

Ryszard Ławniczak
Irena Ławniczak

CHAPTER 1

“IN NEED: IS THE STATE A FRIEND INDEED”. THE WORLD FINANCIAL/ECONOMIC CRISIS, PUBLIC RELATIONS AND ECONOMIC THEORIES.

Motto:

“Any theory is as credible as its author has clout”
(Prof. E. Kryńska)

Introduction

The financial and economic crisis of 2008/2009 has undermined the credibility of a number of economic theories in general referred to as liberal. They have also destroyed numerous related myths, especially the myth of the so-called “Invisible hand” (the self-regulating nature of the marketplace capable of ensuring sustainable economic development without the state’s involvement).

The goal of this elaboration is: to first to clarify the economic context of public relations, next to remind about the mode in which economic theories are advanced and discredited and later on - emphasize the fact that the best and the most adequate theories do not always attract the greatest publicity. Specific economic theories are promoted the way in which products are marketed; public relations tend to play an important role in some of these promotion activities.

The contemporary global financial and economic crisis has forced many governments, primarily the US government, to take dramatic steps consisting in regulating the economy, nationalizing banks and large industrial corporations, quite contrary to the basic liberal economic theory: “the less of the state in the economy the better”.

Bearing this in mind, the authors pose the question about the future of the theory of economics. Are we at the stage of looking for a new Keynes or rather, is there a need to extend the existing narrow, mathematicised approach as part of mainstream economics with a broader approach, including the social and political aspects i.e. return to political economy?

The economic context in public relations

Literature overview

The influence of economic motifs and problems - the economic roots in public relations practice – is well presented in works on the historical origins of public relations, especially those by Cutlip (1994, 1995).as well as Cutlip, Center, Broom (2000).

The first, pioneering publication analysing the relations between the emerging theory of public relations and the theory of economics was “ The role of information in economic decision making” published by J.Grunig in 1966. By the way, it was his first publication.

After receiving his M. A. degree in economics the discipline became a supporting area in his Ph.D. The purpose of this monograph was “ first , to show economists why information is a limiting variable in economic decisions but, more importantly, to show communication specialists the types of information needed by decision makers so that more effective communications strategies may be planned. (Grunig, 1966:1)

Surprisingly enough, since that above mentioned publication by Grunig in 1966, global public relations literature includes only one book underlining in the title the interactions between economics and public relations: it is a book by H.M.Culbertson, D.W.Feffers, D.Besser Stone, M.Terelli, (eds) “*Social Political and Economic Context In Public Relations: Theory and Cases*” published in 1993. This research, however, focuses mainly on the importance of economics and economic principles to public relations practitioners. In spite of the fact that the largest part of this analysis is presented from the micro – managerial perspective, the authors also emphasize that “in the macro area , the unit of analysis may be public relations decisions and programs that have implications for a larger organizational or societal context”.

It was many year later when in 2000 Grunig and Vercic returned to the analysis of relations between public relations theory and economic theory in their collective chapter (Moss,Vercic, Warnaby, 2000: pp. 9-58) entitled” The origins of public relations in economics and strategic management”. In this work the authors raised a very important aspect, the so-called “externalities”, particularly negative externalities which impose additional costs on others, but are ignored by the producer¹. However, this most mature analysis of the relations between economic theory and public relations theory published to date has a fundamental flaw / limitation - it presents only the explicit concept of American public relations as part of management. The authors also admit that “.. the roots of all these elements of a general theory of public relations can be traced to the simple concepts of neoclassical microeconomics” (Verci& Grunig ,2000:49).At the same time, in the subsequent sentence they admit that such an approach is much too narrow, concluding that “ It is ironic, however, that public relations theories that arose from economic theory should add a social , ethical and political dimensions to management”(ibid). In this statement they somewhat confirm our thesis of the need for an analysis of contemporary global economic problems and the economic context in public relations from the point of view of political economy rather than the limited approach of neo-liberal /neo-classical “economics”.

Another attempt of analysing the relationship between economic theory and public relations was made as late as 2009 by three Slovenian scholars (Golob, Podnar& Lah, 2009). Similarly to Vercic & Grunig, they further on limited their analysis mainly to the micro perspective, trying however to enrich the neoclassical approach by adding the Keynesian and post-Keynesian as well as a transaction costs approach contribution to public relations.

