

**Titus SUCIU**

**Adriana Veronica LITRĂ**

Department of Finance, Accounting and Economic Theory  
Faculty of Economic Sciences and Business Administration  
Transilvania University of Braşov

# FROM AMORAL FINANCIAL MARKETS TO THE SUSTAINABLE DEVELOPMENT

Review  
Article

---

## **Keywords**

*Liberalism,  
Sustainable Development,  
Cooperative Economy,  
Life Community*

---

## **JEL Classification**

*A12, B59, Q56*

---

## **Abstract**

*The current work gives an overview of the evolution of liberalism, the dominating current trend. The authors show that it does not hold the truth in economy because of both financial and democratic slippage. That is why they submit the model of the Sustainable Development where emphasis is put on the real economy which has turned into an economy for everyone and of all the stakeholders, based on the commitment to the community life. If liberalism promotes the interests of the transnational companies, the Sustainable Development focuses on citizens and on their involvement into the life of the city. That is how the triad is formed: transnational companies-state-community, where the citizen holds the central role, directly involved locally.*

## INTRODUCTION

The current crisis is the consequence of having neglected the ethics and the responsibility in the decision-making process in the business environment. Ideological commitments to the laissez-faire doctrine of the free market fundamentalism, social darwinism theories and the principle of the shareholders' prevalence over the other interested groups shifted the business leaders away from the good faith principles, from responsible management and care for the public interest. The main culprits for these market problems were the managers of the companies involved. What hadn't functioned? Excessive amounts of money borrowed and overindebting are to be blamed.

Short term speculations dominated the area, some of the market getting rich by undertaking excessive risks. To these added deregulation. Clients', owners', employees' and communities' interests had been systematically neglected.

From the social ethics' point of view, the dynamics of the shares market on the Wall Street is debatable. Wall Street hires shares for a short period of time, only to get quick profit upon transacting them. Owners risk their own capital on a longer period of time, while those who hire, bear the current expenditure.

Gwartney, Stroup and Lee identify ten fundamental principles of economic thinking:

- material and nonmaterial stimulants have effect on the human behavior in a predictable manner;

- nothing is gratuitous;

- human decisions are based on calculating additional costs and benefits;

- trade and free trade promote economic progress;

- transaction costs hinder trade; by reducing these obstacles, economic progress is encouraged;

- profits push companies towards activities that increase the general wealth;

- in a free economy, people earn their income by doing useful things and by becoming useful to their peers;

- economic progress results from trade, human resources, capital investments, technological progress and a better economic organization; it always depends on the increase of real production;

- the principle of the "invisible hand": market prices harmonize the personal interest to the general welfare;

- the most common reason for error in economy and politics is to ignore side-effects and long-term effects (Gwartney, Stroup and Lee, 2008).

## THE MONETARISM

The decline of the keynesianism, beginning with the generalization of the stagflation in the 1970's gave an impulse to the monetarism. The monetarism is a neo-liberal economic micro-trend made up of several schools. The metalist monetarism promoted by the French economist Jacques Rueff suggested the return to the monetary system gold standard. A budgetary monetarism was sustained in the USA by K. Brunner and in England by professor Minford. The best known monetarist school is the one in Chicago whose mentor is the economist Milton Friedman, a Nobel laureate (1976) for his contributions in the field of the monetary theory.

The monetarism started its offensive against the keynesianism on all fronts a phenomenon called "monetary counter-revolution" in the economic sciences. This offensive was largely determined by the necessity of finding an efficient solution to inflation. As a result the monetarism is not only a theoretical reaction but also first of all a practical one. While under the American presidents J. Kennedy and L. Johnson a keynesian type of policy was promoted, after the advent to power of R. Reagan the American economic policy was influenced by the monetarist doctrine (Moldovanu, 2003).

The American economists Samuelson and Nordhaus comparing the two schools show that "they contradict one another primarily about the factors which act on the aggregated demand. The monetarists sustain that this is influenced by money and the impact of the monetary mass on the aggregated demand is durable and certain. The keynesians consider that the situation is more complex...that money determines production together with variables such as the fiscal policy and exports. Secondly, they contradict one another about the aggregated offer. The keynesians lay emphasis on the inertia of prices and wages. The monetarists appreciate that they exaggerate their rigidity" (Samuelson and Nordhaus, 2000).

