



Executive summary

Change of cycle or change of model?

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The idea guiding this *Paradigmes* monograph stems from the intensity, singularity, range and speed with which the current crisis broke out. Therefore, the dilemma we have posed to all our authors is if we are in front of a simple change of cycle within traditional oscillations of the capitalist system and market economy or if change is deeper and we are heading towards an outright change of productive and overall development model – related to the Catalan, Spanish, European and global level.

Our authors agree in that it is not a mere circumstantial oscillation, though their views on the extent and depth of changes differ. However, there is more unanimity among authors dealing with Catalan and Spanish economy in stating the additional severity of our situation and in advocating deep changes in our economic model to successfully overcome the current situation in order not to enter a long depression.

Another point in which recommendations by most authors agree is tackling global problems out of global perspectives and instruments, a recommendation regarded always with a slight degree of scepticism.

In the first block of the monograph, titled *Big trends*, we have tried to identify those general movements the big and slow transformation processes in the global economy have been made of for some years. Hence we have been dealing with the subject of energy in articles by **Mariano Marzo** from the University of Barcelona and the EU Energy Commissioner, **Andris Piebalgs**. Mariano Marzo points out that the recent bearish trend of energy prices is just circumstantial and the current

energy consumption scheme based on **fossil energies** will lead to an unavoidable price increase and supply crisis in the medium term, unless true understanding between the big energy producers and consumers is reached to the benefit of both. Piebalgs gives an overview over the energy policy of the European Commission in recent years and concludes that the current crisis must not carry about a reformulation of the European policy in this area but its acceleration.

Òscar Mascarilla from the University of Barcelona does an exhaustive analysis of the **commodity** markets, which right now encompass basically energy, raw materials and food. To the author, price volatility derived from massive capital input looking for quick and high profitability can only be terminated out of agreeing on worldwide common policies in all these areas.

To **Francesc Castañer** from Nestlé, it is this speculative distress, deepened by **biofuel** production subsidies, what can carry about lasting consequences for the most helpless in the world.

Frederic Ximeno from the Catalan Department of Environment believes that the environment is the way to change the current economic model. In his opinion, a process of knowledge, social awareness and embracing of environmental issues, especially climate change, by economics is crystallising now.

Salvador Alemany from Abertis and the Cercle d'Economia believes that internationalisation of companies cannot be a mere reaction to opportunistic moves on the search of bargains, not even in times of crisis as now, but there needs to be a

According to Antonio Argandoña, the real estate, the building and the finance branches will need to come back to a more sustainable size. It will depend on the structure and circumstances of each country, but especially on their ability to generate entrepreneurial initiative and flexibility to move resources to future-minded areas if other industries will take over. Hence the importance of structural reform: competition, deregulation, labour market flexibility, fostering human capital and innovation, etc.

long-term vision based on a strategic growth rationale. To Alemany, legal security and collaboration with non-industrial local partners are some of the keys to success in internationalisation.

Joan Tugores from the University of Barcelona deals with emerging economies and states the need and the difficulties in reducing internal inequalities to reorient economies very geared to foreign markets in recent years and needing now the push of internal demand and consumption. He also points out that productive models so intensive in their use of energy and raw materials having a devastating effect on the environment may become unfeasible.

To close the block on big underlying trends, **Stephen Castles** and **Simona Vezzoli** from the University of Oxford state, besides advocating new ways of international migration governance, that migrants cannot serve as a safety valve for developed economies, by providing labour in times of expansion and going away in recession.

In the second block, called *The current crisis*, we intend to offer a systematic description of antecedents and mechanisms that triggered the crisis in its different aspects, especially real estate and finance. **Francesc Cabana**, a lawyer and economy historian, makes a historical and comparative approach based on previous crises since the 1929 crash. To him, all crises have in common that they are a reaction to errors made in economic policy, which are different for each case. In the current crisis, the efficacy of collaboration between countries and international economic institutions will be put to the proof for the first time.

Antonio Argandoña from IESE sketches out the macroeconomic picture that led to the real estate and financial crisis. He believes that in order to create a bubble, new opportunities triggering a price increase of any asset are needed, apart from abundant liquidity and low interest rates: this is usually possible thanks to some financial innovation. In this case, it was the climax of **subprime** mortgages, securitisation and the development of a «shadow» financial system. **Xavier Cuadras** from the International School of Trade, and a member of the *Paradigmes* Publishing Council, analyses the Catalan and Spanish financial system and expects liquidity problems to come up, but he believes that they will not be of systemic nature and concentrate on a relatively small number of institutions.

Gonzalo Bernardos from the University of Barcelona analyses what he calls the «first global real estate bubble». In his opinion, recovery requires first to stabilise the main residential markets of the world to properly quantify the loss of financial institutions from deterioration of these assets. **Antoni Gurguí** and **Jaume Angerri** from the Catalan Department of Innovation, Universities and Enterprise highlight in their turn the specificity and additional severity characterising the crisis in Catalonia and Spain. One of the main causes for this situation is the imbalance between wealth creation and expenditure, an imbalance that shows in differing inflation and foreign deficit combining lethally with stagnation of productivity.

