the New Keynesians, we will show the similarities and differences in the treatment of the crises, and we will point out to the significance of the insufficient demand as their common denominator.

The pointing out of the reasons for crises is not sufficient unless they are perceived as phenomena which manifest themselves both in the national economies and at a global level depending on the way of regulating the international payments. For Marx, the gold standard system is objectively given with characteristics of the consequent market economy both in the national economies and at a global level.

Keynes finds weaknesses within the gold-exchange standard (due to the possibilities of inflation of the national and global economies). However, he directed his attention to the settlement of national crises in the course of making efforts for getting out of the Great Depression, not bringing into question the need for a global currency (preparing a proposition for bancor). On the contrary, Stiglitz does not evade the need for a reserve global currency so that the national and global economies start to balance themselves.

**FOR MARX, THE CRISIS IS INHERENT TO THE CAPITALIST WAY OF PRODUCTION**

In the economic analysis of capital reproduction, Karl Marx shows that the economic crises are inherent to the capitalist way of production, and consequently, they can be overcome by changing the system. By placing the capital at the center of analysis, he finds out that it generated inequality in the capital reproduction (and as a result of that, the poor become poorer, and the wealthy – wealthier), and it leads to a crisis of hyper-production because the produced commodity values cannot be realized. During the crises there is a decrease in the production and turnover, the productive forces are destroyed, the insufficiently competitive companies go bankrupt, the workers' unemployment grows up, the prices and wages come down, the capital value falls down, the credits and investments decrease. Therefore, the economies are at a common standstill and undergo the largest disruptions.

The acting of the law of the tendency of the rate of profit to fall is of main significance for the emergence of crises. By trying to maximize the profit, capitalists initiate more and more perfect means of production, and they prompt a growth in the organic composition of the capital and as a result of that, a decrease in the rate of profit. The growth in the organic composition of the capital decreases the share of the variable capital and as a result of that, it increases the mass of the unemployed. It also comes to a contradiction between the tendency for unrestricted development of the production and the restricted possibility for realization of the products and growing of the capital. That leads to tightening of the contradictions between the capital and the hired labor with all the consequences that arise out of that in the reproduction of the capitalist society (disturbances, strikes, revolutions).

In the age of Marx, the crises emerged in periods of every seven to ten years which suit the time when the fixed asset was renewed. Each of the crises was sharper than the previous one.

It is known that none of the crises in the age of Marx led to a failure of the capitalist relations in some of the countries. However, he did not expect anything like that. He only drew a conclusion what could happen in one market economy having commodity money whereas later, Keynes assumed that the absence of the State's intervention in the mitigation of the contradictions between the labor and the capital could lead to a collapse. Ignoring some of the measures that the capitalists have at their disposal in order to increase their own rates of profit (increasing the rate of exploitation, decreasing the wages below the labor value, a constant presence of unemployment or half-employment, a development of the world trade), Marx had in mind that when the fixed asset was renewed reproduction upon capital- relations at that time will last. However, the contradictions (between the social production and the private appropriation expressed also as a contradiction between the bourgeoisie and the proletariat; between the planned production in the enterprises and the anarchy in the production of the society; between the tendency for unrestricted development of the production and the restricted possibilities for realization of the products and growing of the capital) are of such a kind which leads to a failure of the capitalist relations. As a human who has in mind his own political attitudes, he probably hoped that it could happen earlier, but as a scientist, he clearly showed the historical place and role of the capitalist reproduction in the social development and its historical character, and in that context in the economic crises of hyper-production.

The crises of hyper-production are perceived as national crises in the analysis of Marx (because of the ignorance of the external trade). Practically, they had their own international dimension, but theoretically, because of the needs of the analysis, they were analyzed within the framework of the capital reproduction in a single country. Therefore, because of the mechanisms of the international gold standard, the crises were overcome by undertaking measures and activities in the national economies due to the fact that the international stability was presupposed on the basis of the internal one. The interference of the State in the economic activities was unacceptable. Nowadays, it is insisted on providing the internal stability (especially of the countries with favored currencies) at the expense of the international one. It is even calculated to what extent the international stability can be disrupted without endangering the privileged position[1], but if the global commodity value functions, this will not be possible.

