

## **19. The global economic crisis from a sociological perspective: civilisational roots, individual and social repercussions**

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### **Abstract**

This article is an attempt of a sociological reflection on economics and the latest global economic crisis. The authors focus on the social and individual impacts of the economic crisis, because global economic processes directly influence and severely touch individual human beings. Its repercussions can be observed not only at the economic level, but also analysed in a sociological and psychological sense.

The purpose of this article is to explore the implications of the economic crisis at the social level. The economic crisis is synonymous with the crisis of capitalism, which is only an aspect of a much wider and more

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serious civilisational crisis of our time. The economy should be understood in the context of the social order – being only one of its five aspects or dimensions – it is influenced by and in turn influences the remaining aspects of the social order. This article is based on statistical analysis, comparative research on chosen European countries, as well as a critical reflection on international sociological literature in this domain.

It provides a comparative sociological analysis of two ideal types (in a Weberian sense), two different orientations clearly emerging in the contemporary economy- unconditioned, ruthless capitalism on one side, and a more pro-social capitalism on the other. These trends are the subject of analysis and debate in sociological literature. Each orientation has very different implications at the social level, creating societies with different social values and diverse levels of cultural and social capital.

Keywords: capitalism, civilizational crisis, economy, social order

## Introduction

The current economic situation of the Western world or more specifically of the European Union Member States leaves a lot to be desired. The Old Continent has not yet managed to get back on its feet after the striking blow it received as a consequence of the global economic crisis that is said to have begun on the other side of the Atlantic Ocean in 2008 with the bankruptcy of Lehman Brothers. This event is rather a symbolic date, and the actual roots of the crisis should be searched for in much more distant times. The word 'crisis', which was traditionally a rather neutral term, meaning a turning point or a moment of change, not necessarily for the worse, but maybe for the better, has now been deprived of any glimpse of positive significance. This word conveys everything but positive emotions- from fear to anger, and even complete despair. Although the economic crisis is analysed primarily from an economic perspective, which would seem logical at first sight, we will argue that this perspective – even if not completely erroneous – is extremely restricted, for it does not allow us to see the whole picture, but only its fragment. In our opinion, the economic crisis is only part of a much wider and more severe crisis of our time- the civilisational one. This being said, the economic crisis needs to be understood in terms of the social order. For we are convinced that a sociological reflection on the economic situation may shed light on its deeply rooted causes, at the same time proving to be of great use when it comes to predicting such crises in the future and attenuating their negative consequences.

## 19.1. The civilizational roots of the global economic crisis

As we have already mentioned the global economic crisis requires a sociological reflection on economics and its doctrines. Why do economics encounter serious trouble when it comes to predicting, diagnosing and understanding such a great crisis? Perhaps those who point to some economists' involvement in the interests of financial companies are not completely mistaken. Another reason, one might suppose, could be the conformity on the part of many of them as well as their belief in the neo-liberal ideology which stigmatised those who criticised 'the real capitalism'. Perhaps some economists are short-sighted because they seem to have a methodological problem. This refers in particular to the representatives of the so called 'hard economics', which claims to be a science. In Knut Borchardt's words, "This discipline has no specific methods at its disposal with which to consider and analyse crises" (Borchardt, 2010, p. 220).

What is more, many economists assert that the very concept of crises does not make sense from the point of view of the business cycle theory. In their opinion, what is commonly referred to as a 'crisis' should be understood as a natural process of self-regulation of the economy. The best thing to do about it, as they claim, is to do nothing! The concept of crisis, though, due to its ideological and psychological character, calls for an energetic intervention (Borchardt, 2010, p. 222).

However, it is our intention to point out a more fundamental problem when it comes to the sociological point of view, namely that of understanding the economy in the context of the social order (Wielecki, 2012). When referring to the social order, we mean a constantly created, recreated and transformed result of a changeable, internally heterogeneous, complex and dynamic process of structuration. This is a process which constitutes the relatively continuous and unbroken basis for the organization of the social practice of life, in other words it crystallizes, reproduces, disintegrates and transforms the relatively steady fundaments of a relatively defined large community. The social order understood in this way determines a more or less durable framework for the common practice of life.

