

## IDEOLOGICAL ASPECTS OF ECONOMIC CRISIS

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### *Introduction*

In addition to the problems related to human health, the new type of corona virus has generated many economic puzzles. It is also obvious that the pandemic has only accelerated crisis trends not only in individual national economies, but also in the global economy, which is irreversibly plunging into recession. The diagnosis of the global corona-economic crisis could serve as a reliable basis for assessing the national economy, unbiased conclusions and realistic forecasts. We believe that approaches to economic analysis should be based on local and territorial issues, including distinguishable and structural factors. Thus, the analysis of the widespread global economic epidemic should take into account all local, regional and global factors.

### *Methodology and literature review*

From a global point of view, it is necessary to highlight the most fundamental dynamics of the corona-economic crisis. First, under the rubric of economic liberalization, developed countries have called on developing and emerging economies that gained independence in the late twentieth century to adopt liberal rules in the sphere of national and international trade [Havrylyshyn et al., 2016, 1–5]. At the same time, sponsor countries grossly violate the “rules of the game”, creating competitive disadvantages for such countries due to large-scale subsidies on foreign trade. The central problem here is not free trade, but fair competition. In other words, subsidies have dealt a serious blow to the competitiveness of both developed and developing countries. At the same time, in developed economies, subsidized goods are far from natural competition and therefore become continuously dependent on government subsidies for their mere existence. On the other hand, in developing countries, where government budgets are prohibited from financing subsidies, goods do not achieve or maintain a competitive advantage and therefore are deprived of the opportunity to be sold on the local market, which leads to a reduction in local production. This can be considered the most serious global economic paradox, which naturally led to significant economic shocks in the developing world. Secondly, the financing of artificial competitiveness of goods produced by developing countries is carried out at the expense of poverty, hunger and other social problems. Although there is evidence of a decrease in social spending, the volume of subsidies is also increasing. For example, in the member countries of the European Union, the subsidy per cow is equal to the average annual income of a farmer in the agricultural sector of Russia [WTO, 2009]. This is also the reason why in 1996 the World Food Summit of heads of

state and government (primarily of developed countries) in Rome decided to reduce the number of undernourished people to half of this number, no later than 2015; but this goal was not achieved. On the contrary, the number of impoverished people around the world is increasing, not decreasing [Solovieva, 2019, 76]. Third, since 1964, when the United Nations Conference on Trade and Development (UNCTAD) was established to provide a forum for developing countries, the main item on the agenda has been the formation of a global economic structure and a new world economic order. The same issue was considered at the BRICS meeting in August, 2024 in Yerevan. In particular, according to the executive director of the Reinvented Bretton Woods Committee M. Uzan: “as authorities around the world step up measures to combat the crisis and make important decisions to save national economies, one thing is certain. The global economy will emerge from isolation in a fundamentally different and more changed way than ever before, more than after the Great Depression and the Great Recession. From a macroeconomic perspective, most OECD and emerging economies will run unprecedentedly severe government deficits and will create a global debt overhang” [Global Economy, 2021]. However, little progress has been made to date towards this goal.

### ***Analysis***

In fact, there is certain apathy towards the role of developing countries in the global economic development process – an apathy that is driving these countries towards a kind of isolation. In addition, there is a prevailing view that developing countries are channeling their financial resources more into social programs than into helping local producers hone the quality and competitiveness of their products. Thus, in the absence of adequate means of production, developing countries find themselves dependent on the technological resources of developed countries. In turn, this situation aggravates existing economic inequality and leads to severe consequences for the economies of both developing and developed countries. At the regional level, the causes of the crisis are mainly related to the absence or lack of economic integration [Golovnin et al., 2022, 260]. On all continents of the world, efforts at regional integration have led to the creation of free trade areas or, at least, to the creation of customs unions. A typical example is the North American free trade area, which has not even become a customs union yet. The same can be observed with regard to economic integration between the countries of Southeast Asia, the EAEU, and the states of Latin America. The only exception to this trend in economic integration is the European Union, which has evolved towards closer economic convergence and is in the last stage of the multinational integration process. However, from the point of view of growing global competition, the EU can discern a certain deviation towards isolation from the rest of the world - exclusive trading practices that take the form of priority demand for goods and services between Member States and an obvious reservation regarding trade in comparable goods and services of non-Member countries [Competing in a Changing Europe, 2006, 6-14]. Naturally, such exclusive trading prac-