According to the monetarians the prices and the wages are relatively flexible. While the keynesians believe that a change in demand will significantly influence production and will produce

a weak effect on prices on a short term, the monetarists sustain on the contrary that a change in demand will result in a change of prices more than of quantities. Essentially the monetarism is characterized by the following features: i) an increase in the money offer is the determinant factor in the increase of the GDP expressed by "only money matters"; ii) the prices and the wages are relatively flexible; iii) the private sector is stable (Samuelson and Nordhaus, 2000).

Another important element criticized by the monetarists at the Keynesians refers to the state intervention in economy. Most fluctuations registered by the nominal GDP are a result of the actions of the state. The measures taken by the authority in order to influence the demand have a delayed result and due to these time lags the anti-cyclic policies lead to instability. By contrast the private economy left to freely develop is not prone to instability. Consequently, in the monetarist view the state interfering in the market economy exercises only a perturbing influence. The danger of dictatorship exists in the interventionism itself, favoring corruption and some economic agents to the detriment of others. The monetarists are also against the state interference in settling prices against subventions for private enterprises and against the social policy that aims at offering material support to disadvantaged categories.

However the monetarists accept a certain interference of the state in economy on the monetary mass. The golden rule suggested by M. Friedman is an increase of the monetary mass with a certain percentage annually, the public announcement of it and maintaining it for a long period of time. In our opinion M. Friedman and its collaborators have indisputable merits in the analysis of the monetary mass, especially through the speed at which money circulates, in the stability of prices and in reducing inflation. Nevertheless, they exaggerated the role of money, sustaining that all the malfunctions of the capitalist economy (inflation, unemployment, crises) are of a monetary nature and can be solved by the control of the monetary mass. The studies made in the last decades show that the harsh monetary policy has had as a result a reduced inflation but with significant social-economic sacrifices.

## THE NEED FOR A NEW ECONOMIC TREND

Before the market crisis years of 2008-2009, in the old core of the world capitalist system, capital and debt transactions overwhelmed the job-generating and profit industries. Although financial instruments represented only a quarter of the investments in the 1970's, in the 1980's financializing surged the grand total to 75%: Globally, financial assets were 4 times the value of all investments and 10 times the value of the total global GDP. Financializing leads to profits on invested money that go far beyond the profits obtained from work. It pays back the financiers more than the producers. It makes that all the other types of businesses pay more for the financial services. The recent financial crisis unveils the main inherent vulnerability of capitalism. It is a systemic risk- it means risks that are on the side of the complex network of internal connections that make up the modern financial system (Wallerstein, Collins and Mann, 2015).

In 2007, the 10% richest households in the USA had 49.74% of all the revenues (including capital gains), out of which almost half belong to the richest 1%. As of 1980 the share of the 1% richest people has continuously increased and it has doubled. This tremendous wealth of the richest 1% reflects the companies' increased power. At the same time, it unveils the vulnerable point: how can companies sell their products if 90% of the individual consumers or households only have half of the total national purchasing power (Löpfe and Vontobel, 2013).

At the core of this incredible financial crisis lays the ideal type of company - the American mode. In 2008, this model of company had become the norm in developed countries: fundamental principles - a share is a vote; listing on the stock exchange, ownership of a large number of investment funds with short term yield objectives; ephemeral and speculator shareholders; management by independent administrators. This model lays at the basis of the financial crashes we have witnessed over the past few years.

Financial markets have thus started imposing their logic on short term, of quarterly increases of the profit per share, while companies were forced to face fierce competition on their goods and services markets. We have to opt for economic rules and institutions favorable to us.

Governments have to encourage, protect and support new forms of ownership over companies.

Developing these forms of alternative ownership over companies is a prerequisite for long-term managing companies and for building mutual trust, reciprocity and loyalty, a set of values which are essential to the survival of organizations.

In order to have these values, and to develop them, managers pay has to be solved, by getting away with the programs which offer shares purchase options and with the capping of top executives pay to a multiple of the average salary in the company. Top executives pay has become the Gordian knot to untie. Executive Boards have to set pay policies to the long term interest of the company and not to the short term shareholders interest.

In the universe of the stock exchange listed companies with shares hold by a number of funds, companies cannot evade unpunished from the dictate of financial markets. Governments need to act. Only the state can impose a simultaneous change and can introduce new rules of the game that will put all players on an equal footing, thus creating new behavior norms and bring about the changes needed for the system to survive (Allaire and FîrŞirotu, 2011).