Within the social order, we can distinguish five dimensions: the social structure (groups, strata and classes, as well as the system of relations between them), culture, the institutional order, the economic order, and the demographic order. These five dimensions are all interrelated: a major occurrence in one of them produces effects in all the remaining ones. Due to this interdependence, analysing the economy as a separate system does not provide us with a view of the entire picture, making it often impossible

to notice and understand phenomena and processes which are quite basic in character. This is exactly the case when it comes to dealing with the current economic crisis. Its actual causes are of a civilisational nature, not an economic one. Great civilisational changes disturb the foundations of the social order, and consequently those of the economic one. Phenomena which are often interpreted as economic causes of an economic crisis are rather the results of completely different processes that cannot be prevented or cured by implementing purely economic measures, especially with one's horizons narrowed in a doctrinaire sort of way.

Today's reality is characterized by the break-up of industrialism, brought about by scientific and technical achievements of the post-World War II period which have been causing important technological changes in the most advanced societies since the 1970s. These, in turn, have resulted in profound civilisational, demographic, cultural and social changes, which also happen to be fast-paced.

Furthermore, this is a time of transition between two civilisational formations and, as a result, between two types of social orders in all of their possible dimensions. Changes in culture give rise to a crisis in the way that people understand the world, the aim and sense of living, morality, obligations and solidarity. Thus ours is also the time of a mental crisis, a crisis of traditional horizons of reference and frameworks of action and also a very severe crisis of fundamental institutions as well as – in the case of many people – a crisis of personal identity (Wielecki, 2003).

Evidently, we cannot deny that the current economic collapse has its origins in 'creative accounting', in other words – in the freedom to run up debts and offer airy-fairy loans, in the enormous speculative bubble in the real estate market and in the modern so called 'financial instruments' serving to take in states and millions of citizens, a practice unheard of on such a scale before. All this is well known, however this time, we are faced with global-scale pathology which is only possible in a globalised world, where large financial entities are independent of state control, quite often thanks to the enormous capital and wealth at their disposal. This in turn not only equips them with an unprecedented range of freedom and independence, but what is more, enables them to make the states (or their elites) dependent upon them.

It should therefore be emphasized that the current crisis differs from the earlier ones, typical of the industrial civilisation (which is being replaced by the post-industrial one). The crises of the industrial era brought about a number of tragic results, especially in the 20<sup>th</sup> century, in the form of two world wars, communist revolutions, economic collapses, the Holocaust, and totalitarian rule in its various forms. The end

of their bloody history was marked by the creation of an entirely new type of social order within the industrial civilisation, which we will call the phase of 'mature capitalism'. It is made up of a liberal-democratic order, with a socially-oriented economy and the historic compromise of the welfare-state policy, with the civil law-observing state, which played the role of the mediator and guarantor of the compromise between the main social forces of that time, i.e. the employees and the employers. New communications technologies contributed to the rekindling of the industrial crisis, which seemed to have been solved once and for all, but this time on a global scale and in the reality of the post-industrial civilization (Wielecki, 2010).

## 19.2. The crisis of capitalism

It is quite evident that the civilisational crisis also affects capitalism. It is a crisis of the foundations of the post-war version of the capitalist economy corresponding to a specific type of social order. No patching could be of any use here, with no money at the disposal of the states and governments, apparently so disliked by the neo-liberal economists. Embezzlement is not the cause of the crisis, so no amount returned to the system will make it function properly again. Neither is it enough to reprimand the offenders and create new controlling mechanisms. This post-war order also had its faults and faced harsh criticism. However, in spite of the many tensions in the post-war years, it had been proving fairly functional up until the 1970s.