Single aspects of relations between economy and public relations theory has been raised in various dispersed publications, included also in “Public relations Theory II” by Botan& Hazelton (2007). The issues include: Corporacianizm (...), the impact of new institutional economics (NIE) on public relations and strategic communication (Sandhu, 2009,pp. 77-87) In general, the authors do not attach too much importance to these economic overtones or attempt to draw public relations scholars’ attention to that liaison. (ibidem, p.79)

Besides of the above presented attempts at analysing the relations between economics and public relations in the mainstream public relations literature, one should also notice that the critical thought stream of public relations theory (fringe) also.contains a series of interesting works raising important aspects of the relations between economics and public relations. The critical theorists are however employing a broader sociological approach

¹ In a more recent publication Larissa ad James Grunig (Grunig,Grunig,2005:4-5) underlined that “public relations is the most efficient way of dealing with thee cost of externalities.”

(Ihlen, van Ruler, Fredriksson, 2009) as well as contribution of political economy and political economy of international relations. The most significant issues raised by “critical school” in public relations research include:

- power, economic corporate power, corporate vested interests and hegemony in the globalized world;(Motion, 2005; Motion&Weaver,2005)
- ethical behaviour of representatives of the dominant coalition (Berger, 2005)
- media ownership and its impact on the media content (Sriramesh, Vercic 2009)
- postcolonial approach to public relations - the role of public relations in promoting economic theories and economic systems (Ławniczak, 2007; Freitag, 2003; Kuncik, 2005)

The vanishing economic roots of public relations

The historical perspective

Anyone familiar with the early history of public relations finds it obvious that a large part public relations history intertwines with the unending struggle between corporate, purely economic interests and the need to apply public relations to combat public hostility and to gain public favor (Cutlip,Center, Broom , 2000; Cutlip,. As critical scholars noticed “.. the starting point for practice of public relations has been the advocacy of *particular* interest rather than public interest. ...public relations has for the most part been looking out for the interest of powerful major corporations” (Ihlen, Van Ruler, Fredriksson 2009:325).

The early period, referred to by Cutlip as the “Seedbed Era :1900 – 1917” provides a lot li of examples of abuses of big business which “muckrackers” took to the people and got action. Among others, there were cases of: wrongdoing in the insurance industry, struggle between employers and employees, violent public reactions against concentration of wealth and power,” the railroads’ propaganda to lure people westwards ”, etc. As a result, business was forced to be on the defensive, employing public relations counsels, and/or carrying out advertising campaigns to restore public confidence and trust to name a few activities. (Cutlip, Center, Broom 2000: 112-113)

The long list of not quite ethical examples of early public relations practice, described by public relation historians reveals the economic roots of profit seeking motives at the expense of societal interest of early public relations practices. (See Ihlen, van Ruhler, Fredriksson 2009: 324-325) Also the definition of public relations as “ techniques and aims as well as activities of specialised agencies as organizations devoted to increase the investor’s profits” published in an articles titled “Public Should Not Be Damned” by Fortune magazine of 1939, re-confirms the dominance of economic motifs in public relations practice. (Wojcik,2005, p.25) One may suspect that this very fact may be one of the reasons why the economic roots in the above presented light, as well as the contribution of pioneers like Edward Bernays and Ivy Lee has not been very much exposed or has almost disappeared from public relations research.

The economic context of early public relations history was particularly distinct during the Wall Street Crash of 1929 while the successive Great Depression virtually destroyed the credibility of Big Business. As Cutlip observed “ Business as it got up off the floor, realized that it had to resell its worth to the public and justify its role in the society” (Cutlip, 1994:526). Both the Depression and the subsequent Roosevelt policy of the New Deal forced business leaders to turn increasingly towards public relations, this time however to help to fight for their own private vested interests, against Roosevelt’s program of expansion of social effort and government regulation.