Economics cannot be considered a physical science, where everything can be brought down to figures, as it is a humanistic science based on human considerations. Georgists proposed a shift in our understanding the role of the earth in economy; institutionalists - a labor reform, while M. Douglas' followers argued in favor of suppressing loan sharking and usury and for the banking reform. Institutionalists considered understanding business operator as a person exclusively aiming at maximizing usefulness, looking at the human being integrated into an institutional and cultural framework which impacts on him. Another feature is the impact of the economic activity on the natural environment. Which of these solutions should be adopted to have a proper reform? The answer is that "all these are necessary". If we started with any of these directions, as long as we connect it to the other ones and we include them in the process, we get to the same result.

The unifying element of the three approaches is that they all encompass overtly or implicitly the notion of distributive justice. Georgists would claim the earth values which are produced by the community and would redistribute them to the benefit of the community that had produced them. Institutionalists would make sure that the worker gets a fair share of the wealth produced. Monetary

reformers would suppress usury, i.e. the opportunities that allow certain people not to produce any real good but to acquire through financial manipulations wealth produced by others.

Is there a notion that may combine all the three types of reform? Fair pay. This implies the idea that the worker is appropriately awarded, according to his contribution to the community welfare, an idea which lays at the basis of distributive justice. Fair pay reflects the situation in which the quantity of consumed goods does not exceed the quantity of goods produced.

All the economic problems start from the wealth obtained without work. If in an economy there are persons with higher incomes and who produce less, then there have to be people who produce more but who get low rewards. This wealth obtained without work is the economic annuity and it takes several forms: financial annuity, speculation, usury, large-scale plunder from companies to the benefit of managers.

When it comes to the methods of distributing ownerships, we have success examples we can follow: the programmes „Earth for farmers” in Taiwan and Korea, georgist policies applied in Singapore, the Mondragon cooperatives, thousands of success plans of distributing shares to employees (Médaille, 2012).

Global capitalist system has been supported by an ideology which emerges from the perfect competition theory. It submits that markets tend to a balance point which is the most effective resource distribution. Any restriction to the free competition hinders the effectiveness of the market mechanism. This phenomenon is the laissez-faire ideology, or as G. Soros has put it- market fundamentalism. It is the belief in perfection, in absolute values, in the power to find solutions to any problem.

It argues for an authority endowed with perfect knowledge, even if this is not immediately accessible to ordinary people. Marxism pretended to have a scientific basis, so does market fundamentalism. The scientific basis of both ideologies was laid in the 19th century when science was in full development. Over time, both marxism and laissez-faire ideologies have been discredited.

The key feature of fundamentalist beliefs is that they rely on either-or judgments. If a statement is wrong, then its opposite is considered to be right. This logical inconsistency lies at the basis of market fundamentalism. State intervention in economy had certain negative results both in

centralized planning and in keynesian-type management of the demand (Soros, 1999).

Both state and market are needed in economy, but a third element is also required: morals, ethics, principles. In an ultracompetitive environment, people overwhelmed by the concern towards the others may not manage as well as those who get rid of their moral hang-ups. Thus, social values undergo a process that could be described as reversed natural selection. The unscrupulous are in power positions. This is one of the most troubling aspects of the global capitalist system.

The distribution of the monetary values impact on the political process, rendering it less effective in serving collective interest. Secondly, the political process is less effective than the market mechanism in curbing its own excesses. These two aspects jointly strengthen in a reflexive manner: market fundamentalism undermines the democratic political process, and the lack of effectiveness of the political process is an argument in favor of market fundamentalism (Soros, 1999).

The behavior oriented to maximizing profit follows the dictates of effectiveness and ignores the requirements of morality. Financial markets are not immoral, they are amoral. In contrast, collective decision-making processes cannot function as such without clearly cutting between good and evil. The image of profit mutes the light guiding our behavior as citizens. The principle of effectiveness prevails over moral principles (Soros, 1999).

## THE SUSTAINABLE DEVELOPMENT

The Human rights guarantee our freedom to fully and responsibly live within the life community. As corporations have managed to get the same rights for themselves, they have become ever more decided to deny them to people. For instance, they use the right to ownership as a tool to deny the economically weak the most fundamental of all rights- the right to life, denying their right to access a way of living.

All of the above require rethinking economy from the liberalism which promotes the transnational companies and globalization and the Sustainable Development which brings community and the local plan to the fore. In this respect, we list the most important requests from the Declaration of the Peoples regarding the Earth. A programme for participative action for the future: "the fundamental aim of economic organization is to satisfy the fundamental needs of the community, such as food,

shelter, clothes, education, health care and access to culture. This aim has to prevail over all the other forms of consumption and military expenses, which both should be immediately eliminated. Among other immediate priorities are energy conservation, creating a dependence on solar energy sources and converting agriculture to viable practices which may minimize the dependence on depletable resources, ecologically damaging.

