



Economies and Nations in a Challenging World: How and How Prompt Will They be Able to React to Present Crisis? Some Insights from Contemporary European Economic History.

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Introduction

The economies of the European continent are experiencing just the latest in a long wave of crises that puts pressure on the stability of national institutional settings and the modern experiences, after World War II, of democratic societies. European Capitalism, in reality fully globalized from a long time, always seems to survive after crises but following traditional ways-out: social struggle with always the lower classes who pay the costs (Duménil et al, 2006); contemporary control of information with reduction of representative democracy, in turn driven by strong political lobbies well rooted in the real economy (Chomsky, 2023); last but not least, a re-proposed model of war economy that produces alongside immediate growth, destruction in the long-term (Sutton, 1973).

It is quite clear to any development analyst that the current old-style economy is obsolete and inadequate to address these challenges on several aspects: in terms of economic policy tools used by governments, speed of reactions and, above all, type of solutions proposed (Rifkin, 2019). These limits are evident, first of all, with respect of the main issue that humanity finds itself facing in contemporary world history: climate change and global sustainability.

Scientists provide a clear evidence based on data that accelerated human activity, induced by technological leaps and a series of industrial revolutions in European countries and United States, together with population growth, have generated in the recent past and still continue currently producing massive greenhouse gas emissions. The effect is well known: global warming, resulting in sudden weather events and irreversible climate effects affecting vulnerable geographical areas (IPCC, 2018).

The anthropic effect on this natural phenomenon key to biological and human life is measured in the thin slice of earth in which we are able to live in this last Anthropocene era, but the political reaction in our society seems very weak and slow, despite the scientific knowledge and technological means we have at our disposal.

After the Second World War there was hope for a new era of peace, at least in Europe, based on growth and well-being, with the support of the two competing world powers, winners of the war: USA and URSS.

The European history of the last century provides examples of national tested solutions and responses that proved somewhat effective but then (and we should be lucky to understand this today) left long-term negative consequences. The negative examples come from economies inspired by both free markets and socialist planned systems. Degradation of the natural environment and massive consumption of (mostly non-renewable) resources everywhere, instability of financial and commodities markets after several deep crises in capitalist-led economies, dismissal of centrally planned economies in most socialist countries after collapse of the Soviet Union.

Militaristic and resource-destroying competition between the two leading post-war superpowers and previous inherited technology are responsible for such un-sustainable development paths.

The challenge is to learn from previous experiences to understand the reasons for failure, avoid replicating the same mistakes and to explore innovative solutions. National economies need a sufficiently fast transition towards a new system compatible with sustainable development. This is a systemic evolution that requires open minds and courage, as it was for the pioneers of entrepreneurship in market economies and for planners in socialist-led economies.

The attempt at a "green" technological transition in this area of the world constitutes important food for thought on how and with what speed change can be achieved today with just market economies (Pizzoli, 2018).

Economies in Europe After World War II

The national economies that grew in Europe after World War II followed the models proposed by the USA and the URSS, with multiple combinations of free markets and centrally planned economies. In any case, the government played a central role, using economic policy instruments, laws and institutions, but above all by financing investments and growth.

Many studies describe the boom of market based economies such as France or Italy in the 1950s and 1960s, up to the economic success of European Common Market. Much less is known about the development of socialist Comecom economies for competing political reasons but also for lack of data. Today, more careful reflection is possible.

Schumpeter View and Expectation on the Development of Economy

Writing his popular book "Capitalism, Socialism and Democracy", Schumpeter was influenced by the Great Depression of the 1930s, a period of deep crisis in Western market economies and expansion of the Soviet economy; the latter, the first world experiment of socialist economy, albeit starting from a large gap in terms of original accumulation of real capital and technological knowledge (Schumpeter, 1942). It was an opportunity to focus attention on the dimensional and organizational evolution of factories and large capitalistic companies. The latter, now globalized, are still the main players (with governments) in market economies. Today we can observe the subsequent evolution of multinationals and groups, which led to a resilient capitalist system, not to a smooth evolution in favour of a socialist economy in the form developed in Russia.

Experience of Planned Economies in Central Europe

In Russia, after the 1917 revolution, and subsequently in URSS and the Comecon area, a system of centrally planned economy was experimented with. Soviet "style" plans have been implemented in Russia for nearly 80 years with mixed results of success and failure.

The starting idea was that the national economy could be managed like a huge factory, where

specialized technicians (engineers, agronomists, etc.) work according to national plans with nationalised worker-controlled means of production (Bukharin, 1920). It was believed that a simple administrative structure, along with worker participation, motivation and democratic decision-making, was needed at several levels of political organization.

In practice different types of similar realizations have been implemented in different countries with many difficulties: conflicts and inefficiencies, faced with the complexity of society and the limits of planning tools, data and processing capacity (Ellman, 1979). The results obtained would seem to justify Von Mises' the classical criticism of the impossibility of achieving efficient planning (Von Mises, 1920).

To overcome these difficulties, great theoretical and applicative efforts were made by Nobel prize-winning Russia economists and technicians (Leontief, 1925; Kantorovich, 1939; Glushkov, 1964; Antonov, 1965). Some of the issues highlighted by these authors are of current interest, to understand the limits of the technology underlying Soviet-style central planning.

Challenges and Solutions for the Future in Europe

The challenges for European economies in the current context need to be considered with great attention and some solutions can be learned from some past experiences. A careful study is important to discover which policies and tools of the past could be effective today to re-orient European economy on a different development path, based on full sustainability (D'acunto, 2022; Chomsky, 2023).

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