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Global Business and Cybernetic Neocolonialism (A Non-Mainstream Approach to Impossible Trinity of Globalization)

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Abstract - In this paper I wish to suggest that « obsession» of a transition economy with competitiveness and trade openness, together with « hands off» sort of economic policy, may hardly lead an ―infant economy‖(a transition economy) towards ―real income ―convergence and caching up with mature developed economy on her long-run development path. Moreover, such an obsession may have deflationary impact upon an economy defined as «factor – driven economy, let alone on an « aid-driven economy». However, I point out that in time of extant and particularly future globalization of the world economy no country is (will be) in a position to enjoy own economic development strategy. I conclude that a virtual-market state is devoid of both political and economic sovereignty and therefore becomes a slave of cybernetic neocolonialism. The impossible trinity of globalization: globalization-political independence –economic independence is an issue to be resolved by new world economic order and the economist's worldwide if the world prefers to enjoy common benefits of achieved technological progress. I propose that such a successful solution requires a new economic theory and policy..

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Abstract - In this paper I wish to suggest that « obsession» of a transition economy with competitiveness and trade openness, together with « hands off» sort of economic policy, may hardly lead an "infant economy"(a transition economy) towards "real income "convergence and caching up with mature developed economy on her long-run development path. Moreover, such an obsession may have deflationary impact upon an economy defined as «factor –driven economy, let alone on an « aid-driven economy». However, I point out that in time of extant and particularly future globalization of the world economy no country is (will be) in a position to enjoy own economic development strategy. I conclude that a virtual-market state is devoid of both political and economic sovereignty and therefore becomes a slave of cybernetic neocolonialism. The impossible trinity of globalization: globalization-political independence –economic independence is an issue to be resolved by new world economic order and the economist's worldwide if the world prefers to enjoy common benefits of achieved technological progress. I propose that such a successful solution requires a new economic theory and policy.

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I. Introduction

Since A. Smith's "Inquiry into the Causes of the Wealth of Nations" traditional economic theory has mostly emphasized the virtue of unilateral exploitation of comparative advantage in production through trade openness to international trade and competition.

One of main messages of the theory was that trade openness promotes accumulation of wealth and income convergence between less and more developed economies.

Sachs-Warner report (1995) was particularly instructive in that direction for transition economies (including for instance Croatia and B&H) promoting openness as an engine of growth, followed by « hands off» policy regime in terms of: investment policy, industrial policy, trade policy, foreign exchange rate policy.

Growth competitiveness index and Index of Global competitiveness support such a «hands off» profile of policy, suggesting in the same time political stability, and macroeconomic stability to a country, (regardless of unemployment level in the country) as the prerequisite for both: a) inward investment policy (promotion of FDI) as engine of growth and b) export lead growth alongside the comparative advantage of the country.

However, different perspectives on competitive-ness and openness as an engine of real convergence are expressed by: Sachs (1987), Krugman – Eichengreen (1999 in Frenkel 1999). Rodrik (2001 in Srinivasan (2001), Stiglitz-Greenwald, (2006) stipulating that trade openness and «trade lead growth» alongside either comparative advantage or competitive advantage (under specific circumstances) would lead rather to income divergence than to income convergence. I. Adelman (2001) points out to the export of primary commodities of LDC's in XIX century as a case-study. She states that « dependent politics were sufficient for this stage».

Rodik (2001 in Srinivasan 2001), Panic (2003), Kozul- Bairoch(1996) elaborate on the issue pointing out to common sense that the sources of growth (and income convergence) are essentially: factor accumu-lation, TFP, inventions, together with adequate invest-ment, trade, industrial, foreign exchange policies .Such a thought could be even found in Sachs (1987) article. Sachs article and Panic book (2003) are quite provocative as an invitation to reconsider the issue of openness and competitiveness as drivers of development for a «factor- driven « and an «aid-driven» economy on their wishful and speedy way to EU.

In the first part of this paper I deal with past (history) of both economic theory and practice concerning the issue of economic development and the role of state. In the second part of paper I consider the extant process of globalization and its impact on economic future both of world economy and an individual country. I conclude that a virtual-market state is devoid of both political and economic sovereignty and therefore becomes a slave of cybernetic neocolonialism.