Beyond satisfying fundamental physical needs, the quality of human life depends more on developing social relations, creativity, artistic and cultural creation, spirituality and the possibility to have a productive activity as a community member.

Each person, including the disabled ones, has to have the chance to fully participate to all forms of development.

In order to have a viable life, it is essential to organize economic life around decentralized economies which are relatively autonomous, who can control and manage their own productive resources, ensuring a fair share for everybody to the control and benefits of exploiting productive resources, as well as the right to safeguard its own social and ecological standards. This strengthens the connection to a place, it encourages the environment management, it strengthens food security locally and it becomes an accommodating factor to distinctive cultural identities. Trade between such local economies, just as between nations, has to be right and balanced. Wherever rights and interests of corporations conflict with the interests and rights of a community, the latter have to prevail over the former.

Depending on debts, irrespective of the fact that the cause is or not an individual or a state, is immoral and it should not be imposed by force by the international and civil right.' (Korten, 1995).

In his work *The Post-corporatist World. Life after Capitalism*, D. Korten puts an emphasis on six lessons learnt from the ancient life wisdom:

Life favors selfgoverning,

Life is frugal and generous,

Life depends on settled, inclusive communities,

Life rewards cooperation,

Life depends on borders,

Life owns reserves of diversity, creative individuality and shared knowledge.

In this respect the above-mentioned author submits nine elements of design of the post-corporatist world: self-organization at human scale, rural and neighborhood conurbations, towns and

regional centers, energy self-sufficiency, using closed-cycle materials, local ecological balance, decent living, interregional electronic communications, wild spaces (Korten, 1999).

The Caux Round Table business principles are the premise for building the New Economy. Labor, capital, products and technology free movement make it more and more necessary to render business global. Market law and forces represent required behavior lines, though they are insufficient. The responsibilities involved in the companies policies and acts as well as the respect towards the dignity and interests of their cointerested groups are fundamental to business.

Moral values generally shared as well as the interest towards the common welfare are equally important to the global community and to the smaller communities. We uphold the need for moral values in the decision-taking process in business. Business relationships are not possible without such values or without a stable global community.

Principle 1. Business responsibilities: beyond shareholders, we have responsibilities towards cointerested groups.

Principle 2. Economic and social impact of the business environment: for global innovation, justice and community. Companies settled in other countries in order to develop, produce or sell have to support their social progress, thus creating a productive labor force and thus contributing to the increase of the buying power of their citizens. Companies have to support the human rights, education, welfare and developing of the countries in which they operate. Companies are responsible towards the global community, by an effective and economic use of products, and in full respect of free and fair competition (Young, 2009).

Principle 3. Business behavior: from the letter of the law to the spirit of trust.

Principle 4. Abiding by the law and moral norms. In order to avoid trade conflicts and to promote trade freedom, equal competitive conditions and fair relations to all. Companies have to observe the local and international norms. They have to have in view that, although lawful, some actions may have unwanted consequence (Young, 2009).

Principle 5. Supporting multilateral trade.

Principle 6. Respect towards the environment.

Principle 7. Rejection of unlawful trade transactions.

Clients have to be respected, either they are direct or indirect clients of ours. Producers have to ensure quality products, while marketing strategies used have to respect the clients' culture and human dignity. The relations with the suppliers and subcontractors have to be based on mutual respect, a priority being to cultivate a long-term relation. Companies have to promote a competitive behavior, ripe with social and environment benefits.

Companies have the following responsibilities towards the community: to promote sustainable development and to play an important role in maintaining the environment conditions, as well as in the conservation of natural resources and to rise the health, education, job safety standards and economic welfare.

The Caux Round Table principles set responsibilities for companies:

- jobs and pays improving the employees living conditions,
- labor conditions with no negative impact on the employees' health and dignity,
- awareness of the opinions, ideas, requirements, discontentment of employees,
- fair negotiations in conflict situations,
- equal treatment irrespective of gender, age, religion, ethnic group,
- hiring disabled persons on relevant positions
- preventing employees' labor illness,
- encouraging employees to develop development skills,
- cooperating with the government and the trade unions in cases of losing jobs.

Money and the power thereof expose capitalism to abuses, generating conflicts between moral business practices and those specific to wild capitalism. In the capitalist system, money is the main reason rendering it necessary to have moral fiduciary reports (Young, 2009).