The main reasons for negligence of the economic context in public relations research and teaching²

The above mentioned economic roots of public relations practice in the cradle of PR, the United States, lead to another question of the reasons why this economic context in public relations theory has to some extent “disappeared” or been driven to the background in public relations research and teaching. Let us therefore attempt to indicate several main reasons as we see them:

The first reason seems to stem from the fact that in the rare cases when American mainstream public relations theory relates to the theory of economics, it does it only to a limited extent of neoclassical microeconomics (Vercic& Grunig 2000). Hence the notion of “economics” transforms itself into “industrial economics”, “business economics”, “managerial economics” while public relations are treated as an “integral part of management” (ibid : 9). On the other hand, the “economic context” in public relations research is transformed into the “managerial context”.

Another reason for “losing” the “economic context” in public relations research is the competition between marketing and public relations, widely discussed in literature on the subject, including the question which discipline should play a strategic role /function in an organization (Hutton 2001; Kotler& Anderson,1987).

The third reason stems from the methodological normative approach persistent in the American mainstream public relations theory. It allows to pass over in silence not always fair public relations practices like operations of international organizations sometimes straying from ethical conduct and focus instead on the issue if an organization in its communication practice conforms to the principles of excellent public relations theory. This is how “such important issues like power considerations that influence practice” (Berger:22) are disregarded, situations when “...public relations supports such power relationship through production of persuasive texts and strategic attempts to influence discourse (ibid :15/16) e.g. when campaigning for introduction of GMO. Another thing which tends to be neglected are some unethical practices of largest international public relations conglomerates made public and condemned by contemporary “Internet muckrakers” like “PR Watch” etc.

The fourth and possible most significant reason for negligence of the economic context in public relations research is the intention to hide /erase too many cases of:

- unethical business practices. that in the United States recently confirmed again with the housing market and later sneaked to the financial sector, banking sector automobile sector and even the service sector, creating a big uncontrollable ripple effect;
- corporations practice of scarifying the future for today’s profit (Lubowski 2009) and
- a policy administered by some governments striving to dominate global economy and supporting the interests of their multinational corporations.

For a long time, researchers from the critical stream of public relations research have been trying to expose such cases. According to critical prominent social theorists, ” Public relations are frequently jumped to the rescue of capitalism and free-enterprise democracy, and during the 1970s this work took a more systematic and proactive character...In a sense, the starting point for the practice of public relations has been the advocacy of *particular* interest rather than public interest. No matter how the latter concept is defined, public relations has been for the most part been looking out for the interest of powerful major corporations” (Ihlen, van Ruler, Fredriksson,2009:324-325).

² According to our knowledge, around the world, only two departments of public relations are attached to the Faculty of Economics: the first , at the University of Pretoria : The Department of Communication and Management at the Faculty of Economics and Marketing and the second one: The Department of Economic Journalism and Public Relations at the Faculty of Economics at Poznan University of Economics in Poland .

As for promotion of particular countries, or group of countries' interest, a case in question is promoting the concept of privatization, deregulation, global trade liberalization, promoting specific models of economic systems (Lawniczak, 2007, Freitag, Kunczik,...) as well as globalization, chiefly in the interest of highly developed countries prevailing in the affluent world economies at the expense of non-competitive economies of less developed countries (Klein, 2000,2007; Stiglitz,2002; , Kołodka,2008;, Sierakowski, 2009; Zakowski , 2007,2009)

World financial and economic crisis –“ the broken dam effect” - the economic roots exposed

One may distinguish two basic and competing approaches in the public relations theory, based on two types of assumptions:

- the American mainstream theory approach, assuming that “.. public relations has flourished as management practice because practitioners have persuaded organizations to act in societies interest” (Culbertson,Stone, 1993)
- the critical theory approach , based on social theory and political economy theoretical perspective , according to which “..public relations has flourished because business and industry have used techniques of the field to promote their own self-interest at the expense of society” (ibid).

The most recent examples of managerial greed , and “social irresponsibility” of managers from large businesses like WORLDCOM, ENRON, Madoff and AIG provide sufficient arguments in support of the second – the critical theory approach.

The ongoing global financial/economic crisis has exposed a phenomenon which can be labelled as the “broken dam effect”. As a result of quakes spurred by the financial/economic crisis, the broken dam has lowered the level of the waters of prosperity. The subsiding water has revealed formerly concealed roots and waste on the bottom, among them the economic roots of public relations and examples of unethical public relations practices aimed at maintaining a high level of profits and unjustified managerial fees.

