**KEY NOTE PAPER**

# "Economics in an Uneasy World"

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# Economics in an Uneasy World

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I have picked up the title "*Economics in an Uneasy World*". The choice of the subject is highly intentional and focused. To me, literally, the world today is in a great turmoil, the global economy is in the shambles and the world badly needs sound global and national macroeconomic management policies on one hand and successful entrepreneurship at micro and mezzo levels on the other. The title of my talk today is also designed to signal an echo on two fronts. One is of the economy and the other of the economic science. Both, to me, however, seem affiliated with the dwindling confidence in the central tenets of the economic science that had afflicted the business community on the one hand, and the academic community on the other. Please note that I use the term 'economics' in a dual sense to cover the both the economic science and the functioning of any economy.

Now, let me put up my case. I raise the following five points and provide my own perception to the issues.

First, let me turn to the issue of **WORLD IN TURMOIL**. My dear friends, I need not convince you on this point but simply to refresh your memory and wish to stress that, lately, we are witness to:

(1) great physical changes that are taking place on the surface of earth and its underneath. Examples are many. I can cite, such as the melting of the North polar ice plate, massive floods in Brazil, Australia and in Europe in 2010; heavy rains in India and Pakistan in 2010; heavy snow in Canada, US and draught like conditions in China in 2011; recent earthquakes in New Zealand and Japan; Hurricanes like Katrina in the US in 2006; Tsunamis in SE Asia & Indian Ocean in 2004, and in Japan on 11 March 2011.

My sincere condolences and sympathies to Japanese people. Incidentally, in 2008, I, among other places in Japan, taught at doctoral programme in Sendai also. To a shudder that I felt while watching the live pictures on the TV screen, as the devastation and disappearance of Sendai was taking place in less than five minutes, I felt sad and depressed. Colossal effects of Tsunami (loss of lives and property, financial losses – over 100 billion loss of GDP and 200 billion dollars on capital market in a day alone, as well the nuclear radiation threat etc.) are surprising. However, as I have come to know the disciplined and hardworking Japanese people, Japan will take it heroically and the economy will rise again strong and agile. The current situation might well prove as a shot in the arm to rejuvenate the long almost two decade of economic stagnation. Fresh investment cycle will boost economic growth and employment in Japan.

Moreover, it is true and scientifically proven that climate is changing, geological and solar adjustments are taking place. But, let us not forget that it is not happening for the first time in our planet's history. I am sure that until Moon falls out of Earth's gravitation field in a couple of million years, there is nothing to be worried about. Both, the Earth and human race will survive and adapt the global physical changes.

(2) long lasting armed conflicts in Iraq, Afghanistan and Pakistan, Sudan, Ivory Coast.

Armed conflicts are not new. The world is used to great wars, territorial and civil wars. While some experts would go to a great length to justify the argument that wars and conflicts lead to economic progress, I would rather add that since the advent of civilization humans have learned to live with wars and conflicts.

(3) major political confrontation of citizens against their governments: first in Bangkok, Thailand in 2010; then a greengrocer's spark in Tunisia that triggered the revolution in the Muslim world in countries like Egypt, Yemen, Libya, Bahrain, and Syria (February/March 2011).

As far as the political confrontations of citizens and governments are concerned, I strongly feel that these are primarily due to a wide gap between the high expectations of the people resulting from the promises made by their politicians and their government's failures to deliver on the same. Excessive corruption in public sector; lust for power, personal gains of individuals in politics and business alike, have only added fuel to fire. In the Islamic world, the governments, that have been long in power have maintained *status quo* and lacked behind in providing contents to life: primarily employment, freedom, democracy and happiness (not surprisingly, the Chinese leaders in March 2011 plenum of CPC have loudly chanted "happiness, happiness, and happiness" to be the primary goal of Chinese future development).