If the mentioned abstraction is ignored, the implications of Marx's statement about the necessity of crises due to the way of capital reproduction in separate countries also apply to the capital reproduction at a global level, given the fact that the crises are global as well, and because the struggle for profit is led at a global level. And because the law of the tendency of the profit to fall, functions at that level, it comes to increase in the inequality not only in separate countries but also between them. A proof of this presents the global crisis which manifests itself in the global imbalances, the tightening of contradictions between the national capitals, the currency and trade wars and even through war conflicts. And instead of working on their overcoming by establishing a new economic order, the protectionism has been growing, and the processes of deglobalization have been reinforced.

Although Marx's analysis of the crisis of the capitalist way of production refers to the liberal phase of capitalism, it has been shown that under the conditions of functioning of the system of international gold standard, the mentioned laws act modified in the next phases of the development of capitalism. They cannot be evaded, even after leaving the currency convertibility into gold and after taking the fluctuating exchange rate. These changes only enabled the development of capital reproduction in the developed economies with fewer tensions rather than in such cases when the commodity money would function (including the system of paper money directed on the basis of the principles of commodity money) because it was abandoned the priority of maintaining the external stability in favor of the internal stability. However, at the same time, the contradictions between the national capitals were getting tightened much more than in the liberal phase, when the crises were overcome by making efforts

[1] In this context, it is indicative the thinking of Olivier Blanchard and collaborators of IMF whether the inflation target should increase from 2% to 4%. „The crisis has shown that large adverse shocks can and do happen. In this crisis, they came from the financial sector, but they could come from elsewhere in the future—the effects of a pandemic on tourism and trade or the effects of a major terrorist attack on a large economic center. Should policymakers therefore aim for a higher target inflation rate in normal times, in order to increase the room for monetary policy to react to such shocks? "(Olivier Blanchard, Giovanni Dell'Ariccia, and Paolo Mauro, Rethinking Macroeconomic Policy, IMF Research Department, February 12, 2010). Two years ago, before them, Kenneth Rogoff suggested „raising inflation to 4% or more for a period of a few years to deflate the debt overhang and accelerate wage adjustment ". (Kenneth Rogoff, The 4% Non-Solution, Project Syndicate, Jun 5, 2014)

in the national economies according to the rules of the gold standard system. A proof of this are the emergences of currency and trade wars, the global imbalances and the mutual accusations of stating the one who is guilty because there is no single measure of the value and measurement of the prices.

## KEYNES'S ROLE IN SAVING THE CAPITALISM

Even as Marx spoke about the reasons for crises and found them in the capital reproduction, under the necessity of the capital to make much bigger profits (and at the expense of the earnings of the working class), John Maynard Keynes looked for a concrete solution for overcoming the Great Depression of the 1930s in the last century. In the course of the persistence of the crisis lasting several years, he saw that the insufficient effective demand was a key problem. Because he did not get in that more profoundly, it led to insufficient demand. However, he looked for a more concrete solution how to instigate it in order to decrease the unemployment and to overcome the crisis and also to avoid it in future. And when he tried to explain, he believed that the insufficient demand was a consequence of the consumers' conduct i.e. of their insufficient propensity towards consumption. [2] The larger tendency towards austerity decreases the funds for consumption, and that affects not to effectuate the production, and because of that, the productive activities are discouraged, and it comes to a crisis. Keynes pointed out directly that the mechanism of the market was not sufficient to redress the balance in the economy and to avoid the crises, and in that direction, he believed that the State's commitment was indispensable.[3] For the truth's sake, the Americans showed a practical solution for overcoming the Great Depression in the

[2]It is interesting that Keynes, despite the emphasis of the tendency, brings in data (in a period of 15 years) about the relative share of the physical labor in the national income in Great Britain and in the USA. Probably, he had an intention to see how much the decreased consumption is dependent on the labor's share in the national income. Therefore, he states: „The fluctuations in these figures from year to year appear to be of a random character, and certainly give no significant indications of any tendency to move against labour in years of increasing output. It is the stability of the ratio for each country which is chiefly remarkable, and this appears to be a long-run, and not merely a short-period, phenomenon. "(General Theory…)

[3] „In conditions of *laissez-faire* the avoidance of wide fluctuations in employment may, therefore, prove impossible without a far-reaching change in the psychology of investment markets such as there is no reason to expect. I conclude that the duty of ordering the current volume of investment cannot safely be left in private hands". ( General Theory…)