The broken dam effect reveals :

- 1) false/ idealistic assumptions of both :
 - the mainstream public relations theory (such as the symmetric model, dominant coalition in public interest (Berger, 2005) the social responsibility programs of business serving the social and not its own economic interest (Coombs, Holladay, 2009: 97-99)) as well as
 - the mainstream liberal economic theories (among others: the rationality of the “invisible hand”, the ability of governments to control market failures etc);
- 2) hidden /quiet aspects of unethical PR practice like “Public relations in itself is not accountable but may be largely hidden in its contribution to predominating and deterministic “market forces” (L’Etang ,2006:416) condemned by contemporary “Internet muckrakers” (PR Watch),
- 3) negative consequences of concentration of media and the communications industry (the power of trans-national media and communication conglomerates like WPP, OMNICOM, Havas) serving the corporate clients,
- 4) the negative results of lobbying against efforts of governmental regulation

Moreover, the broken dam effect has revealed an extremely important relation between public relations practice and economic theory - the fact that public relations industry may be held partly responsible for the contemporary financial and economic crisis. This stems primarily from three types of public relations practice outcomes:

- firstly, “putting societies off guard” with respect to the genuine reasons for business operations and corporations’ practices, referred to by Bakan as “pathological pursuit of

profit and power” (Bakan 2006) by promoting the concept of “corporate social responsibility” (Schoenberger-Orgad, MacKie, 2005, p.579),

- secondly, promoting liberal economic theories like monetarism or the rational expectation theory, as well as the ideology of neo-liberalism. “Public relations played a major role in the shift from Keynesian to a neo-liberal economic hegemony during the last decade of the 20th century” (Ihlen, van Ruler Fredriksson, 2009, p. 96),
- thirdly, employing lobbying companies to loosen state control and economic regulatory mechanisms.

According to many researchers, the above presented three forms of public relations activities, especially promoting the neo-liberal ideology: deregulation, privatization and cuts to social spending – “the free market trinity” have contributed to the outburst of the economic and financial downturn as we know it today. In their opinion, neo-liberal thinking that dominated the industrial world for nearly 30 years has led to a financial crisis, which in turn caused the global downturn by promoting ideas “What is good for Wall Street is good for America” - to name one. According to Wolff, (2008) “Finance has been grossly mismanaged by the institution of the corporation under **deregulation**: hence the crisis. “One may also say that the economic philosophy that championed the kind of deregulation - led to this crisis. According to Stiglitz, “The neo-liberal push for deregulation served some interests well. Financial markets did well through capital market liberalization. Enabling America to sell risky financial products and engage in the speculation all over the world may have served its firms well, even if they imposed large costs on other” (project Syndicate, 1105.09)

World economic crisis and the new demand for econo-centric approach in public relations

As a result of the financial /economic crisis of 2008/2009 as well as the ENRON’ and WORLD COM scandals from two years before, the grave negligence of economic context in public relations theory has been brought back to light. Additionally, it raised concerns about the need to increase the business, economic, and financial knowledge and engagement of practitioners, as well as recognizing the economic context in public relations education. “There is nothing like a crisis to bring a subject into a sharp relief, as rightly the Editor in Chief of “*Communication’s Director*” (4/2008) noticed.

The econo-centric approach in public relations practice

The financial/economic world crisis of 2008/2009 has increased demand for including in the public relations industry’s offer economic issues like:

- economic crisis management in bankrupting companies and threatened national economies in many states;
- rebuilding of trust in financial institutions (business’s credibility)- to resell its worth to the publics and to justify its role in society;
- rebuilding the trust in international financial institutions and investors for a trustworthy governmental economic policy to repay international debt;
- demand for “face-saving campaigns” in support for the bankrupt neo-liberal ideology and destroyed Big business reputation
- demand for communication defensive of vested private interest against state regulations effort (the letter signed by 500 business people after announcing Obama’s programme) and for state assistance (automobile industry, banks).