II. History on Reforms and Openness and "Hands Off" Economic Policy of an Economy

a) We may recall Adam Smith's quote from "The Wealth of Nations" as follows...In may sometimes

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be a matter of deliberation, how far, or in what manner it is proper to restore the free importation of foreign goods. When particular manufacturers, by means of high duties or prohibitions upon all foreign goods which come into competition with them, have been so far extended as to employ a great multitude of hands humanity may in this case require that freedom of trade be restored only by slow graduations and with a good deal of reserves and circumspection» .The quote points out that a sort of clever state intervention in economy was apparently applied in A. Smith's time.

b) Historical Lessons

According to the Bairoch-Kozul-Wright paper (1996) «Globalization Myths: Some Historical Reflections on Integration, Industrialization and Growth in the World Economy": "The period 1870-1913 certainly witnessed a rapid expansion in international trade. But, during the three decades up to the First World War rising protection was the common trend in the developed world, largely as a result - in Continental Europe at least - of a coalition between agrarian interests and the representatives of fledgling industry who found common ground in higher tariffs as a response to the inflow of cheap grain from the United States and Russia and the long depression of 1870s Although tariffs rose only gradually up to the early 1890s, because most new duties were based on specific quantities and were not ad valoren, and because this was a period of falling prices, the significance of tariff protection was greater than the nominal figure might otherwise suggest. From the early 1890s protectionism became a much more pronounced trend and by 1913 all the large countries had adopted a protective stance. Even some of the smaller European economies, such as Sweden, made a decisive move in this direction.

And after regaining its autonomy over tariff policy in the late 1890s, Japan also sought tariff protection for its infant industries.

By 1913 trade policy in the developed world is best described as islands of liberalism surrounded by a sea of protectionism. The developing world might best be characterized as an ocean of liberalism with islands of protectionism. In many cases, openness to trade was the direct result of colonial rule, where the general principle consisted of free access to all the products of the colonial ruler « Authors continue: « But if unevenness among the more advanced countries was an important feature of industrialization in the era of globalization, just as striking was the polarization of industrial activity between the North and South. Deindustrialization in developing countries predated the era of global integration; both in absolute terms and as a share of world manufacturing output, the position of the developing world declined sharply between 1830 and 1860. But this process continued, and indeed, accelerated, during much of the period of global integration. Between 1860 and 1913, the developing country share of world manufacturing production declined from over one-third to under a tenth. There seems little doubt that deindustrialization in the South was the result of a massive inflow of European manufactured imports. This was particularly true of the textile and clothing industries, where free trade exposed the local artisan and craft producers to the destructive competitive gale of more capital intensive, high productivity Northern producers. The destruction of the Indian textile industry provides the most familiar example of this process, but similar cases can be found across Latin America and the Middle East (Batou, 1990). The absolute destruction of industrial capacity in the South appears to have been reversed beginning around 1900 and was, in some instances followed by quite rapid bursts of growth, often with advanced industrial techniques linked to FDI. However, in no case was the basis for sustainable industrial growth laid in the developing world in this latter period.

While late industrialization certainly opened up a sustainable growth path for those States able to intervene effectively to alter their position in the emerging international division of labor, the question still remains whether it was necessary to industrialize to benefit from globalization. An increasingly popular myth from this earlier period is that, in line with comparative advantage, the export of primary products provided the best growth path for many parts of the world economy.

There is, of course, an element of truth behind this myth; in 1913, five exporters of primary products were among the world's richest countries. Indeed, the United States which had become the lead economy in the world had an export profile dominated by primary products.

The other capabilities, as well as the creation of new linkages within and between industrial sectors, associated with the dynamic complementarities and externalities associated with technological progress. Moreover, as Alexander Gershenkron suggested a long time ago, all the successful late industrializes in this era were characterized by reforms to their State structures which helped encourage accumulation and technological progress, through infant industry protection and other (incipient) forms of industrial policy.

