

## THE IMPACT OF CULTURE ON THE ECONOMIC CRISIS

CARINA-ELENA STEGĂROIU

LECTURER PHD, „CONSTANTIN BRÂNCUȘI” UNIVERSITY, TARGU JIU, ROMANIA

carinastegaroiu@gmail.com

### **Abstract**

*This premise of this paper is based on the concept of hedonistic culture, which contributes to financial fragility, damages assessment of future capacity (generating investment myopia and short-termism) and enhances current opportunism. The paper aims to analyze economic culture as a factor of influence on the global economic crisis, considering the culture of modern capitalism that should be defined as a hedonistic culture, and this culture can contribute to global economic crises.*

*According to the hypothesis of this article, the economic culture and not the individuals underlie economic decisions. Accordingly, the decisions that are taken in the economy, influenced by the dominant culture can have both a positive impact on the economy or a destructive one by generating or maintaining economic crises. The current economic culture authorizes extensive use of loans, including those for consumption, thus generating financial fragility and consequently economic crisis. Hedonistic culture leads operators to focus almost entirely on short-term consequences of his actions to the detriment of long-term outcomes. It is this connection plays an important role in explaining current global crisis resistance. Opportunism emphasized as part of the hedonistic culture also affects the generation and maintenance of the global crisis and unethical behavior by refusing to invest in strategic areas for the economy.*

*This is particularly the widespread use of credit, including the consumer, in preference to short-term investments at the expense of long-term, low appreciation of the future and also a high and growing opportunism. The global crisis is the result of interdependence agents, burdened by debt, especially short-term constantly growing which is a high financial fragility, directed almost exclusively at short-term gains and tend to cheat in their mutual relations.*

**Keywords:** *economic culture, economic crisis, economic culture ascetic, economic hedonistic culture*

**Classification JEL:** *B40, B41, B49*

### **1. Introduction and context of the study**

Analysis of the impact of culture on economic crisis represents new aspect of economic analysis, simply because economic culture itself has not been confirmed in economics. This relates to the fact that the current economic mainstream preconditions based on methodological individualism and economic environment almost totally ignores the role of culture as a factor leading to economic crises or, conversely, help to overcome them[1].

This paper aims to treat the idea of economic culture and its impact on the economy, describing the economic channels of the hedonistic culture and how they make their sizeable contribution in developing a global crisis.

### **2. What is the role of culture in economy and economic activity**

The country's economic culture is formed under the influence of geographical position (climate, soil, space), dominant religion or some other ideology and economic and social history. Namely these factors together with the economic system and economic development underlie the values and norms of a society that make up the economic culture.

Economic culture is the main factor that determines the style of economic activity of society. It is the traders that perceive economic information, as they are pragmatic decision makers and they give preference to a set system of values, norms and stereotypes that determine their behavior[2].

The economic culture directly refers to informal institutions as well, which in turn form the basis of any economic system. Accordingly, economic culture in the society tends to determine the path towards a certain economic system.

### 3. Which economic cultures of modern capitalism is considered hedonistic

After we have postulated that economic culture plays a very important role in the economy in general, logic would ask which types of economic culture highlight this factor (economic culture) for its impact to be studied in more depth.

Based on studying the experience of the last century, which is characterized by a full period of economic crisis - the most important criterion for classifying economic culture can influence one or another style of consumption. The explanation lies in the fact that countries that have gone through the economic crisis are distinguished by two characteristics related to the style of consumption[3]. One is to limit current consumption and the other is to stimulate consumption permanently, hence we can say that in general economic culture can be:

- an ascetic economic culture;
- a hedonistic economic culture.

Ascetic economic culture as it appears in the economic culture of a the society refers to the cases in which human behavior is subject to certain moral norms requiring asceticism (sacrifice) and for some reason, the renunciation of the largest parts of current consumption. In other words, as M. Weber said, it is a culture that requires worldly asceticism[4].

Economic history shows that successful economic development undermines ascetic economic culture. Increased production sooner or later creates incentives to increase the volume consumption.

Economic culture of modern capitalism should be called hedonistic. This culture corresponds to modern mass consumer society, both in Western countries and in post-Soviet space. Economic and hedonistic culture was considered an ordinary human behavior, characterized by its tendency to maximize current consumption.

Hedonistic economic culture to a certain extent can be considered a positive thing because it stimulates the growth rate of aggregate demand, namely through the development of consumer credit and external financing of investment.

On the other hand, this has its negative and reverse. By researching the negative aspect of this culture we can obtain a picture of how the hedonistic culture contributes to global crises.

### 4. Hedonistic culture channels as factors of the global economic crisis

Ever since 1970-1980 H. F. Minsky has made financial fragility hypothesis (also called financial instability hypothesis) that economic growth is determined by how firms finance their own investment capital[5].

But this awareness is gradually forgotten because, particularly national income created by investment in secure gradual increase funding regime. There is a risk diminishing the value of both the debtor and the creditor. As he wrote J.M. Keynes: "*In the period of economic growth both assessing the level of risk the creditor and the debtor is surprisingly low and unfounded*"[6].

The theory described can be summed up as follows: first theorem of the financial instability hypothesis is that there is in the economy mode of funding by contributing to financial stability and funding regime that is unstable economy. A second theory of financial instability hypothesis is that in periods of economic growth changing from financial relationships that contribute to the stability of the system to financial relations that contribute to system instability[7].

### 5. How damaged appreciation of the future contribute to economic crisis

It is assumed that the level of opportunism is determined by institutional factors, both formal and informal. The dominant economic culture is one of the key factors influencing the level of opportunism. The hypothesis of this article is that the long existence of hedonistic culture, or rather, rooting in people's behavior and their value system generates a high or / and growing opportunism[8]. The men are required as a supreme value maximizing personal consumption, more so in the eyes of each of them will devalue the interests and welfare of any other man. Correspondingly, the more will be opportunistic behavior of each individual.

### 6. Conclusions

So, one of the institutional causes of the current global crisis is entrenched in the thinking and behavior of economic agents hedonistic culture. This is particularly the widespread use of credit, including the consumer, in preference to short-term investments at the expense of long-term, low appreciation of the future and also a high and growing opportunism. The global crisis is the result of interdependence agents, burdened by debt, especially short-term constantly growing which is a high financial fragility, directed almost exclusively at short-term gains and tend to cheat in their mutual relations.

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