New Deal whereas Keynes formulated that in a theory. If the market cannot surpass the contradicted relations between the labor and the capital in the income distribution which led to the Great Depression (because of the insufficient demand), the State should do that by taking in more income and increasing the consumption for purposes in which the private capital is not interested (public works, expansion of the social security system). Keynes's perception of the insufficient demand as a problem which made more difficult the way out of the Great Depression can be brought in relation to Marx's attitude of impoverishing the working class. Therefore, for Keynes, the insufficient demand presents a result of the exaggerated tendency towards austerity whereas, for Marx, the insufficient demand is a consequence of the way of distribution between the labor and the capital which results in increasing the inequality. For Keynes, the insufficient demand is a consequence of the consumers' conduct whereas for Marx, it is a consequence of the objective process of capital reproduction in the phase of distribution and it is in accordance with the capital relations. In Keynes's attitude, there is no answer to this question: would people save so much money if they earned much more?

Marx has an explanation for the increase in inequality (under market conditions of working). The increase is a consequence of striving for a free evolvement of the expanded capital reproduction. By making efforts to earn a much bigger profit, the capital produces more and more goods and services. Because of the competition, it is forced to invest more in the modernization of production and in the introduction of new products. Therefore, capitalists insist on sustaining as a bigger part of the profit as possible when distributing it in order to finance the investment needs and to maintain it or make it dominant in the market. At the same time, this means that it remains relatively less profit for a compensation of the workers' labor. As a result of that, the inequality grows up (the wealthy get wealthier, and the poor get poorer), and the decline in the wages of the larger number of employees leads to a reduction of the demand. Because of the insufficient demand, this means that it is just a matter of time when the crisis of hyper-production will take place.

It is obvious that Keynes skips the problems in the phase of production and in the income distribution and believes that the crisis arises because the people are more prone to saving, and that leads to decrease in the consumption which reflects itself negatively on the economic growth and employment. He recommends the remedy according to the diagnosis. If people are not ready to spend something, that should be done by the State by implementing a redistribution of the GDP through the fiscal and monetary policy. That is an inevitable cost of maintaining the capitalist relations in the reproduction which can be brought into question because of the tightening of the tensions between the labor and the capital, between the poor and the wealthy, especially under conditions of great economic crises. This means that it should be made a certain correction of the free functioning of the market regularities (especially in the phase of income distribution) in order to avoid the tightening of the contradictions between the labor and the capital.

For Keynes, the insufficient demand presents a consequence of the people's conduct in the phase of income consumption. However, he finds out the solution to the problem in the phase of income distribution (until there is no way out of the recessive flows). The intervention is State-controlled. It increases the demand and has an influence on the economic growth and employment through the increased tax accumulation of the capitalists' profit and the inflationary provision of funds.

After World War II, it was no longer denied the need for intervention of the State in stimulating the consumption through a certain (state) correction in the distribution of the acquired market income. The point is about dosing i.e. how much it has to go to the State and how much to the business. The practice has also shown examples of countries in which the state portion reaches 50% of the GDP, and even more. As the practice has shown, in most of the West-European countries, the capital relations continue to function successfully both with the minimal and maximal accumulation of the created income. In order to prompt the consumption, the correction made in the phase of income distribution did not overthrow the capitalism even though it transformed it by enhancing the role of the State. It has been shown that the system can also function along with the corrections which do not endanger the phase of production in the activities in which the private capital shows an interest.

## CONTRIBUTION OF THE NEW KEYNESIANS

Contrary to Keynes who looks for a concrete solution to the crisis, taking into account the Great Depression and having an intention to evade such crises in future, the New Keynesians focus themselves on the measures for getting out of the Great

Recession. [4] Therefore, burdened with the current problems, they start with the fact that the crisis can be overcome by increasing the consumption as it was indicated by Keynes, but the majority avoid explaining that as a reason for the greatest recession after World War II appeared the exaggerated expenditure in the period of flowering of the national economies in the most developed capitalist countries. However, this is contrary to Keynes's logic, i.e. to save in the period of flowering of the economies, and to spend more when the economies are in recession. It does not bother them the fact that it has come to a crisis as a result of bursting the bubbles of financial and real assets which were pumped up with cheap credits and with the growth of the budget deficit and public debt (of course, with the intention to mitigate the process of increasing the inequality). As if nothing happened before the crisis, they have been looking for a way out of the crisis in the much greater instigation of the consumption by continuing the relaxing fiscal and monetary policy, especially by applying the non-conventional measures of the monetary policy i.e. by running a policy of ultra-cheap money. It is believed that the overcoming of recession can be achieved by much more opulent financing of the personal and investment consumption. In this context, the Nobelist Paul Krugman is the most exposed. He has particularly imposed himself with the criticism of applying strong austerity measures for overcoming the debt crisis in the countries of the eurozone, especially in Greece.