Thus, from this brief review of the evidence, we can conclude that while specializing in exports of primary goods was consistent with a high level of income, maintaining that level and pushing the economy on to a new dynamic growth path required not only that the export sector increase its productivity but that there was a structural shift in the pattern of economic activity towards industry. »

c) The Case of Argentina

An interesting case from the globalization in XIX century is the case of Argentina where rapid liberalization of trade and finance in the late 1880s,

Global Journal of Management and Business Research (A) Volume XIII Issue X Version I Year 2013

disturbed a more balanced and stable development path.

"... The crisis of 1890 subjected the Argentine State to the dictates of the international banks that imposed severe financial conditions on both the national and the provincial governments in order to guarantee that they would recoup their loans and to assure the profitability of allied enterprises, such as British railway firms. At the same time, the European bankers took advantage of the failure in 1890 of numerous Argentine-owned enterprises, public and private, to further consolidate the dominant position of foreign capital in key spheres of the Argentine economy. And after the turn of the century they promoted a renewed burst of capital exports to the Rio de la Plata region, coordinating their strategies closely with commercial, railway and industrial magnates interested in expanding their interest there. This trend was common to many other Latin American nations as international bankers promoted a new and powerful wave of loans and direct investments that continued to run strong until World War I" (Bairoch-Kozul-Wright 1996).

d) Lessons from India

Madison (2002) in his seminal book «The World History: A Millennial Perspectives» reminds a reader that «Mogul India had a bigger industry than any other country which become a European colony, and was unique in being an industrial exporter in pre-colonial times. A large part of this industry was destroyed as a consequence of British rule…The second blow came from massive imports of cheap textiles from England after the Napoleonic wars. Modern cotton mills were started in Bombay in 1851, preceding Japan by 20 years and China by 40. Exports were half of output. India began to suffer from Japanese competition in the 1890s. Exports to Japan were practically eliminated by 1898.Shortly after; Japanese factories in China began to reduce India, s market there. If the British had been willing to give tariff protection, India could have copied Lancashire, s textile technology more quickly. Instead, British import entered India duty free. By the 1920s, when Indian textiles were coming mainly from Japan, British policy changed. By 1934 the tariff on cotton cloth had been raised to 50% with a margin of preference for British products»

e) Japan

The next table depicting Japanese dynamic of liberalization of foreign trade speaks for itself. No comment seems necessary in confirming Adelman's, Rodrik, Bagwaty's, Keynes, Smits, Krugman's,. Bairouch-Kozul-Wright, Stiglitz-Greenwald thoughts on relationship between: trade openness and economic dynamics.

Table 1 : Import Liberalization of Japan

Years	Liberalization	No. of non-liberalized items
1958.	33 -	
1960.	37 -	
1962. (Nov)	88	254
1965. (Oct)	93	161
1969. (Apr.)	93	163
1970. (Jul)	94	133
1971. (Oct.)	95	86
1972. (Apr.)	95	79

Source : MITI (1991)

Table 2 : Export/GNP ratio of Japan and Korea

	Japan	Korea		Japan	Korea
1960	10,7	3,3	1981	14,7	36,4
1961	9,3	5,4	1982	14,6	34,3
1962	9,4	5,1	1983	13,9	35,4
1963	9,0	4,8	1984	15,0	35,5
1964	9,5	5,9	1985	14,5	34,1
1965	10,5	8,6	1986	11,4	37,6
1966	10,8	10,3	1987	10,4	40,2
1972	10,6	19,9	1993	9,3	29,3
1975	12,8	27,8	1996	9,9	32,4
1976	13,6	31,0	1997	9,9	32,4

Source: World Bank, World Development Indicators CD-ROM 1999

Table 2; suggest that an Import Substitution strategy can be transformed into export lead growth over course of time by a deliberate and wise economic policy measure as was the case of S. Korea (For more detailed explanation: G. Meier, Leading Issues in Economic Development, and D. Rodrik, The New Global

Economy) In fact Japan's economic development policy never has been that of "export- lead growth "as often interpreted by many economists. Instead, one may conclude that Japan's development strategy has always been that of "growth-lead export".