There is no doubt that the crisis of capitalism lies at the very basis of today's economic order. If the banking system, stock exchange and financial balance are the basis of the market economy, then what else has to go wrong for us to become convinced that a certain version of capitalism typical of the industrial social order is coming to an end? It is undergoing so many changes that its existence in this form is no longer possible. As Immanuel Wallerstein points out, traditional sources of capital accumulation, thought of by many to be the foundation of capitalism, are drying up (Wallerstein, 2001). The reserves of relatively low-cost labour force from rural areas, freely available resources of the natural environment, the traditional tasks of the nation state and further possibilities of externalizing costs are all disappearing.

As a result, dramatic social conflicts, inherent in capitalism, have revived; the welfare state – which we deem a historic compromise that was of service to the main social classes, capitalism and especially to democracy – is made void. In a time of global networking, things

are no longer that simple. By transferring today's society, culture, politics and economy to the virtual and global network, all of these aspects escape the control of traditional institutions or citizens. This makes global, unrestricted accumulation possible and renders democracy difficult, if not impossible to practice. When a compromise is reached on the market between the main social forces and the state is its guarantor, as it is the case in countries pursuing the welfare-state policy, then such a market is declared by some (e.g. the neo-liberals) as lacking freedom. The hypocrisy of their using the 'free market' slogan consists in the fact that they oppose this compromise because they see it as unfavourable for themselves- this however, they are unwilling to admit. They prefer to deliberate at great length about a lack of freedom of the market, in reality, wanting more of it for themselves. This is of course possible, but always at somebody else's cost. The said compromise put an end to a tragic thread in an almost 200-year history of capitalism. By the time it was achieved, the world, and especially Europe, had experienced waves of revolutions, wars and economic catastrophes. The compromise was not a present, but wisdom paid dearly for with blood and misery of millions of people.

In terms of social structure we find that, as a result of civilisational processes the position of employees is getting weaker. This instability can prove to be dangerous in so far as these two groups are often considered to be a stabilizing factor in democracy. Modern technologies are now encroaching upon traditional areas of the so-called white-collar work. Yet it is the growing crowd of people who are unemployed and who are not going to have jobs that deserves special attention. Their unemployment will probably be hereditary for the most part. It is important to note that unemployment not only doesn't allow those concerned to fulfil their material needs, but in the long term takes its toll on the stability of the family at the micro level and at the macro level touches the social structure, by intensifying inequalities, injustice, a lack of solidarity, hence becoming the source of social tensions and divisions.

Furthermore, an unsettling phenomenon of today's capitalistic societies is social exclusion, which excludes individuals and groups from the social mainstream. Anthony Giddens writes about two types of social exclusion that threaten the stability of the social order. One is the underclass; it encompasses the segment of the population that occupies the lowest possible position in the social structure, its main characteristic being poverty, experienced in a variety of ways. This is the youngest segment of the population, a side-effect of modern and mature capitalism. On the other hand, social exclusion affects the rich,

those occupying positions at the very top of the social ladder; they withdraw from society in gated communities or by accessing private health care and education. The supporters of the Third Way promote a redistribution of possibilities rather than of resources. Equality of opportunity is of greater importance than equality of outcome. Hence, an inclusive society is one in which all citizens receive the opportunity to be involved in the public sphere, having access to education and work. Social exclusion must be tackled in the interest of social cohesion (Giddens, 1998, p. 101–103).

Nowadays great multinational capital has gained a chance to free the market, or, rather to get full freedom for itself – from the state, from all the institutions and organizations that have been guarding the social compromise on the state level (e.g. trade unions). As long as there are no mechanisms in place to enforce the compromise at the global level, we will be in danger of a great global conflict between the desperate excluded ones and a part of the employees with the overly empowered global employers. The disproportionately weaker excluded ones and employees may resort to radical methods of fighting. This will not be easy, as modern technologies have also made their way into the institutions of control. However, as we now know, no police or prisons can stop terrorist attacks, including cyber terrorism. What is more, the above mentioned social exclusion also produces a number of well known effects, such as demoralization, crime, disintegration of social structures, nervous and mental diseases, family pathologies etc.