(4) three full years of economic down-turn leading to corporate failures and stuttering of financial institutions. Thanks to a relatively quick response of some governments like that of Germany, France, Britain, Japan and the US coupled with G-20 efforts that a killing domino effect could be averted. However, what could not be escaped were the massive strikes and violent demonstrations by people against the government austerity programmes i.e. the cutting down of public benefits, tax and price hikes, and due massive unemployment that persists in Greece, Spain, Portugal, Italy, and Ireland. [1]

True, we are in the mid of an economic down turn. From my point of view, there is nothing to be surprised at. Change is the law of nature. To me, the current recessionary phase of the business cycle is just another one in a long sequence over time. Recovery and expansion will surely follow but in course of time. If nothing is done rather late, if concerted efforts are made may be a little quicker. At last, equilibrium will be achieved on a sustainable level.

(5) we are witness to two full decades of educational, intellectual and technological transformation of the world. At the same time, we have been silent partners in the deaths of the classical educational systems, old styled philosophers, scientists, engineers and the industrial units at the cost of cheap substitute, quick-fix and palliative solutions.

From the above, my dear friends, don't you conclude that our world is in a turmoil? I personally think that it is not only the core of the Earth that is unstable, but the whole world is quite uneasy in variety of ways. How long this will continue? May be, if the space scientists in NASA are

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[1] Let me make some comments on the last year's developments in Greece. All of you know about it. However, the fact is that critical economic conditions in Greece had prevailed since 2004, but the Greek government and the EU had kept a blind eye. When the situation became alarming last month the markets had jittered. Because of the fears of a contagion spread to Spain, Portugal, Italy, and Ireland loomed large, the IMF and the Euro-zone countries had hurriedly reacted to the situation with a bail-out package for Greece and the creation of a SPV (Stabilization Protection Vehicle) worth approximately a trillion Euros. Now, let us look at the root of this crisis. To my mind the economic DNA of the Southern Euro-zone countries is altogether different than that of the North. While the South basically depends upon the primary sectors, the North relies upon heavily on export of industrial goods. Accordingly, there is a great North-South divide in per capita GDP of the countries in the zone. Sticking to the utopian ideals of economic convergence, spill-over effects and automatic evaporation of income distribution gaps through common denominator of money – the Euro, the EU had long lived under a false hope. It did not happen so far and will not happen in the near future. It is unrealistic because of the disparity in the terms of trade among the primary, secondary and tertiary sectors within the zone. For this to happen over time, major economic restructuring will have to take place, and the financial costs of this change will be enormously large for which there is no money available in near future.

Please mind that in case of Greece and other contagion prone euro-zone economies, gross oversight in public spending and lack of timely actions by the governments is also to be blamed.

right and the solar storms are active until 2013, the world may keep undergoing such changes. Please note that this statement is not only in seismological context, but also refers to the 'sun-spot theories of business cycles and economic growth'.

I, personally, am of a traditional mental framework with a classical education in history, philosophy and economics. During my fifty year career as researcher and educationist, I have travelled and observed in all the six continents and learned and taught at major prestigious institutions of the world. The latest, being Jan-Feb 2011 in Argentina and Brazil. What I have been sensing for over a decade and definitely confirm now that old ways are dying fast. New generation of people around the world, want practically every thing (goods and amenities of life etc.) in plenty. These should, however, be at their reach instantly and without adequate or least minimum efforts. The new era of technological developments has created a lust for unsustainable hopes and expectations.

Second, let me turn to the issue of the **STATE OF GLOBAL AND NATIONAL ECONOMIES**. Lately, politicians, businessmen, economists and ordinary people are all talking about in terms of economic crisis. Whether or not the current phase of the business cycle has come to a crisis point, is a debatable point? I personally feel that in global context there is no such thing as economic crisis. While some economies are shrinking others are expanding. To me, it is a simple redistribution of global wealth and a major shift in economic power of nations. Of course, matured world economies are passing through a recessionary phase of the business cycle.

Philosophically speaking, crises come and go. So will this. Only, what we will be faced with are the consequences – for some bitter for others sweet. I in the voice the Physiocrates will cry loud that it is the functioning of the Natural and the Laws of Physics.

*Ceteris paribus*, we can call every recession as a departure from the general equilibrium level. While the Schumpeterian[2] would like to call such a situation as business cyclical ebbs and troughs; the Keynesians[3] will see it as a deviation from the full-employment equilibrium; the supporters of Friedman and the neo-liberalists will see it as normal money and commodities market adjustments. Thus the suggested solutions will have to differ accordingly[4].