The need of econo-centric inputs into the public relations theory

As for the economic context in the theory of public relations, the current financial and economic crisis should make public relations scholars aware of the need for focusing on the following important aspects formerly underestimated and dispersed:

- firstly, public relations role/function of additional value creation through reputation management and intangible asset creation (from the accounting perspective);
- secondly, public relations' contribution to more equitable and just valuation of such factors of production as land (environment) and labor (human capital/resources) by through the „activism public relations” strengthening the countervailing power of the weaker side in the production and distribution process (the consumers, trade unions as well as the developing countries). “The Robin Hood effect”;

The financial crisis has tarnished mainly the reputation of financial institutions and rating agencies and that of their socially irresponsible and greedy corporate executives. As a result, the market capitalization and ratings of many world leading financial institutions like CITY, AIG and others depreciated. An organizations' reputation and image has its market value evaluated as an intangible asset. Regaining trust, rebuilding reputation and improving the image will be the most challenging task for public relations councils in the coming time of economic recovery.

The “internet revolution” as well the increasing degree of democratization and activism have enabled and encouraged different types of activist movement (environmentalist, anti-globalist) to use asymmetrically public relations activities to exert pressures on governments to prohibit or regulate activities reducing negative externalities (Grunig, Grunig, 2005, p.6) , as well as to force the corporate world to improve environmental standards, to limit their sweatshop production (Klein, 2000) and by that increase their costs and limit the profits. Becoming that way the weapon of the “weaker” production factors – labor and land, public relations' function could be referred to as the “Robin Hood effect”.

This 21st century situation differs from the economic roots of public relations at the beginning of 19th century and long time after, when public relations were applied mainly in the interest of the profit seeking dominant corporate interest. Grunigs (2005, p. 6) are right stating that “Corporations in a capitalist society know how they must deal with the cost of negative externalities or they will be taxed ,fined or regulated by government. Many corporations expand a great deal of money and effort in asymmetrical public relations activities to ward off these government activities”. However they optimistically assume that the governments will be able to succeed in that fight which has been contradicted by the most recent financial scandals and crisis.

The new communication technology including the internet, blogs, social networks etc, is slowly strengthening the countervailing power of both different types of activists movements, as well as consumers and trade unions in defence of their consumer rights, jobs and salaries – another “ Robin Hood effect”.

How economic theories are advanced , discredited or promoted?

Economic theories are advanced in the research process by applying successive stages of the economy research method: observation, induction, deduction and criticism i.e. confrontation with reality. This process results in a systematic series of laws, hypotheses, definitions and classifications i.e. the economic theory (Nowak, 1985). Scientific criticism serves to confirm the theory's credibility, to change the theory or altogether reject it. Scientific criticism consists in confronting theory and the reality as well as providing a logical analysis thereof. The need emerges then to replace the “old” outdated theory with a

competitive, new theory (a case in point is Keynes's theory after the 1929-33 crisis).

The persisting global financial and economic crisis has totally discredited the liberal theories and the neo-liberal ideology, especially their basic theses indicating that (1) the less state regulation and the more market, (2) the less deregulation and privatisation, (3) the lower taxes – the better for all of us.

In general, there are several concurrent economic theories and their followers are engaged in discussions and disputes about the theories' legitimacy. Some of the theories "are hammered in" to mass awareness better than the others even if not completely well-grounded – they are simply better promoted. The promotion of specific theories is usually supported by interest groups, e.g. countries at that time dominating the world economy (e.g. the free trade theory); or/ and interests of large financial and industrial corporations (Kołodko, 2008, p. 24). They have at their disposal billions of dollars, media ownership, accessibility of the best public relations companies and consultants (Ławniczak, 2007).

The role of public relations in promoting neo-liberalism.

The so-called "think tanks" (research and promotion centres) have played a special role in promoting the liberal theories and the neo-liberalism. They issue reports, studies, analyses as well as materials for journalists and interviews with "independent" experts disseminated during scientific and press conferences, TV interviews etc. With reference to the neo-liberalism ideology, media popularize the chief theses of such studies and reports by means of the "menacing state" (Lubowski, 2009)), encouraging deregulation and privatisation, postulating limitations to social spending etc.