The impact of the crisis is the third block of this monograph. **Joaquim Coello** from Applus is one of the most conclusive authors: the current change of cycle is so deep that it inevitably leads us to a

change of model. However, this change requires time as solutions need to be set out and agreed not only at branch or national but also at global level, and this requires negotiation and consensus to reach a balance valid for all stakeholders.

To **Emilio Ontiveros** from *Analistas Financieros Internacionales*, this crisis does away with those opinions advocating absolute autonomy and self-regulation of financial markets. To him, they are far from being perfect and need public institutional monitoring. He therefore considers that new regulation needs to control credit and especially price risk. It needs to be straightforward and unambiguous, foster informational transparency and all in all allow to detect risks.

Joaquim Muns from the University of Barcelona deepens into the properties a new international financial architecture should feature. He considers that progress was made on monitoring and regulation at the London April summit, on which there was consensus. However, he believes that the intensity of that new regulation and the procedures to implement it are blurred. Related to those 1.1 trillion dollars in «new» funds to strengthen international financial institutions, the author considers that they make up for the lack of agreement in going on increasing tax packages due to Europe's refusal to do so.

Jordi Gual and **Sandra Jódar-Rosell** from La Caixa warn of the impact recent public intervention to rescue the banking system may have on competition, especially in the case of preventive recapitalisation of solvent institutions. In the authors' opinion, this kind of public aid creates negative effects as it encourages competitive recapitalisation and distorts competition in the markets. Moreover, it hampers deeper integration of the European market as governmental access to the shareholder structure may replace private institutions from other member states having enough capital.

Oriol Amat from the Pompeu Fabra University, and a member of the *Paradigmes* Publishing Council, considers that in a context of recession, companies not moving swiftly will have a hard time to keep their share of the market. He believes that such change needs to focus on financial restructuring and rethinking the company strategy and its business model. Finally, he suggests measures to improve the efficiency of a company in managing its costs, assets and other resources.

Pau Contreras and **Antoni Tormo** from Oracle believe that companies going on innovating and improving their service and added value will be at the forefront once the crisis settles and markets recover. To them, ICT investment needs to be maintained and reoriented towards improving productivity, efficiency and operative cost reduction.

Maite Ardèvol from ACCIÓ states that the differing impact of the crisis by branch, population segment and country will have different effects on competitiveness. She points out the risks resilience to change of cycle creates in countries such as the United States, France, Ireland, Spain and Japan, as well as the opportunities such adaptability to the new economic context can mean for Brazil, India, Turkey and Indonesia.

Miquel Puig from Abertis International claims that future economic policies shall be moving within a wise balance between **Keynesianism** and **monetarism**: market and fiscal balance in times of normality, restrictive monetary policy when asset prices rise, control over risk quality at financial institutions and Keynesian intervention only when markets collapse, but always keeping foreign markets open.

Joan Prats from the Open University of Catalonia debates how to move towards global economic governance. He believes that there is an excess trust in the ability of national governments to provide governance required for globalisation, as if the problem was to move from the frustrated claim

of American unilateralism to a multilateral world defined and supported basically by national governments. To Prats, governance of non-polarity could create new opportunities for newly defined Catalonia.

Alfred Pastor from IESE believes that it is better to bear inefficiency of excessive regulation than the cost of a crisis caused by a lack of it. In his opinion, adaptability and trust in the own strength are paramount to overcome a crisis he expects to last long. Fear and greed as a foundation of living together must therefore be overcome.

The block devoted to *Future scenarios* starts with **Gary Hamel** from the London Business School. He believes that the methodology to manage big companies will need to change. Temptation to centralise needs to be avoided because in such a dynamic world there is not enough knowledge on what is happening to have better discipline and control over our organisations as things change too quickly. To Hamel, management needs to be reinvented to avoid this kind of crisis, but without stifling adaptability or responsiveness of companies to the point that they become too bureaucratic.

The monograph finishes with a panel discussion conducted by **Ramon Aymerich** from *La Vanguardia* newspaper, and a member of the *Paradigmes* Publishing Council. Its participants are **Joaquim Boixareu** (Irestal Group), **Joan Font** (Bon Preu and member of the *Paradigmes* Publishing Council), **Modest Guinjoan** (PIMEC), **Pere Puig** (ESADE) and **Xavier Segura** (Caixa Catalunya). As Aymerich points out, the discussion shows the polarisation between interests of a financial branch that has been hegemonic for many years and those of a productive economy that seems to have recovered its ability to articulate ideas of its own. Boixareu warns that as we cannot devalue, adjustment will need to occur by reducing costs and salaries, or employment will decline. Xavier Segura believes that we will not return to a situation

comparable to that before the crisis, with such low interest rates and so much liquidity; otherwise, we would do the same mistakes again. Font says he is fed up of multinational corporations changing their discourse on the free market according to their interests. Puig is concerned with the effect of all rescue policies on public expenditure and believes that coordinating these policies, at least in Europe, would be enough. Guinjoan is worried about the current situation leading to a return of **protectionism** and public opinion feeling unprotected and reacting along these lines.

Finally, the article by Joan Tugores in the *Selected bibliography* section does an analysis of classic and recent texts dealing with the crisis.

We would not like to finish this short summary without referring to the great new features of the *Paradigmes* digital version, both in Catalan and in English, providing additional value which we hope will be highly appreciated by our readers.

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