Today, while some economic scientists (including my self) in current recession see no reason to worry as it is only a short-run phenomenon and normal behaviour of the market economy others are alarmed and cry for hurried macroeconomic solutions. Whatever position we take, one thing is certain that at the end of the day every economic break-down leads to new technology, business solutions and new economic paradigms, so will this.

Let me mention here some of the serious recessions in our recent economic history. In the last two hundred fifty years, recessions have caused economic failures and wide-spread misery and destitute. Examples are available in recessions of 1750s, 1820s, 1870s, 1880s, 1920s, 1970s, 1990s, and now in 2008/11. Of course, every time the intensity of the economic pain and social cost was

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[2] Schumpeter, Joseph A (1934), *The Theory of Economic Development*. Cambridge: Harvard University Press. For modern business cycle theories one could cite the works of J R Hicks, R M Goodwin, M Friedman and A J Schwartz, P A Samuelson, L A Metzler, E J Shapiro and P Cagan.

[3] Today James Tobin is definitely one of the greatest supporters of J M Keynes and his policies. He stands for a modified version of Keynes' liquidity preference theory and improvements in Keynesian 'market failures'.

[4] In the 1970s the term supply side economics (coined by Herbert Stein) became the vogue, making Arthur Laffer with his cocktail-napkin curve (drawn for the instruction of Congressman Jack Kemp) the star economist. While Robert Mundell, David Stockman and A Laffer were the ideologists, Jack Kemp and President Ronald Reagan were the political protagonists of the idea that tax cuts and reduced public spending would stimulate work, savings and investment, thereby augmenting productivity and raising the economy's capacity to produce from a given employed labour force. But the essential message of supply-siders and its sure result, at least in the US was the redistribution of wealth in favour of the richer sections of the population.

different. I have discussed these issues at some length in a paper published in *Acta turistica* (2010). You may like to look at it.[5]

In short, I can mention that recessions of the 19th century were acute and lasted long enough to create economic hardships for the ordinary people. Hunger, poverty, unemployment were widespread and the governments made it more difficult by doing little or nothing. The Great Depression of 1929-32 was definitely the worse in the series with deep effects on global economy.

It is noteworthy that each recession and its negative effects have in the past had serious impact on the economic thinking that followed. I have attempted to analyse to some extent these too in my paper mentioned above.

In this very context let me make another point. In the post WWII era the World in general and the OECD economy in particular, has witnessed an unprecedented economic growth in past history. The Western world, however, has learned to live rather too well, that had unmatched with its labour productivity and sustainability of natural resources. The globalization process that the West has so enthusiastically pushed forward in the 1990s had let loose forces in which the tides shifted to the Eastern hemisphere. In Asian economies the production, incomes, consumption, investments, employment have rapidly grown. Because of their higher absolute productivity of labour, and the low wage rates, the West is gradually haemorrhaging for quite some time. I foresee the incoming culmination of economic difficulties in the second largest economy of the world – China, primarily because of the fact that Chinese economy is for too long is over heated and excessively export dependent. The first signs of break-down are evident in their huge housing construction activity. The fatigued economies of the West have already reduced their orders of imports resulting in short-term factory closures sending millions of Chinese factory workers to their native villages. The financial markets in Shanghai had had ripple effects. The financial indices had fallen by 400 points in the last quarter alone. Thus, what to expect? Probably a culmination of economic odds is to follow. Another, success story may also prove to be sour in India, the country having a decade of average 8.5 per cent GDP growth rate, rising inflation, food shortages, rising educated unemployment.

Will more dominos in the East and South tumble? Hopefully, Yes! Must we worry? No! Because from the history we learn that mankind has always resisted to odds and adapted to the situation. It has also moulded the course of events by making strides in science and technology. This much about the recession at this point.

