Chapter 12
Global Crisis and Government Intervention: Economic Crisis

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ABSTRACT
The authors look at the three major global crises; they see state intervention in causes and solutions. The causes of the crisis were deregulation. To resolve the crises, again regulation policies have been applied. Although the causes of the crises seem to have been regulation policies, in fact, the main problem was homo economicus. In conclusion, the authors see that when we analyze the reasons for the three big global crises and the ways to overcome crisis, the reasons are the unethical and irrational behavior of homo economicus. That is why homo economicus must be constrained and obey constitutional financial and monetary rules.

INTRODUCTION
The aim of our study is to research the role of government intervention in the causes and result of the global crisis and to investigate and find the solution. The 1929, 1973 and 2008 crises have been examined. Between 1929 and 2008 the cause of the crises was deregulation policy; it was observed that regulatory policies were used to exit from the crisis. The crisis of 1973 has lead to the understanding that the state’s share in the economy was far away from optimal due to the policies of regulation and has provided again return to the policies of deregulation.

At the end of our study we’ve noticed that government intervention in the crisis was not the main problem. The main problem was moving away from an ethical Homo Economicus. Many experiments showed us that Homo Economicus does not interfere with the motive of earning further after a certain point, but it can lead to risky decisions and/or unethical behavior. This move away from optimum has caused the economic crisis. Also, the inexistence of Homo Economicus has caused
a move away from the ideal situation. At this point, the solution is the human model known as “Zoon Politikon” by Ariston, and the “moderate human” by Nasurid Tusi and Kınalızade Ali Efendi. Moderation to ensure the effective functioning of humans and markets must be competitive to the extent that competition as well as ethical motives should limit the extent to which limits are exceeded. This limit can be achieved by binding rules on the constitutional level.

With our research, we have approached the question of the most ancient history of economic thought from a different angle, may be the solution that we sought could be approachable.

BACKGROUND

Knowledge is cumulative. Our article is the work of cumulative knowledge. We thank thinking people who made important contributions with their knowledge and ideas.

Economic Crisis

Crisis derives from the Greek word “krisis” meaning sudden decision-making, and refers to a deteriorating situation. An economic crisis suddenly occurs and is an adverse condition that affects both state and market players. It acts on the three main variables of the economy; the general level of prices, economic growth and unemployment. In the literature, a few problems generated with different combinations of these three variables a few problems have been identified. They are: inflation, deflation, stagflation, recession, depression, and slumpflasyo.

APPROACHES OF SCHOOLS OF ECONOMIC THOUGHT

Economic crises are evaluated in terms of different economic schools of thought. One of them is a school of classical economics. In 1776, classical economics begins with Adam Smith’s book Wealth of Nations and was active until the 1930s. Until 1930, the economy was believed to be in balance thanks to the invisible hand and to re-balance itself in the future economy, despite deviation from equilibrium. Likewise, the economy has come back into balance after eight crises experienced in the 19th century and three crises experienced in the 20th century until the Great Depression. However, the economic crisis of 1929 led to the collapse of this idea and an understanding of the need for government intervention. Socialism is believed to have caused the crisis of the capitalist system. According to Jean Charles Sismondi, there is no balance between the process of production and consumption. The capitalist process of production is not allowed to increase the subsistence level of the workers at the same rate as production increases. Worker’s wages will not be increased according to profit increases with higher productivity in a capitalist system. This paradox will lead to economic crisis. According to Marx, the capitalist system is the cause of the crisis. Furthermore, he has even claimed there will be no end to the business cycle in the capitalist system. Because of the contradictions within the capitalist system, there will be a crisis a decade and each crisis will lead to the next crisis. The next the business cycle will be more severe than the first one. The can be no solution if the capitalist system continues to live.

The business cycle theory of the Austrian school of economics was developed by the second generation’s most important name, Ludwing Von Misses, on the basis of theory from representatives of the first generation, Friedrich Wieser. The Theory of Misses was developed and given its final shape by Hayek. The key point of this theory is monetary policy. The problem begins with the fall in interest rates by expansionary monetary policy so that two types of interest occur, like the natural interest rate and the market interest rates. These mismatches between the two interest rates will cause both an increased intention to save by