In that respect, in concluding theoretical and practical deliberations on trade openness and economic growth, we quote from M. Panic (2003) whose opinion we share: the prevalence of imperfect or oligopolistic competition in modern capitalist economies- in other words the prevalence of inequality of opportunity- justifies protective policies as well as an industrial policy that makes development of strategic industries possible. Without these policies developing countries are in no position to close the growing gap between them and the most advanced countries... Hence , although formulated with a modern analytical framework and based on modern experience strategic trade theory reaches conclusions that are not different from the case for protection put forward by Hamilton, List, Mill, Marshal and others. Similar concerns also prompted Adam, Smith and Ricardo to argue for the gradual liberalization of trade and against capital exports from their country. »
«Not surprisingly, other things being equal, economic analysis suggests and historical experience shows that it is the level of economic development (and, thus, normally, the ability to reconcile internal and external balances without protection) that will be of critical importance in shaping national trade policies, rather than the other way round» Let us illustrate the point by one of the conclusion in Panic'c book. Panic points out that four out of five low-income countries (India, China, Indonesia and Thailand) were forced by colonial powers to adopt a policy of free trade. (Panic 2003) All other countries liberalized their foreign trade in compliance with the level of economic development.

Panic's thoughts are supported by Eatwell comments on financial markets "If markets are pursuing the rules of beauty contest and imposing self-fulfilling prejudices on the workings of the real economy , then the outcome my be damaging…When market's influence is combined with the persistent search for government "credibility", defined in terms of "sound money" and " prudent" deflationary policies, then the (low-growth, high-unemployment equilibrium) is the most likely outcome " (D. Rodrik, The New Global Economy).

III. Globalization and the Role of Virtual (Market) State

a) *Sachs –Warner Report –an Ideology for "Hands off" Economic Policy*

In an important article in the recent 25th anniversary edition of the Brookings Papers, Jeffrey Sachs and Andrew Warner (1995) have provided an extended and distinctly influential defense of openness of foreign trade as a factor of "real" income convergence between less developed and developed economies. Their discussion of the period 1870-1913 has strongly inoculated transition countries on the basis of four stylized facts. They stressed out the following arguments: « First, from the 1860s onwards, low tariff barriers and technological breakthroughs in long-distance transportation and communications stimulated export growth and rising trade shares. Differences in resource endowments ensured that this trade had a strong North-South dimension as developing countries in Latin America, much of Asia and parts of Africa specialized in raw material exports and imported manufactured goods. « « Second, the adoption of appropriate legal institutions in a number of countries along with the spread of the gold standard, convertible currencies and the assumption of financial leadership by Great Britain stimulated large and relatively stable international capital flows. Because these capital flows were driven by the search for higher profit opportunities in emerging growth markets they strongly complemented trade flows. « The argument has been strongly followed by the IMF statute reform in 1966. «Third, the spread of capitalist institutions and free trade and capital flows generated a new growth momentum encompassing the whole world economy. Industrialization spread rapidly beyond the core North Atlantic economies to include the emerging markets of Continental Europe and Japan. » This argument is deeply involved in Washington consensus and has created mirage of expectations for transition countries. Fourth « Sachs and Warner (1995) make a direct parallel between these features of 19th century globalization and developments in the late 20th century anticipating similar results in terms of broad economic trends in the world economy: The world economy at the end of the 20th century (as they saw it) looks like the world economy at the end of the 19th century. A global capitalist system is taking shape, drawing almost all regions of the world into arrangements of open trade and harmonized institutions. As in the 19th century, this new round of globalization promises to lead to economic convergence for the countries that join the system « This argument spoke in favor of shock therapy for transition economies and their switch from an unproductive socialist into productive capitalist economic system. The argument has opened the door for unquestionable worldwide passion for globalization. Fourth argument was in fact the lesson –directive -for transition and less developed economies. Simple recipe for easy success of these countries was: Governments, but particularly those in the developing world, must commit themselves to a rapid and comprehensive agenda of liberalization in areas of trade, capital flows and foreign direct investment.