This is, of course, a pessimistic scenario. Perhaps, as some promise, new jobs will be created thanks to the technology sector; maybe a new, global civil society will emerge as a serious counterpart for the global capital. Or yet another scenario will become true. One cannot fail to notice that the new times offer people new possibilities to live more comfortable, safer, more individualized and freer lives. Obviously, one can also worry that this will even further encourage consumption and materialism, which already deprive people's lives of sense and aim, bonding and responsibility. What is more, we cannot fail to observe that a new axis is being formed distinctly differentiating communities on the home front and worldwide – one of access to consumption. The freedom to consume is strictly limited by means of social and cultural factors. Inequalities in this area are growing dramatically. Nowadays, about 10% of the world's richest people have at their disposal 90% of its wealth.

### 19.1. Globalization and social movements

The crisis of capitalism briefly described above goes hand in hand with the process of globalization. Globalization means a new beginning not only in capitalism, but also in world politics. States as the subjects in the game are becoming weaker and less important, although it is them who are expected to 'rescue' their economies from collapsing. They are supposed to be responsible for a lot of things within their respective jurisdictions, but as a result of the processes of globalization and the neo-liberal ideologies of the great economic entities they are left with ever diminishing possibilities to take on this role. The current economic and political crisis is largely the result of these processes being uncontrollable. The forming of supranational political entities is an attempt at taking part in this global game, and the European Union can serve as an example. At the moment, we are witnessing two parallel processes that are taking place: the global 'free market' is being formed and the structure of global institutions is emerging. The future will show whether the 'free market' will truly remain free or will it rather find itself to be under the influence of the global structures of power. Today we still do not know if the opposite will not occur, i.e. the global structures will become dependent or taken over by the entities of the global free market. Was this to happen, there is every indication that the global order would not be democratic, at least not at the beginning.

Manuel Castells predicted that 'the net', which absorbs and transforms all the aspects of people's lives, including the struggle for power, has to become the scene of a struggle for the dominant culture code and for power in general (Castells, 2004). Let us observe, though, that now we are talking about a global power, gaining control over the global space. These processes cause the aspirations of many to grow, especially in the richer parts of the world, but they also create the beginnings of the global network society. The movement of 'The Outraged', which overflowed in many areas of the world, was initiated for the most part in the global virtual world of the Internet. It is there that frustrations and aspirations are articulated, mobilization takes place and the awareness of interests crystallizes. Secondly, the movement finds its expression in the streets of various cities and towns, in many countries with different political, economic and cultural systems. The actions primarily take place on the Internet itself, taking the form of manifestations of views and showing unity. We can see the great strength of the people who forge bonds using modern technical means, as in the example of the said network communities, or the so-called new social movements.

The development of the so-called new social movements is another way of reacting to the current situation. In a way, these movements are an alternative to the formally institutionalized world. Social movements are often treated like institutions of the civil society acting on the inspirations directed against the state which apparently limits people's freedoms by nature. However, it is also possible to imagine movements limiting different freedoms or striving to introduce such limitations, e.g. movements with fascist tendencies, racist movements.

Social movements may also play a significant role in the mechanisms of democracy. In the more and more complex and crisis-inducing processes of indirect democracy, they form niches of direct democracy, thereby giving citizens a sense of influence and importance. It is probably an emergency mechanism to shield the institutional order from social discontent and social apathy. It is worthwhile, though, to recognize social movements as a new form for people to get organized. Many theoreticians, like already mentioned Castells (2004) or Alain Touraine (1995), have high hopes for these movements and welcome them as manifestations of new tendencies of the post-industrial society. Touraine treats social movements as social forms which may become an important factor in modern democracy due to their aspiration to 'shape history'. Castells, in turn, thinks that movements go beyond the identity of resistance and can be the factor of change.