While the all-powerful profit motive dominates the global economy, there's a new and very far-reaching economy that's sprung up in just the last few decades that's making something different. It's the cooperative economy. A cooperative is managed and owned by its workers. An employee can buy a stake in the co-op and be part of the decision making process-one person, one vote. As business gets better, the profits are spread among the workers. Worker-owned co-ops are arguably a form of capitalism, where workers hold the capital in individual companies. The United Nations estimates that three billion people

have been positively affected by a cooperative enterprise. It is a real fact that cooperatives are having such an impact around the world at this particular moment (Hartmann, 2014).

### CONCLUSIONS

A strict regulation of products and financial-banking activities is needed, when they are not compatible with the market stability principles, with creating long-term added value and transparency. Regulatory bodies have to be able to control excessive speculative transactions.

The idea at the core of the Sustainable Development is that the sustainable financial success of a company depends on the extent to which its business model encompasses the principle of social responsibility. The permanent access to the capital resources allow the companies to learn from own mistakes, to overcome difficulties and have a correct relationship with clients.

The Sustainable Development is real economy 100%, made up of small and middle-sized companies, non-profit associations, cooperative associations and authorized natural persons. It is a client-focused service economy. When is the time of the Sustainable Development coming? Soon.

The basic principles of the Sustainable Development: they address to all participants, to all business operators, an economy for everyone. Its logo could be: work for everyone. It has the capacity to curb the excesses from democracy and rule of law state: tyranny, corruption, trafficking in weapons, human beings and drugs.

It emphasizes environment protection: in order to do that, technical means will be used if they do not destroy or pollute the environment. Education and research have been declared as national priorities. The Sustainable Development is respectful for the citizens' rights as well as knowledge and flexibility in social and economic life. The basic principles are service, correctness, justice, cooperation, honesty, potentiality, growth and human dignity.

It is in our hands to choose: we either chose to work for corporations, to buy from corporations, to become the modern slaves or to become prosumers, to buy from the neighborhood shops, to have our own businesses. It's actually not that difficult to make the choice.

### REFERENCES

- [1] Allaire, Y., Fîrșirotu, M. (2011). *Pledoarie pentru un nou capitalism [Black Markets and Business Blues]*. Bucharest: Logos. pp. 149-152.
- [2] Gwartney, J.D., Stroup, R. L., Lee, D.R. (2008). *Liberalismul economic. O introducere [Common sense economics. What everyone should know about wealth and prosperity]*. Bucharest: Humanitas. pp. 26-55.
- [3] Hartmann, T. (2014). *The crash of 2016. The Plot to Destroy America -- and What We Can Do to Stop It*. 1st ed. NY, USA: Twelve – Hachette Book Group. pp. 255-256.
- [4] Korten, D.C. (1995). *Corporațiile conduc lumea [When Corporations Rule the World]*. Bucharest: Samizdat. pp. 381-382.
- [5] Korten, D.C. (1999). *Lumea post-corporatistă. Viața după capitalism [The Post-Corporate World: Life after Capitalism]*. Bucharest: Antet. pp. 114-125.
- [6] Löpfe, P., Vontobel, W. (2013). *Multinaționalele bogate, cetățenii săraci [Rich multinational, poor citizens]*. Bucharest: Globo. pp. 115-116.
- [7] Médaille, J. C. (2012). *Spre o piață cu adevărat liberă [Toward a Truly Free Market]*. Bucharest: Logos. pp. 110-122.
- [8] Moldovanu, D. (2003). *Doctrinile economice [Economic Doctrines]*. Chisinau, Moldova: Arc. pp. 189.
- [9] Samuelson P. A., Nordhaus W.D. (2000). *Economie politică [Economics]*. Bucharest: Teora. pp. 722-723.
- [10] Soros, G. (1999). *Criza capitalismului global. Societatea deschisă în primejdie [Crisis of Global Capitalism. Open Society in Danger]*. Iasi: Polirom. pp.125-126, 184-185, 191.
- [11] Wallerstein, I., Collins, R., Mann, M., Derluguian, G., Calhoun, C. (2015). *Are capitalismul un viitor? [Does Capitalism have a Future?]*. Bucharest: Comunicare.ro. pp. 203-209.
- [12] Young, S. (2009). *Capitalism moral. O reconciliere a interesului privat cu binele public [Moral Capitalism: Reconciling Private Interest with the Public Good]*. Bucharest: Curteaveche. pp. 148-150, 225.