According to him, "Basic economics said that austerity in an already depressed economy would deepen the depression. But the "austerians," as many of us began calling them, insisted that spending cuts would lead to economic expansion, because they would improve business confidence."[5] Pointing out to the weaknesses of the austerity policy under conditions of recession, Krugman constantly makes an effort for increasing the consumption. In this sense, he wholeheartedly supported the policy of Fed for applying the non-conventional measures of the monetary policy, and he even criticized it because it is not more expansive. He did that even when the economy of the USA was in a recession and when it went out of it, but still, the rate of unemployment and the rate of economic growth deviated from the pre-crisis rates. He

[4] „But this book is, I believe, different from most of those other books, because it tries to answer a different question. For the most part, the mushrooming literature on our economic disaster asks, "How did this happen?" My question, instead, is "What do we do now?" (Paul Krugman, End This Depression Now, W. W. Norton & Company, New York- London, 2012)

[5] Paul Krugman, Osborne and the Stooges, New York Times, December 19,2013

expounded harsh critiques in relation to the hesitations and reservation of the ECB in terms of the application of non-conventional measures i.e. the determination to lead an austerity policy.

Despite Keynes's arguments, in relation to the emergence of the crisis, Krugman pointed out the inequality in the society, but he dissociates himself whether it is a reason for the crisis. "Correlation is not the same as causation. The fact that a return to pre-Depression levels of inequality was followed by a return to depression economics could be just a coincidence. Or it could reflect common causes of both phenomena." However, he states that "So while rising inequality probably wasn't the main direct cause of the crisis, it created a political environment in which it was impossible to notice or act on the warning signs".[6] He does not suspect that "inequality probably played an important role in creating our economic mess, and has played a crucial role in our failure to clean it up".[7]

Joseph Stiglitz basically shares Krugman's attitudes towards the significant influence of inequality on the emergence of the crisis (because of the insufficient demand) and on the application of Keynes's arsenal measures for the way out of the crisis, enriched with the application of non-conventional measures of the monetary policy. However, after World War II, he started perceiving the greatest recession as a disruption in the capital reproduction, not only at the level of the national economies but also at a global level. The increase in inequality in separate countries and between them leads to insufficient aggregate demand both in the national economies and at a global level. He also sees a reason for the growth of inequality in the quickening of globalization even though he believes, with right, that "It is not true that inequality is an inevitable byproduct of globalization, the free movement of labor, capital, goods and services, and technological change that favors better-skilled and better-educated employees."[8] He points out to some examples of countries which managed to reduce the income inequality significantly, suggesting that inequality is a product of political and not merely macroeconomic forces. And for the situation in the USA, he states that "American inequality began its upswing 30 years ago, along with tax decreases for the rich and the easing of regulations on the financial sector. That's no coincidence. It has

[6] Paul Krugman, The Return of Depression Economics and The Crisis of 2008, p.113 and 121
[7] Paul Krugman, Why Inequality Matters, The New York Times, December 15, 2013
[8] Joseph E. Stiglitz, Inequality Is a Choice, The New York Times,

worsened as we have under-invested in our infrastructure, education and health care systems, and social safety nets. Rising inequality reinforces itself by corroding our political system and our democratic governance.“[9] For Stiglitz, the reduction of inequality imposes finding a better balance between the market and the State, wherein "one of the roles that the government undertakes is to redistribute income, especially if the outcomes of market processes are too disparate."[10]