Third, let me come to the **STATE OF ECONOMIC SCIENCE**. I would say that there is turmoil in economic science as well, but it is of purely of a methodological character and it is in this context that this issue should be addressed.[6] The general technique to study the works of economists and philosophers which develop, apply, and discuss the theory is to rely on the tentative results of contemporary economics and on initial judgments concerning the nature and worth of economic theory and economics as a discipline. Economists talk about their own work in many ways. They write, for example, about ‘principles’, ‘models’, ‘theories’, ‘assumptions’, and ‘definitions’ and make use of previous work by epistemologists and philosophers of science. An economic scientist studying economic theory is in the same philosophical position as any empirical philosopher of science seeking knowledge of sciences. Economists need to trim, revise, and even invent philosophical categories in trying to make sense of economic theory. We should acknowledge that the discussions

[5] Soumitra Sharma (2010), ‘Economic Crisis and the Crisis of Economics’, *Acta turistica*, Vol. 22, No. 4, pp 7-37.
[6] Soumitra Sharma (2010), *Reflections on the Philosophical Foundations of Economics*, Zagreb: Mikrorad, 2010.

of economic issues are often biased and distorted because of their importance to interests of individuals and social groups.[7]

Economists can, however, address a broader audience and a wider spectrum of issues if they do not start by taking them as the paradigm for what economics should be. Economics must thus struggle to avoid becoming apologetics for any school of economics. On the role of a future economist I have much to say but will skip the issue over, as my thoughts are well presented in my paper published in *Zagreb International Review of Economics and Business* (2010). [8] You might like to look at it.

History is a witness that, usually, the business cycles have been followed by the re-assessments of the economic science. Deep global recessions have been followed by negation of the existing orthodoxies giving way to the new. As more than over a century ago, as now, economists seemed to feel that the glaring lack of consensus on fundamental principles compromised the scientific status of Economics, and there were strong professional and public pressures to establish a new orthodoxy that could speak authoritatively on economic matters.[9]

Two central parts of the discipline – macroeconomics and financial economics – are now being put to serious re-examination. The attack is directed on three major fronts: that macro and financial macroeconomics helped cause the banking crisis, that it failed to foresee and stop it, and that economists have no idea how to fix it.

While the economists, especially in the central banks, were too fixated on taming inflation and too brave about asset bubbles; financial economists formalised theories of the efficiency of the markets, fuelling the notion that markets would regulate themselves and financial innovation are always good. Macroeconomists also had their blind spot. Their models assumed that capital markets work perfectly. By assuming that it is so, they were largely able to ignore the economy's financial plumbing. The models that ignored finance had little chance of spotting a calamity that stemmed from it.[10]

The Keynesian task of 'demand management' has outlived the Great Depression, becoming a routine duty of governments. They were aided by economic advisers who built economic models and were guided by apparent trade-off between inflation and unemployment. But their credibility

[7] I quote here two interesting quotes from the writings of Nobel laureate FA von Hayek: "The curious task of economics is to demonstrate to men how little they know about what they imagine they can design". (*The Fatal Conceit: The Errors of Socialism*, Chicago: University of Chicago Press, 1988) and "No body can be a great economist who is only an economist – and I am even tempted to add that the economist who is only an economist is likely to become a nuisance if not a positive danger" (*Counter Revolution of Science*, Chicago: University of Chicago Press, 1980).

[8] Soumitra Sharma (2010), 'Future Economist -- A Dentist or A Mechanic?', *Zagreb International Review of Economics and Business*, Vol. 13, No. 2, pp. 1-14.

[9] The current economic situation too has placed economic science in a delicate situation. In past three years it has provoked a lack of confidence in validity of its theories. It is being said that 'few economic bubbles have burst more spectacularly than the reputation of Economics as a science'. In the wake of biggest economic shake-up in 80 years its reputation has taken the beating. While, Noble laureate Paul Krugman in 2008 argued that much of the macroeconomics of the past 30 years was 'spectacularly useless at best and positively harmful at worst'; Barry Eichengreen went on to say that current economic turmoil has 'cast in doubt much of what we thought we knew about economics'.

[10] The main stream macroeconomics embodied in 'dynamic stochastic general equilibrium' (DSGE) models was a poor guide to the origins of financial collapse. The conventional instruments of monetary policy proved insufficient. Today, some economists advocate a bold fiscal expansion. Evidently, economics requires a revolution in techniques. Macroeconomists should turn to patient empirical spadework, documenting crises past and present, in the hope that a fresh theory might later make sense of it all.