"The expansion of think tanks has resulted in a large part of science ceasing to be science in the traditional sense, becoming part of intellectual lobbying and political PR. Pursuing the truth has ceased to be the goal... the goal is now to prove your point reflecting group interests." (Żakowski, 2009, p.48).

Behan (2009) has charted specific promotional strategies of how conservative think tanks served as the main tool to promote neo-liberal concepts employed by the above mentioned, powerful public relations practitioners: the Heritage Foundation, the American Enterprise Institute, and the Cato Institute. It is noteworthy that all three are located in Washington, the national capital and centre of political influence. These three think tanks have crafted, or influenced, virtually entire programs of both the domestic and foreign policy for the George W. Bush administration (Behan, 2009). In a very well-coordinated program, these think tanks devoted hundreds of millions of dollars to advance the neo-liberal agenda and create a virtual hegemony of market theology. The chief PR slogan promoting neo-liberalism theories was TINA: "There Is No Alternative", suggesting that there is no other, "third" way of economic development but the one promoting privatisation, limiting the role of the state and social benefits, lowering taxes, economic government based upon liberalized capital flows.

The contemporary financial/economic meltdown of 2008/2009, as Wolff (2008) notes, relates to its historical predecessors:

In previous economic crises – especially the 1930s depression – financial corporations were subjected to government laws and regulations passed under pressure of mass suffering. However, the politicians who wrote those laws and regulations soon thereafter allowed financial corporations to evade them, then later to amend them, and finally to eliminate many of them US regulators depended increasingly on the financial corporations they supposedly regulated. Nor should we forget the profits financial corporations have always devoted to "public relations" – costly campaigns to undermine the very idea of government

regulation in school curricula, mass media, politics, and across our culture. So now we return to square one as deregulated finance – having done its job of making billions for the industry – produces another crisis and another set of calls for regulation.

Public relations industry's partial responsibility for the contemporary financial/economic crisis

Bearing in mind the above presented role of think tanks in spreading and promoting the neo-liberal ideology, we argue that the public relations industry cannot shy away from any responsibility for the contemporary financial and economic crisis. Partial responsibility can now be claimed in two major ways:

- Firstly, the industry has contributed to putting the society off guard with respect to the genuine reasons for corporate behaviour, referred to by Bakan (2006) as “pathological pursuit of profit and power” (p. 1) by promoting a more altruistic image through concepts and cover stories about corporate social responsibility.
- The second aspect of public relations' responsibility is the industry's promotion of liberal economic theories such as monetarism, or rational expectation theory, as well as the ideology of neo-liberalism. Backed by extensive evidence, especially in the post-communist countries (Ławniczak, 2007), Ihlen, van Ruler, and Fredriksson (2009) state the case unequivocally: “Public relations played a major role in the shift from Keynesian to a neo-liberal economic hegemony during the last decade of the 20th century” (p. 96). This was further supported by countless lobbying campaigns to loosen state control, to liberate existing economic regulatory mechanisms, and to prevent government intervention in the marketplace.

A wide range of commentators directly associate these forms of public relations activities, especially the advocacy of deregulation, privatization, and social spending cuts – “the free market trinity” with contributing to the downturn. For many (Klein; 2008; Sierakowski, 2009; Żakowski, 2009; Wolf, 2008; Stiglitz, 2004), the neo-liberal thinking that dominated the industrial world for nearly 30 years has contributed to the current global downturn. They have discovered the promotion of this orthodoxy in mantras such as “What is good for Wall Street is good for America.” According to Wolff (2008), the blame is directly attributable: “Finance has been grossly mismanaged by the institution of the corporation under deregulation: hence the crisis.” His claim is reinforced by Stiglitz's (2009) observations on the winners and losers: “The neo-liberal push for deregulation served some interests well. Financial markets did well through capital market liberalization. Enabling America to sell risky financial products and engage in the speculation all over the world may have served its firms well, even if they imposed large costs on others” (p. 2).

The contemporary global economic crisis – the state as the last resort

The financial crisis beginning September 2008 have caused important change of the mainstream economic doctrine. The important role of state in the economy has been rediscovered and the market seems no longer be considered as the only solution to every problem.