Claus Offe (1999, p. 248) holds a view that new social movements are gaining in importance due to democratic governments backing off from interventionist policies. Nonetheless, this creates considerable issues, at the same time making people believe that it is only them on their own, and not the state, who can solve these problems. Alberto Melucci identifies new social movements as 'new social actors' whose ambition is to be able to influence the main codes of symbolic culture by opposing traditional ways of understanding the world and striving for the new. Social movements are seen in juxtaposition with political parties (Melucci, 1990, p. 9).

#### **19.4. The two orientations of contemporary capitalism**

As we have already signalled, we are not saying that the current civilisational processes have to result in a catastrophe. These are dynamically developing processes, which implies that they can progress in numerous directions. Along with the crisis of capitalism, we are already witnessing two orientations emerging in today's economy. These are ideal types in a Weberian sense, meaning they do not appear in a pure form in reality,

however they are important theoretical models that are of great use when analysing the economic order of specific countries.

The first orientation is one which can be called 'ruthless capitalism', geared solely towards capital accumulation and proclaiming self-regulating abilities of the market. It makes use of the network, steering clear of any obligations towards man, culture, values or the natural environment etc. It is mainly based on anonymous shareholding, depersonalized flow of virtual money whose owners are usually ignorant about where, what for and on what terms it is invested and who are much less inclined to identify or sympathize with anything or anyone. Capitalism of this kind unceremoniously destroys people, the environment and culture. Its adherents, using the ideology of freedom in the neo-liberal understanding, monopolize the market, and behind a full-of-hypocrisy cover of the slogan of the free market, they destroy the competition and appropriate the market. What is more, this type of capitalism is founded upon an individualistic model of the human being, that of the *homo economicus*. This is a model of the human being that according to Margaret Archer contributes "nothing to the common good unless by accident and is unmoved by his social relations" (Archer, 2011, p. 120). This model "leaves out those social bonds that are humanly most important to us" (Archer, 2011, p. 121), which reinforces the lack of obligations or solidarity towards others and the society, since there are no bonds to restrain the pursuit of monetary gain.

The other orientation is the more corporative-oriented, 'pro-social capitalism' (probably the most advanced in Sweden) which, among others, takes the form of social movements or communities. Profit, although very important, is not the only value in this model; the decision-making process and profit redistribution are often geared to a social or even an environmental objective. Nevertheless in the contemporary Western social order, it seems that civilisational changes, especially the process of globalization favour the first type of capitalism. The world-wide financial crisis, the effects of which we are still dealing with today, testifies to its fateful success. Ironically, with the modern civilisation being based for the most part on social and cultural capital, it is the second model that should seem to be more economically and socially effective, hence should be the one more commonly opted for.

In most cases, we can observe the following dependence: the more pro-social an economic system and the more 'protective' a state, the better the economic situation. This is most likely also related to other mechanisms that make the social and cultural capital rise as a result of the welfare expenditure, which, in turn, combined with increased outlays on new

technologies and development, increases labour productivity and allows the Gross Domestic Product to grow. Let us illustrate these conjectures with European Union Member States' economic statistics at the time of the latest economic crisis (countries which are very atypical – for example Luxembourg – and would make this analysis more difficult are omitted in the following table).