On the other end, in financial economics, the 'efficient market hypothesis' (EMH) strategists claimed that their approach made the financial system healthier and safe. This is why many people view the financial crises that began in 2007-8 as a devastating blow to the credibility of banks but also of the academic discipline of financial economics. The banks assumed that they can always roll-over their short-term debts or sell back mortgage backed securities. The financial failures made a mockery of both these assumptions. Funds dried up and the markets thinned out. What followed was a serious rush for cash.

did not survive the oil price shock of the 1970s and western economies were deposed to stagflation – a situation which the Keynesian consensus grasped poorly and failed to prevent.

Macroeconomists split – into purists and pragmatists – drawing opposite messages from the episode. The purists blamed the stagflation on restless central banks. The pragmatists harped that markets malfunction, wages fail to adjust and prices are sticky. During the last decade the two schools have converged into the 'new synthesis' that flowed from universities to central banks. It underlay the doctrine of inflation targeting.

The fragile consensus of monetary/fiscal policies has now been blown apart. With their compromised tools useless, both sides have retreated to their roots. Keynesians have become uncritical of fiscal stimulus; and even with zero short term interest rates and banking troubles on hand monetary policy works less well. Naturally, there is a clear case for reinvention. Just as the Great Depression spawned Keynesianism, stagflation of 1970s fuelled monetarism; 'creative destruction'[11] is underway. Although the current economic recession has exposed bitter divisions among economists, many people in the profession, including me too, do believe that it could still be good for economics.

Fourth, I strongly believe in the art of **MACROECONOMIC MANAGEMENT** that the governments need to practice. I am not going to be modest here instead mention that my own name is closely related to the concept of macroeconomic management. In the early 1990s, I worked with Nobel laureates Jan Tinbergen, JE Meade, James Tobin, and Professors Sir Hans Singer, Paul Streeten and Gerald M Meier, on this concept and edited a book on the same title in 1996. It is available at Macmillan and in the Libraries around the world.[12]

Macroeconomic management should, in my view, be seen as an integrated system of several kinds of policies aimed at overall balance and could include:

1. Macroeconomic stabilisation – the use of fiscal, monetary and other policies affecting national output, employment and prices, and other variables.
2. Resources allocation: national priority among various probable choices in various public and private goods.
3. Regulation of economic activity and markets.
4. The use of public resources to redistribute income and wealth so as to ensure economic equity.

Accordingly, this sort of management strategy could be termed a cocktail or a policy-mix approach.

How to stabilise the macro economy through active domestic and international economic policy is a particularly relevant question in a world that swings between intense economic activity and unemployment? To seek an answer to this question is to invite trouble and confusion. Maintaining a macroeconomic equilibrium is a difficult task where nations must manoeuvre a variety of forces through direct and indirect policy measures. It is to maintain a thin-edged balance among the three nodes of triangle of economic policy i.e. employment, prices and economic growth.[13]

Back in 1925 Keynes wrote,

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[11] Schumpeter, Joseph A (1942), *Capitalism, Socialism, and Democracy*. New York: Harper.
[12] Soumitra Sharma (Ed) (1996), *Macroeconomic Management*, London/New York: Macmillan.
[13] Škare M (2010), 'Can there be a "golden triangle" of internal equilibrium?', *Journal of Policy Modeling*, 32, pp. 562-573.

> 'In the economic field . . . we must find new policies and new instruments to adapt and control the working of economic forces, so that they do not intolerably interfere with contemporary ideas as to what is fit and proper in the interests of social stability and social justice' ('Am I A Liberal?', *The Nation and Athenaeum*, 8 and 15 August 1925).

On macroeconomic management issues, economists are in constant disagreement. They disagree among themselves but believe that a sharpening of the tools and solid empirical tests will eventually prove them right. Some theorists see macroeconomic management as nothing distinct from the usual economic policy measures used by the government; others see it only as a mechanism to handle economic crises. The international institutions visualize it as nothing more than a system of macroeconomic financial control and regulation.