Joseph Stiglitz[11] explains that the west economies' slow recovery is due to the inequality between separate countries: "As in previous years, the fundamental problem haunting the global economy in 2013 remained a lack of global aggregate demand. This does not mean, of course, that there is an absence of real needs – for infrastructure, to take one example, or, more broadly, for retrofitting economies everywhere in response to the challenges of climate change. But the global *private* financial system seems incapable of recycling the world's surpluses to meet these needs. And prevailing ideology prevents us from thinking about alternative arrangements." Thus, he approaches the problem of the modern crisis in the capital reproduction from a position of the global market economy, contrary to Marx who perceived the crisis within the framework of one national economy (ignoring the international trade relations) because of the need for a scientific analysis. In this sense, it can be said that Stiglitz "brings down" Marx's abstraction in his economic analysis and he perceives the capital reproduction at a global level, stating that there is a deficiency of the global aggregate demand, not due to the absence of real needs, but as a consequence of the inequality's growth, not only in separate countries but also between the national economies. Taking into account the implications of this attitude, he estimates that "the prospect of significant improvement in 2014 – or in the foreseeable future – seems unrealistic. At both the national and global levels, political systems seem incapable of introducing the reforms that might create prospects for a brighter future." In those reforms, Stiglitz definitely has in mind the proposal for "a simple reform to the global reserve system, which holds out the promises of greater stability, higher output, and enhanced equity. It is, in some ways, an old idea—but

[9] Joseph E. Stiglitz, Inequality Is a Choice, The New York Times,
[10] Joseph E. Stiglitz, The Price of Inequality, W. W. Norton & Company, New York- London
[11] Joseph E. Stiglitz, The Great Malaise Drags On, Jan 5, 2014, www.project-syndicate.org/commentary

perhaps an idea whose time has finally come".[12] According to Stiglitz, "a new global reserve system is absolutely essential if we are to restore the global economy to sustained prosperity and stability."[13]

Nouriel Roubini[14] believes that the markets do not generate enough final consumption. "In the US, for example, slashing labor costs has sharply reduced the share of labor income in GDP. With credit exhausted, the effects on aggregate demand of decades of redistribution of income and wealth – from labor to capital, from wages to profits, from poor to rich, and from households to corporate firms – have become severe, owing to the lower marginal propensity of firms/capital owners/rich households to spend." Therefore, he emphasizes that "Karl Marx oversold socialism, but he was right in claiming that globalization, unfettered financial capitalism, and redistribution of income and wealth from labor to capital could lead capitalism to self-destruct. As he argued, unregulated capitalism can lead to regular bouts of over-capacity, under-consumption, and the recurrence of destructive financial crises, fueled by credit bubbles and asset-price booms and busts." That is why he stands up for an adequate resolution to the inequality, readjustment of the relative economic services of the market and the State with the object of avoiding the social and political instability which does harm to the long-term economic growth and welfare.

[12] Bruce Greenwald and Joseph E. Stiglitz, A Modest Proposal for International Monetary Reform, International Economic Association Meeting, Istanbul, June 2008

[13] Stiglitz, Joseph E. and Greenwald, Bruce (2010) "Towards A New Global Reserve System," *Journal of Globalization and Development*: Vol.1: Iss.2, Article 10. Available at: http://www.bepress.com/jgd/vol1/iss2/art10

[14] Nouriel Roubini, (2011) The Instability of Inequality, Project Syndicate, Okt.13.

## CONCLUSIONS

1. Through Marx's, Keynes's and the New Keynesian's findings of the crisis, it can be followed the chronology which creates a sense of comprehensive political economic approach to the economic crises, with the object of avoiding future serious economic disruptions in separate countries and at a global level. It is particularly important to build up an international multilateral system of payments with a global commodity currency in order to establish a stable monetary link between national economies and the global economy. It is especially indispensable for the promotion of integration processes globally and to avoid global imbalances.
2. Crises are economic phenomena which manifest themselves in all the phases of the development of capitalism, and they are manifested and overcome depending on the level of freedom and functionality of the market mechanism and in accordance with the measures that the economic subjects including the Stare have at their disposal. It is clearly seen from the analysis of Marx's, Keynes's and the New Keynesians' attitudes towards the crises that the market itself is not the reason for their outbreak. The capital-relations in the reproduction present a problem. With the free functioning of the market game rules, there are only differentiated the successful from the unsuccessful subjects. The rise of the successful and the bankruptcy of the unsuccessful are normal market phenomena whose resultant presents a general progress of the society. At least it happened so in the period of functioning of the gold standard system. Then everyone was responsible for their destiny.
3. Since the Great Depression, in order to overcome it, it has emerged the need for a State intervention in the capital relations because the capitalists were not able to mitigate the sharpened relations between the labor and the capital, especially due to high unemployment. The crises have changed themselves from economic into political economic phenomena. The politics itself intervenes in the economy through the State, and it constantly increases the arsenal of funds it has at its disposal in order to maintain "the peace in the house" (in the country). Despite continual raising funds to boost

consumption, the State has repeatedly relaxed the market rules of the game not only globally but also in national economies.