Governments of less developed countries should only press the start button, and then follow «hands off» economic policy.

Neoliberalism once again become mainstream economics in the 1990s as it was in XIX century in the times of Ricardo's theory of comparative advantage. It was believed that neoliberalism provides enough strength for prompt inclusion into world system of free trade for all countries, regardless of «state of affairs» present in different countries. For instance, according to the OECD (1998) more open and outward –looking economies consistently outperform countries with restrictive trade and foreign investment policies...Thus Anne Kruger has no doubt those countries that liberalized trade grew faster. The IMF (1997) has shared the same opinion: «policies towards foreign trade are among more important factors promoting economic growth and convergence in developing countries» A decade later we may ask the question: are those expectations, formed by influential economists and political leaders, become an economic dream or economic reality for transition and LDC economies?

Let us see, in that respect, how Frankel was deliberating on that issue:

J. Frankel thought (1999):«The long term effect of EU accession will be to promote Sweden (Croatia-author's remark) trade with other European countries. Statistical estimates using gravity model of bilateral trade suggest that membership in the EU increases trade with its members by roughly 60 percent or more...Income correlation surely depends on trade integration. My hypothesis is that this relationship is positive. The more Sweden (Croatia) trades with the EU, the more Sweden (Croatia) income will be correlated with EU income. The result will be immediate in a demand-driven model, where the correlation of income depends in a simple way on the marginal propensities of the two countries to import from each other. Frankel concludes that « Sweden (Croatia) would satisfy the OCA criterion ex post, even though it fails ex ante» D. Rodrik (1999) replies to the question on following way: « Yes, but only if a number of side conditions are met. These side conditions according to Rodrik are:

- The liberalization must be complete, or else the reduction in import restrictions must take into account the potentially quite complicated structure of substitutability and complementarities across restricted commodities.
- There must be no microeconomic market imperfections other than the trade restrictions in question, or if there are some, the second-best interactions that are entailed must not be adverse.
- The home economy must be "small" in world markets, or else the liberalization must not put the economy on the wrong side of the "optimum tariff."
- The economy must be in reasonably full employment, or if not, the monetary and fiscal authorities must have effective tools of demand management at theirs disposal.
- The income redistributive effects of the liberalization should not be judged undesirable by society at large, or if they are, there must be compensatory tax-transfer schemes with low enough excess burden.
- There must be no adverse effects on the fiscal balance, or if there are, there must be alternative and expedient ways of making up for the lost fiscal revenues.
- The liberalization must be politically sustainable and hence credible so that economic agents do not fear or anticipate a reversal.

All these theoretical complications, Rodrik points out, could be sidestepped if there were convincing evidence that in practice trade liberalization systematically produces improved economic performance. But even for this relatively uncontroversial policy, it has proved difficult to generate unambiguous evidence « The point is that even the simplest of policy recommendations—"liberalize your trade"—is contingent on a large number of judgment and calls about the economic and political context in which it is to be implemented.

Such judgment calls are often made implicitly. Rendering them explicit, Rodrik remarks has a double advantage: it warns us about the potential minefields that await the standard recommendations, and it stimulates creative thinking on alternatives (as in China) that can sidestep those minefields.

One another J. Sachs (1987), different from J. Sachs who wrote « Sachs –Werner Report»(1995) ,seems to confirm D. Rodrik suggestions pointing out the following: "A new orthodoxy is emerging from this search, which links recovery in the debtor countries to a shift to « outward-oriented» development strategies designed to produce export-led growth. The new orthodoxy defines the policy content of outward orientation to include the following measures: trade liberalization, especially the conversion of quantitative restriction to low, uniform tariffs; real exchange rate depreciation and unification of the exchange rate, an emphasis on the private sector as a source of growth, including the privatization of state enterprises; and a general reduction in all forms of market intervention by the government, in capital markets, factor markets, and in overall level of government taxation and expenditure." This « liberalization package» is urged by the U.S. government, by many influential academicians, and by the IMF and World Bank» continues Sachs. Sachs's comment on the «liberalization package» in the same article was the following: » At the very least, the strategy can find little historical support...From a global point of view, liberalization might be defended not as in the interest of the initiating country , but rather in the interest of the rest of the world. .Some of the U.S. pressures for liberalization in the developing countries indeed emanate more from concerns about U.S. trading interests than from concerns about the welfare of the developing countries» This was J. Sachs's opinion on «liberalization package» in 1987, against » Sachs-Werner Report « on the same subject in 1995! What does that difference in opinion between J. Sachs and J. Sachs suggest to a thinker on trade openness and development?