While Keynesians and neo-Keynesians firmly believe that governments can remedy economic ills, monetarists give due credit to governmental policies in the short run, but deny any such influence in the long run. Similarly the new classical economists tend to rely on *laissez-faire* market economics, while post-Keynesians claim that it is now too late for the government to doctor the economy in any significant way and show little sympathy for conventional economics.

From a long-term perspective macroeconomic management could be seen as method of steering the economy out of an economic muddle. In this sense it could be taken to mean a comprehensive set of policy measures designed by national governments and/or international institutions to attain basic economic goals, for example the best possible utilization of countries' resources and production potential, encouraging growth, remedying structural imbalances, ensuring an equitable distribution of incomes and wealth, and maintaining a balance in international trade. From a short- or medium-term macroeconomic policy perspective, economists take it as equivalent to macroeconomic stabilization or a policy aimed at reducing fluctuations in income, employment and prices and stabilizing national income at full employment level.

Since the end of the Second World War the overriding international economic policy question for most nations has been whether they can simultaneously attain the multiple objectives of high levels of employment, price stability, economic growth, trade liberalization and balance of payments equilibrium. To the extent that these objectives may be incompatible, some policy trade-offs and maneuvers are necessary.

When confronted by policy conflicts most governments have allowed the objective of full employment to dominate national economic policy. The central challenge to the operation of international macroeconomic management, therefore, is how to allow nations to pursue their domestic economic objectives without having to forgo the gains from trade or suffer balance of payments disequilibrium.

The Bretton Woods conference anticipated these problems. It was believed that establishment of the IMF and a fixed exchange-rate mechanism would allow nations to give primacy to their domestic employment policies over balance of payments adjustment. In the late 1960s and 1970s the major assumptions of the Bretton Woods system in terms of the determination of exchange rates, the disturbance in the balance of payments and the provision of international liquidity were severely tested. In fact, for a successful global macroeconomic management policy, the most important issues involve decisions about the need for remedial action to restore equilibrium. The type of policy adopted by a country depends upon the source of its balance of payment problem and on its other domestic objectives. Naturally the country would like to adopt the least costly mechanism of adjusting its balance of payments without sacrificing domestic economic autonomy, which will in turn depend upon the international monetary system and the code of international conduct it imposes.

Textbook solutions suggest that under any international monetary system the sources and amount of international liquidity differ, as does the degree to which the balance of payments exercises discipline on a country. The more it is desired that an international imbalance should exercise discipline on a country's domestic policies, the less access the country should have to international finance. The less the country's access to finance, the more it must resort to other measures to remove its balance of payments problem. Through a tight monetary policy and budgetary surplus, internal measures entail deflation if the country is in deficit, and to this extent the country loses domestic autonomy over its employment policies. External measures constitute the imposition of restrictions on trade and capital movements or depreciation of the currency to this extent the country diminishes its gains from trade or incurs the costs of depreciation. While the internal measures can be seen as expenditure-reducing policies that reduce national income and hence the domestic demand for resources; the external measures can be viewed as expenditure-switching policies because devaluation or depreciation of the currency will raise the price of tradables relative to price of nontradables, thereby causing a switch in the pattern of expenditure and production.

In the monetary approach, money is a stock for which the optimal level is related to current output. If the actual stock is not equal to the desired stock, the disequilibrium will be removed through reserve flows in the balance of payments. Remedial policies must therefore concentrate on the change in domestic credit creation relative to the demand for money.

Since the emergence of the floating exchange rate regime the focus is more broadly on changes in asset portfolios as the proximate cause of exchange rate variations in the short run. The capital flow associated with trade in financial assets can be part of the adjustment process as well as a source of pressure on the exchange rate.

If a country has access to sufficient international funds it may be able to eschew both internal and external measures and simply cover its imbalance by drawing upon its international reserves. There would be no need for expenditure-reducing or expenditure-switching policies. Resort to international funds would be expenditure sustaining and the balance of payments would exercise no discipline over domestic policies.

The range of policy instruments available to a country that is seeking to adjust its balance of payments is limited to the narrow policy space whose boundaries are determined by the nature of the international monetary system and the state of the domestic economy. Naturally, skilful maneuvering is required.