tices will limit the ability of other countries to trade their goods and services in the EU common market. As a result, the possibilities for regional integration around the world become extremely limited. So many countries are constantly looking for trading partners around the globe, and no single country can claim to have achieved full integration into the world economy unless it has achieved a high level of regional economic integration.

At the same time, integration processes in several different regions, including the BSEC (Organization of the Black Sea Economic Cooperation), are highly politicized and depend on mutual benefits achieved through bilateral agreements between key participants [Mikhaylenko, 2014, 136]. This is also seen as an unhealthy situation that could potentially harm the achievement of tangible economic cooperation.

In the local market, the potential consequences of failure were noticeable even before the corona economic crisis. In fact, the formation of monopolies and their relative power in the market are the root causes of the non-competitive economy. It is also necessary to take into account the level of the prevailing shadow economy, which hinders the formation of an effective structure of GDP and the entire national economy, which could lead to the adoption and implementation of a strategic national policy based on reliable economic indicators. Other coercive measures in the economy include corruption and threats of further harm from the absence of or deficiencies in financial security, banking security, investment security, production security, food security, social security and security of other economic sectors [Manaseryan, 2014, 236].

*Symptoms.* The underlying symptoms, including both structural and indirect factors, can be classified into the following groups: systemic, conceptual (ideological), symptoms related to the lack of responsibility, symptoms related to the lack of trust.

The crisis clearly demonstrates that the symptoms of the crisis dominate in all sectors of the economy, rather this is evident in the entire immune system of the economy, which also depends on the financial sector. It seems that in recent decades the economy has not supported the financial sector, but the economy has supported the growth of the financial and banking sectors. Moreover, the financial sector has acquired a kind of independence, formulating its own rules and regulations and gradually breaking away from the economy as a whole, creating a kind of "virtual economy". Ultimately, being separated from reality and having severed its ties with the economy as a whole, the financial sector single-handedly caused the crisis and dealt a serious blow to the entire economy back in 1998 and 2008, including manufacturing, agriculture, construction, services and other sectors [Zakharov, 2012, 145-164]. Thus, it is quite clear that the current corona-economic crisis is not simply related to the coronavirus, but a problem for the entire economy. It is a systemic crisis. The crisis can be characterized as conceptual in terms of the fact that at this particular stage not only are the shortcomings of the free market economy noticeable, but also that there is not a single country in the world that could claim that an ideal open-type

liberal economy exists. Even before the crisis, the industrialized countries of the West have consistently used management methods that are traditionally typical of a command economy. The characteristic of a systemic crisis in this sense refers to the practice of centralized planning applied not only at the micro level of individual firms, but also at the meso and macro levels of the economy. Moreover, governments of industrialized countries sought to coordinate their plans at the intergovernmental level. A striking example of this phenomenon is the European Union [European Securities, 2016] with its systemic and unified approach to economic policy. The next important contradiction with a free, liberal economic system is the growth of state-owned enterprises. During the crisis of 2008-2011, the governments of the United States, Great Britain, France and other countries actively participated in economic competition and market transactions, allocating large sums of money to acquire private banks and large manufacturing operations [Rot et al., 2002, 112]. As a result, the total amount of fixed assets on the balance sheets of the respective states has increased. And, as such, the utopian approaches and principles of the representatives of classical economics, who claimed that prices are determined by market forces, supply and demand, and that the government should not interfere with competition, have disappeared.

*Protection of the immune system of liberal economic theory and the preservation of absolute values.* Currently, an ideological conviction is being formed that after overcoming the global crisis in the world, perhaps, there will not be a single country left that is capable of implementing sustainable development using the schemes of "wild" capitalism, which are demonstrated in conditions of absolute freedom and deregulation.