b) Globalization-Virtual (Market State) and State Intervention in XXI Century

Keynes was replaced by Monetarism after 1980. Monetarism had a slogan: "Governments do not solve the problem, they are the problem". The Welfare State had played out its role of the guardian of economic progress and prosperity. The new economic policy operated under the slogan: „The best industrial strategy consists of tough penalties for business failure, high rewards for success and low interest rates without inflation". Since then, Monetarism became the "mainstream" economic policy. Even so, Monetarism is still a national economic policy; it still has a national identity. While operating with national economic development goals, Monetarism achieved structural transformation of the economy in all countries where it took hold. During that process it led to the centralization of capital and the creation of gigantic companies. The redistributive effects of the monetarist type of economic policy in the case of USA can be seen from work of Bichler and Nitzan (2012). They state that about 85% of after tax profit in the USA is amassed by 0,01% of biggest corporations at the end of 1980s. According to them capitalism becomes not weaker, but stronger and capitalist power may be approaching its social asymptote – a level too high to sustain, let alone increase. In the world economy such a process created conditions for expansion of transnational corporations. According to Lumb (1990) between 1979 and 1989 in America, 1.4 million jobs were lost in industry, yet industrial production increased by about 30%. Integration between the transnational corporations of the USA and Europe attained 200 billion dollars annually. In 1989 in Europe alone, the business of European transnational companies was integrated by more than 50 billion dollars. Between 1984 and 1988, direct European and Japanese investment in the USA increased by 108 billion dollars and 37 billion dollars respectively. Nowadays, profit of the Top 0.01% transnational companies are significantly earned outside the United States – in what the statisticians call ROW (rest of the world). According to Bichler and Nitzan (2012), the data show that during the 1940s and 1950s, ROW profit amounted to less than 10 per cent of the total, but that its growth has been rapid and that its level now hovers around 50 per cent of the total!

Graham's contention concerning the production of "goods in common" is vindicated today. It seems that the production of "goods in common" demands the formation of a world economic policy and a world government. In other words, it means replacing national economic policies with a world economic policy. Main economic actors on the global scale are not nation states any more, particularly so if one thinks about small or underdeveloped nation states. The main actors are transnational corporations. These entities locate their activities where skills, capabilities and markets are clustered: capital flows only where the returns are the greatest and highly skilled people move were opportunities lie. The data prove that high-knowledge activities are produced primarily in increasing return to scale environments that are dependent on urban agglomeration, while low-intensive activities are produced more in environment of constant return to scale (McCann, 2008). New economy consequently contributes to economic divergence between countries. The more developed one country is the more mega-regions might be found either within the same country or across the border with another rich country. According to Florida et al. (2008), Europe's largest mega-region is the enormous economic composite spanning Amsterdam and Rotterdam in the Netherlands, Ruhr and Cologne in Germany, Brussels and Antwerp in Belgium, and Lille in France. With a population of nearly 60 million people, and producing nearly $1.5 trillion in economic output, this mega-region's output is bigger than Canada's as well as China's or Italy's.