Fifth and finally let me say a few words on **ENTREPRENEURSHIP**[14]. Lately, it has become quite fashionable in business and applied economics to speak in terms of 'entrepreneurship',

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[14] The first academic use of the word by an economist was likely in 1730 by Richard Cantillon, who identified the willingness to bear the personal financial risk of a business venture as the defining characteristic of an entrepreneur. In the early 1800s, economists JB Say and JS Mill further popularized the academic usage of the word "entrepreneur." Say stressed the role of the entrepreneur in creating value by moving resources out of less productive areas and into more productive ones. Mill used the term "entrepreneur" in his *Principles of Political Economy* (1848) to refer to a person who assumes both the risk and the management of a business. In this manner, Mill provided a clearer distinction than Cantillon between an entrepreneur and other business owners (such as shareholders of a corporation) who assume financial risk but do not actively participate in the day-to-day operations or management of the firm.

[14] Schumpeter stressed the role of the entrepreneur as an innovator who implements change in an economy by introducing new goods or new methods of production. In the Schumpeterian view, the entrepreneur is a disruptive force in an economy. Schumpeter emphasized the beneficial process of 'creative destruction', in which the introduction of new products results in the obsolescence or failure of others.

'competitiveness', 'educating business leaders', 'business strategies', 'corporate social responsibilities'. To me an entrepreneur is someone who organizes, manages, and assumes the risks of a business or enterprise. An entrepreneur is an agent of change and entrepreneurship is the process of discovering new ways of combining resources. Any vibrant, growing economy depends on the efficiency of the process by which new ideas are quickly discovered, acted on, and labelled as successes or failures.

To my mind entrepreneurship is a talent with which someone is born and it is not in a large supply. I do not see too many Henry Fords, William Gettys, Bill Gates, Robert Murdochs or Sir Richard Bransons around in the world. However, there are small and closed communities where most its members are highly enterprising people e.g. Parsees and Marwari Gujratis in India, Jews in Israel, and certain section of Chinese are known such groups. You **cannot** talk of 'educating' entrepreneurs (except by genetic engineering perhaps) but can only teach people the skills and techniques that might positively affect their businesses leadership. Thus creating entrepreneurship is a story for the toddlers, but not fully true. Surely, we can create an entrepreneurial spirit among business people that could make them 'successful business leaders'.

Richard Cantillon has made the use of the word in economic theory for the first time in 1730. During the last century, JA Schumpeter and Israel Kirzner have further refined the academic understanding of entrepreneurship.[15] While Schumpeter sees the entrepreneur as a disruptive force in an economy having beneficial effects, to Kirzner he/she is an equilibrating force. 'Competition' and 'business strategy' game is the real driving force in 'successful corporate stories'.

Under the current 'uneasy world' conditions new solutions are needed simply because 'old' will not work any more since the world economic, political, financial, human resource and technological structure is undergoing major changes. The future business world needs corporations with new ideas, people and technologies. Governments need strong business regulations with well-defined corporate social responsibilities.

In CONCLUSION, towards the end, let me say a word in context to our conference. I am an optimist and strongly believe in the positive outcomes of the current recession. In order to sustain the recessionary pressure, definitely, the business enterprises, governments, economists and citizens, collectively and individually, have great many challenges before them to attend. Hopefully, in years to follow, companies, workers, consumers, governments and economists will find solutions to the problems and economies shall return to their normal growth path. I am sure your deliberations will also move along these lines.

Thank you for listening to me.

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In contrast to Schumpeter's view, Kirzner focused on entrepreneurship as a process of discovery. Kirzner's entrepreneur is a person who discovers previously unnoticed profit opportunities. The entrepreneur's discovery initiates a process in which these newly discovered profit opportunities are then acted on in the marketplace until competition in the market eliminates the profit opportunity. Unlike Schumpeter's disruptive force, Kirzner's entrepreneur is an equilibrating force.

[15] Kirzner, Israel M (1973), *Competition and Entrepreneurship,* Chicago: University of Chicago Press, 1973.