The crisis of responsibility is an undeniable brake on the dynamics of the functioning of domestic markets, as well as in the global economy. In these conditions, the countless financial and economic structures function within their internal mechanisms, neglecting their wider group or team responsibilities. In other words, the Ministry of Finance, the Central Bank and other state institutions of any country (except the member states of the European Union), as well as the International Monetary Fund, the World Bank and others, have made considerable efforts to correct the weak economy, using their narrow expertise and professional acumen, but leaving the rest to the fate of development trends. The limitation of overall responsibility or the transfer of it to others has led to the fact that no one has assumed overall responsibility or assumed the full role of "chief physician". True, this role is reserved exclusively for the state in its supervisory and regulatory activities; but since independence, the position of chief executive has essentially been abolished due to the belief that the "patient" should cure itself, that the market is self-regulating, and, as a result, the elimination of the sense of responsibility. Even if, in addition to the national currency, there is a global currency in circulation that is the main carrier of a contagious disease, no one is responsible for the spread of this "in-

fection". It is necessary to take into account the fact that any downturn in the world economy can have negative consequences for the US dollar, and, in turn, any significant changes in the US economy and the currency exchange system will affect those countries that are integrated into the world economy. It would be naive to think that any nation will voluntarily repent and take responsibility for all this. In our opinion, the way out of the responsibility crisis requires the creation of an effective mechanism for implementing counterweights and control in the global economy, as well as for the transition from a unipolar to a multipolar world [Yan, 2015, 1-5], where the regulatory and control functions and activities are carried out by the main players at the global level. And under such a device, the role of each player will be determined in terms of a reasonable relationship between rights and responsibilities. It is absolutely unacceptable for rights to be granted on an unlimited scale, while responsibility simply acquires a formal status. On the other hand, suppressing "players" with too many responsibilities may ultimately lead to unwanted tensions. An irresponsible position at the top of an organizational pyramid can fall down the entire structure and paralyze the effective work of all subordinate entities. No organization is immune from such a danger - neither in the private sector, nor in various government agencies of the public sector.

### ***Conclusion***

At the current stage of the financial crisis, some seem to be acting as bystanders. This relates to even those who bear the main responsibility for the current situation, including legislators and public officials for their share of the problem, as well as producers and consumers. At various points in history, a lack of responsibility and even, in some cases, a complete lack of responsibility have caused numerous setbacks and failures, requiring decades and even centuries to correct the negative consequences [Lanskov, 2009]. And finally, with the manifestation of the crises caused by the preceding factors, the crisis of trust could not be prevented. In the conditions of confusion imposed on the foundations of the entire economic system and the agony imposed on the classical liberal ideology, along with the deficit of responsibility, it is impossible to maintain mutual trust at a sufficient level. In addition, consumers are tired of the anxiety caused by the turmoil in the world and are losing confidence in government and private institutions, namely government bodies such as the Central Bank, as well as private institutions such as commercial banks, insurance companies and others. In addition, trust is rarely found in the relationships between international and local organizations or individuals. Except for a few episodes, it is difficult to find trust in regional interactions, which further complicates political and trade associations with neighboring countries. Such interactions are usually mediated through ties with other countries or organizations, which pushes the trust factor to a lower level of importance. Ultimately, and in the context of the prevailing corona-economic epidemic, confidence in the main players in economic recovery, except for the economy, is gradually fading.

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In general, both controllable and uncontrollable factors affect the functioning of the market, creating the necessary prerequisites that led to the corona economic crisis. And finally, if we add these conditions to the significant excess of imports over exports and the unprecedented growth of negative trade receivables in the country's balance of payments, it becomes quite obvious how and why the global corona-economic crisis will weigh on the national economy. It is important to note that the corona-economic crisis differs from the conceptual, ideological crisis in that sooner or later the economy will come out of the crisis, while it may be quite difficult to find a way out of the conceptual crisis and it is difficult to find possible solutions for it.