In the US even President George W. Bush expressed his support for of a huge state baile-out of the banks and a increase of state ownership within the financial system. Alan Greenspan, former chairman of the US Federal Reserve, confronted by a Congressional Commission finally confessed that he ‘made a mistake in presuming that the self-interest of organizations, specifically banks’ would protect ‘shareholders and equity in the firms’. He had ‘discovered a flaw in the model’ of liberalization and self-regulation (*Guardian*, 24

October 2008).

In the UK were since Margaret Thatcher market liberalization has been forced all the time by the following governments Suddenly the Prime Minister Gordon Brown announced a package of measures in which partial state ownership of banks has been recognized as an crucial element of necessary reform. Additionally the Chancellor of the Exchequer announced massive government spending to kick-start the British economy.

The above mentioned examples of the change in the economic thinking of the world developed countries conservative leaders prove that the existing financial and economic crisis has contributed to destroying a number of liberal dogmas on the role of the state in economy. And hence e.g. in US:

- Mismanaged financial institutions were rescued from bankruptcy by receiving billions of dollars and pounds (AIG, Citibank);
- It turned out that the budget deficit was nothing bad when it occurs in US, earmarking nearly a trillion dollars for an economy stimulating package;
- The US government does not allow car manufacturers to go belly-up.

On the other hand, in Europe:

- On 25 February 2009, the European Commission advised the EU state members to nationalize the biggest banks should it turn out that it was the only way to save them from bankruptcy;
- In fact, the governments assumed control over the Belgian "Fortis Bank" and the "Royal Bank of Scotland" in UK.

Not so long ago nationalization was an almost forbidden term in the developed market economies for many years. Since the financial crisis however one may observe consensus growing among U.S. and European economists in favor of nationalization. After a generation of increasingly relaxed regulation of the financial services sector, the very concept seems stunning: Nationalization of banks in Europe and the United States. But with many global banks on the brink of insolvency a growing number of economists now argues that government takeovers of the most deeply troubled institutions, at least temporarily, may be the only remaining solution.

In the U.S., former Fed chairman Alan Greenspan has unexpectedly joined a list of notable financial experts who believe some banks may have to be nationalized temporarily. Additional surprising converts include prominent Republican politicians such as Sen. Lindsey Graham of South Carolina and former presidential candidate John McCain.

Many finance professors as well as politicians argue that a temporary nationalization of the affected banks is the only way to remove the top executives who helped trigger the financial crisis, while ensuring that the interests of taxpayers are valued over those of stockholders and bondholders. However it is not something the government should be doing in the long run.. The banks should be nationalized for however long it takes for things to get back to normal. The example of Sweden, which nationalized its banks during a crisis in the early 1990s and for the most part privatized them again once they had been stabilized serves here as a good example.

The U.S. is not the only Western economic power in which recent talk of bank nationalization abounds. Ireland nationalized Anglo Irish Bank in January and has spent some \$9 billion to recapitalize Bank of Ireland and Allied Irish Banks. In Berlin, the government said it would prefer to take a majority stake in Germany's struggling Hypo Real Estate Holding rather than nationalize the property lender. "Nationalization is only an option after attempts to take a majority stake have failed," a government spokesman said. "Everybody agrees that nationalization can only be a measure of last resort if it's necessary for the stabilization of financial markets and other, less severe solutions" have been exhausted. Also the British government decided to nationalize Lloyds Banking Group or Royal Bank of

Scotland (RBS), in which it holds stakes of 43% and 70% respectively. Just a year earlier, the U.K. nationalized Northern Rock, one of the first banks to suffer catastrophic losses from its exposure to securitized subprime mortgages in the U.S.

However both American as well as European experiments with bank nationalization should be essentially treated it as a temporary measure, to be reversed when the financial system returns to normal.

As for the poor developing economies an additional important aspect should be taken under consideration – “The Revival of the Big Markets vs. State Planning Debate”. With regard to the developing countries, there is a question of how will the poor countries respond to the global crisis and the record of American hypocrisy on economic policy, which for example America prescribed for itself in 2008-2009, vs. what it prescribed for Asia during 1997 crisis. According to Thoma (2009) one may fear that poor countries will turn away from markets altogether in favor of some heavy-handed state planning and socialism. Similarly like after the 1930s Depression, also today’s financial crisis which discredited markets may as a result cause that government planning and intervention became the default model of development economics for the next years. That’s why an extremely important issue in development now is the revival of the big markets vs. state planning debate.