4. A common denominator of Marx's, Keynes's and the New Keynesians' attitudes towards the crises is the insufficient demand as a reason. They are different because they find the reasons for the insufficient demand in the different phases of the expanded capital reproduction (Marx in the production and distribution, Keynes in the consumers' conduct because of their greater tendency towards austerity, and the New Keynesians in the distribution because of the increase in inequality in separate countries and between them). However, regardless of the fact where it appears, the insufficient demand needs to be accosted with adequate measures in order to avoid the more profound crises. The former practice has shown that the politics have no power to deal with the troubles caused by the bankruptcies, the increase in unemployment, the slow-down of the economic activities without enhancing the role of the State and without loosening the market game rules both in the national economies and at a global level. But its growing and uncontrolled power becomes counterproductive. And, instead of looking for the remedy in the increase in the economic subjects' and national economies' competitive ability, on the whole, it has been started a process of a gradual loosening of the market regularities.
5. The level of freedom of the market mechanism's functioning is different in separate phases of the development of capitalism, and it essentially determines the way for overcoming the crisis. In Marx's time, in the system of the gold standard being the most consequent solution to the market economy with commodity money, the crises were overcome on the basis of the functioning of the market game rules both at a national and global level. The maintenance of the external stability had an advantage over the internal one, and it could be provided by increasing the competitive ability of the national economy, above all, by increasing the labor productivity.
6. After the Great Depression, when under the compulsion of the market mechanism, it could not be started with the revival of the economy and the growth of employment, Keynes found a justification for getting the State involved in the instigation of the demand with the object of achieving an

increase in the productivity and employment. The success in achieving that opened a new phase of the development of capitalism, a phase in which the functioning of the market regularities was not abandoned, but it was improved with the State intervention in the direction of instigating the demand. And the price for that was getting the State involved in the income distribution in order to reduce the inequality as a result of which, it comes to insufficient demand.

7. The reduction of the market freedom can be followed through the strengthening of the State's role (even by supporting the too big to fail), and through the weakening of the external market impacts, achieved by the subsequent changes in the system of the gold standard (from gold specie standard, through gold exchange standard and gold dollar standard) up to its elimination with the transition to a dollar standard when it was suspended the convertibility of the dollar into gold, and it was made a change-over to the fluctuating rates in the currency cross rates in the world. The outcome of the constant reduction of the market game rules both at a national (by leading a relaxed monetary and fiscal policy) and at a global level (especially by manipulating the rate of exchange) ended up with the Great Recession.
8. The greatest recession since World War II and the difficulties in getting out of it have shown that it cannot be counted on overcoming the crises in the most developed countries even with the further functioning of the international monetary non-system. It can be no longer avoided the notion that among the reasons for the Great Recession is the functioning of some national currencies as world money. It is high time to create a global currency and conditions under which the economic problems of the great economies will be national, not global ones, and to make each political *é*lite bear the responsibility for the situations in their own countries. Without a global currency, there can be further expected new crises even sharper than the actual one because the relations between the national capitals will be sharpening much more. With the global currency, there should be offered solutions to the insufficient demand manifested at a global level. The insufficient demand has already led to slowing down the growth

of the world trade in terms of the growth of the world GDP. This is a signal of the insufficient demand at a global level (the point is not that there is no need, but that there is no political interest in instigating the demand, of course, due to the fact that there is an interest in solving the national problems preferentially). The problem of the insufficient demand at a global level will be particularly sharpened if there are brought about numerous forewarnings of undertaking different protectionist and retaliatory measures between separate countries. It has already been activated the alarm of the danger possibility for relapsing the relations between the two world wars. It is high time to surpass the neglect of the social and political instabilities which emerge from the insufficient demand and/or the inequality in separate countries and at a global level because with the outbreak of the crises it is endangered the long-term economic growth and welfare.

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