Country	Per capita GDP as percentage of EU average (100%)	Welfare state expenditure (% of GDP)	Labour productivity (EU-27 = 100%)	Per capita expenditure on new technologies (2008): position in EU-27
Holland	130	28.4	110.0	10
Austria	123	28.0	112.4	4
Sweden	117	29.7	111.3	1
Denmark	117	28.9	101.2	3
Germany	116	27.7	104.9	5
UK	116	25.3	110.2	8
Belgium	115	29.5	123.8	7
Finland	110	25.4	106.9	2
France	107	30.5	120.3	6
Spain	104	21.0	110.6	15
Italy	102	26.7	109.5	17
Greece	95	24.4	101.8	22/23
Czech Republic	80	18.6	71.7	13
Portugal	78	24.8	83.7	12
Slovakia	72	16.0	78.8	25
Hungary	63	22.3	70.1	18
Estonia	62	12.5	63.7	16
Poland	56	18.1	65.1	20/21
Lithuania	53	14.3	55.6	19
Latvia	49	11.0	49.9	20/21
Romania	42	12.8	47.0	22/23
Bulgaria	41	15.1	37.2	25

**Table 19.1.** Expenditure on 'welfare state', new technologies and development, labour productivity per person and per capita GDP in selected EU Member States

Source: Eurostat, 2010.

Does this data confirm our hypothesis? One could of course reverse the reasoning and say that rich societies can spend more on and invest in social capital (including cultural capital), or that high social capital is an important factor in societies' wealth. We suppose otherwise. Who is right seems to be of key importance to the world. It is a fact, however, that Finland – twenty years ago a poor country on the brink of an economic collapse – started its rescue therapy by building its social capital. It created a 'virtuous cycle' out of the information society and the welfare state. The success of the information society allows for the continued financing of the welfare state. In turn, the welfare state generates well-educated people who consequently develop the information society (Castells and Himanen, 2002). This was also the case with Sweden, which treated itself to a strategy of pro-social market economy based on the welfare-state policy long before the Swedish economic boom started.

Apart from economic statistics, there are several indicators, 'softer', social ones that testify to the existence of the two models of capitalism presented above. The social well-being is not only made up of economic prosperity, but also of the subjective well-being of citizens, the level of their optimism, social trust, satisfaction with public institutions etc. According to the Central Statistical Office in Poland, in 2011, among 30 European countries taken into consideration, the citizens of pro-social countries were among those with the best statistics concerning the state of their health, i.e. in Sweden only 20% of citizens claimed that their health is not well, whereas in Poland this value amounted to 42%. These statistics are of course linked to the level of expenditure on health care, which is often higher in pro-social systems, than in those of 'ruthless capitalism', i.e. according to OECD, in 2011, health care expenditure amounted to 9.5% of GDP and 6.9% of GDP in Sweden and Poland respectively.

Table 19.2 presents statistics regarding the level of trust within those European countries, which are implementing the two different models of capitalism. In this survey, respondents were asked to answer the following question: "Do you think that most people would try to take advantage of you if they got the chance, or would they try to be fair?". Their answer was to be given on a scale of 0–10, where 0 signifies: "most people try to take advantage of me", as opposed to 10: "most people try to be fair". According to this data, we can conclude that countries, which are realizing the 'pro-social model' have the highest level of social trust, i.e. Scandinavian countries, as opposed to those fulfilling the 'ruthless capitalism model', and have the lowest level of social trust, i.e. Great Britain or Poland. Citizens living in pro-social economic models generally have greater trust in their fellow citizens, as well as in public institutions.

Country	Scale 0-10
Denmark	7.3
Finland	6.9
Sweden	6.7
Holland	6.1
Germany	5.8
Belgium	5.7
France	5.7
Great Britain	5.7
Portugal	5.2
Spain	5.2
Czech Republic	5.1
Poland	4.5
Greece	3.7

**Table 19.2.** Social trust in chosen European countries: most people try to take advantage of you or try to be fair?

**Source:** European Social Survey, 2002.

## Conclusion

In conclusion, the latest global economic crisis proved that a sociological reflection on economics is crucial in order to understand the origins and possible outcomes of such crises, which are of a civilisational nature, not an economic one. The economy should be understood in terms of the social order, being only one of its dimensions. The two models of capitalism presented in this article exemplify various ways of dealing with the crisis of capitalism. Their implementation has very different consequences for the construction of the social order, as well as the lives of individual citizens.

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