c) Dialectic of Globalization

There are many definitions of globalization. All of them are more or less confined to the country's integration into the international division of labor and integration of production factors in international scale. So, Bhagwaty (2004) defines economic globalization as "the integration of national economies into the international economy through trade, foreign direct investment, short-term capital movements, international mobility of workers and aid workers in general, and international technology flows". Anne Kruger defines globalization as "a phenomenon thanks to which economic agents in any part of the world much are more influenced by events in the world than before "(Wolf, M., 2004). A lot closer to us is Henderson' definition of globalization. David Henderson, chief economist of OECD defines globalization as "the free movement of goods, services, labor and capital, while creating the single market of inputs and outputs, and full national treatment of foreign investors, as economically speaking, there are no more strangers" (Wolf, M.2004). I hold that, this and similar definitions of globalization are technical and superficial definitions, which do not reflect the dynamics of the capital. I am most prone to own polite-economic definition that holds that globalization is both a process of centralization of capital and of privatization of the world's economic resources by large capital, often virtual and hybrid, as evidenced by the exponential expansion of financial derivatives, the last twenty years, whose value has reached 457 trillion Euros

Global Journal of Management and Business Research (A) Volume XIII Issue X Version I Year 2013

in 2007 (Deutsche Borse Group, 2008). And, if privatization is a political process with the economic consequences, often accompanied and favored by policies of international financial institutions, I dialectically come to the conclusion that globalization is the process of transforming territorial (national) market into global corporate state as a new stage in the development of capitalism, which I would call mega capitalism, and which eventually precedes to post capitalist society, as it was seen by Marx (Capital), Keynes (Economic possibilities of our grandchildren) or Hilferding (Financial capital). Practically observed under conditions of contemporary globalization, global economic crisis is a process of centralization of capital on a global scale, which this time happens in conditions of imperfect global market structure. Practical application of neoclassical economic dogmas (reaganomics-thatcherism) brought us to the theoretically impossible effect- the creation of imperfect market condition and transnational corporations. The basic economic entities of our time are becoming transnational corporations as the entities which reflect and lead globalization process. The basic microeconomic principle of their behavior is the principle of increasing returns and diminishing costs! Transnationalization and globalization of the world economy forms a global market, but the market, whose one of the main characteristics is imperfect competitions with the prevailing oligopolistic market morphology. In oligopolistic global market large corporation become “price makers” and “rule makers “also. The market does not determine the behavior of market participants as in the case under the conditions of full competition. In fact, the “big” form the market and run it, they share it. Transnational corporations spread their production around the world in order to minimize production costs, and the same time they use “world demand curve” as a source of their marginal revenue. So while the existing microeconomic theory helps understanding the operations of transnational corporations, global economy macroeconomic theory is neither on the horizon. In all this TNCs significantly influence the formation of macroeconomic and development policies of countries all over the world which is becoming addicted to FDI, that is of the capital that TNC have in abundance. Namely, if neoclassicism in time of the development of global economy deserves to go into the memory hole, how do we regulate global economy without theoretical construct? What we want to optimize from the point of view of the global economy? Is that the GDP? Whose GDP should be optimized: either that of the global economy, or GDP of less and less sovereign individual countries which are by global privatization deprived of their resources? What about the issue of employment? What about the issue of optimal allocation of resources at the macro (global) level or about the issue of general equilibrium? What is position of a LDC in global economy? Is such a country imminently exposed to cybernetic neocolonialism?

IV. Concluding Remarks

A lesson concerning dynamically changing development and trade policy requirements seems apparent both from the history and the policies adopted by the currently most successful industrialists. At first, Irma Adelman (2001) points out « as we learned from 19th century overseas territories, the establishment of political stability and political support for the promulgation of laws furthering market development was sufficient to promote rapid expansion of primary exports. Dependent politics were sufficient for this stage. But, unless the political institutions were later adopted as to provide support for the economic needs of rising domestic commercial and industrial classes (as happened in Australia, Canada, New Zealand), the translation of the initial impetus from exports into long-term economic development become blocked, as in Argentina and Brazil. At that point, a certain degree of domestic political autonomy become necessary»

From this perspective an extant and paramount question for a LDC is: how to preserve domestic economic and political sovereignty in the midst of globalization process. I am afraid that an answer to such a question is negative under present and unchanged circumstances. SOLVING TRIANGELE puzzle requires dramatically different global political economy horizon from prevailing one. Until then LDC will stay as a slave of cybernetic neocolonialism –neocolonialism unlike one from XIX century lead by TNC equipped with: capital, technology and worldwide mobility in morbid search for profit across nationless world surroundings.

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