What becomes of the economics theory?

In search of a new theory

Rejecting neo-liberalism and remaining dubious about recommendations of such theories as the monetarism theory or the rational expectation theory, the question arises: what in return?

According to G. Kołodko, the panacea is “ **the new pragmatism** ” (Kołodko, 2009b, p.18) *...the only reasonable direction for the future....Rejecting neo-liberalism on the one hand and populism on the other, we need to resort to a larger extent to the solutions of the social market economy tested in Scandinavian countries”*.

On the other hand, J. Żakowski claims the panacea being “ neo-realism” (Żakowski, 2009, pp. 56-59). His arguments in favour of this concept are as follows:

“Neo-liberals claim that the marketplace operates more efficiently than the state while private property is better than state property. Realists know that it really varies”...

“Realists also know that on average, the private sector tends to be more efficient than the public sector but it may also be quite the opposite”; “... the marketplace is better than a planned economy on condition that it is subject to sensible limitations and state control”; “...taxes are no extortion but a regular fee for public services”, “...an uncontrolled growth in stratification is immoral as well as destructive to the society”.

Revival of political economy ?

In attempting to analyze the contemporary economic context of public relations, it is necessary to consider the historical context. It is significant that when the Scottish economist Sir James Stuart published the first systematic work on economics in English in 1767, he entitled it “Inquiry into the Principles of Political Economy.” It was in the 18th century that political economy emerged as a distinct field of study and Adam Smith, David Hume, and the French economist François Quesnay, dared to challenge the notion of God’s will as the natural source of inequality. They substituted it with a rational, secular explanation of the distribution of wealth and power that analyzed factors such as economics, politics, technology, and social organization as well as the interactions between them.

In the 19th century, that holistic study of political economy gradually eroded. A significant turning point came with the neoclassical economist Alfred Marshall's (1842-1924) influential textbook on the *Principles of Economics*. From that time, political economy, as a holistic university discipline, has essentially been replaced with separate subdivisions such as economics, sociology, political science, and international relations. The conventional wisdom surrounding that division is encapsulated in the Britannica Online Encyclopaedia's latest summary "Marshall explicitly separated his subject – economics or economic science – from political economy, implicitly privileging the former over the later, an act that reflected the general academic trend toward specialization along methodological lines." (Political Economy, n. d.).

The results of that reductionist legacy have remained. However, this article argues that any attempts at analysing the causes of the current crisis, and at identifying recipes for overcoming the crisis, will fail if they draw only from that inheritance, and its beneficiaries, the similarly limited approach of liberal, neoclassical mainstream economists (Hodgston, 2008, pp. 276-277). From a wider perspective, the present crisis itself illustrates the confining economics within the narrow framework of data and information, at the same time ignoring the social and political consequences, has become part of the problem rather than the solution.

In the face of the current crisis, it is necessary to restore a broader framework for understanding the complex national, and international, interactions between the economic, political, and social dimensions. In effect, this is nothing less than return to the pre-Alfred Marshall political economy approach. Given the asymmetric resources of corporate power to produce and distribute its world view (Argenti & Forman, 2002; Beder, 2000; Lubbers, 2002), this article contends that it is urgent to restore the enlarged focus, particularly with respect to power relationships and inequalities in wealth. It proposes that an understanding of the present relations between economics and public relations (Duhe, Sriramesh, 2009) will only be possible with the inclusion of the traditionally broader perspective of political economy rather than the successive narrow economics.

Conclusion

1. The current global financial and economic crisis has discredited the liberal theories and the neo-liberal ideology promoted for many years by means of public relations. (TINA).
2. At that occasion also the economic context in public relations has been re-examined and reminded. (Ławniczak, 2009)
3. In order to save the sinking banks and corporations, the US government and other governments (excluding Poland) had to resort to nationalizing and subsidizing the private sector – "when in fear, the state is dear".
4. Economic theory has been in need of a "new Keynes", a new theory preliminarily referred to as "the new pragmatism" or "neo-realism". Another demand is return to the sources i.e. the political economy approach.

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