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## **Geopolitical Constraints on Development Policies of Small Countries**

### **Геополитичка ограничења на развојну политику малих држава**

#### **Summary**

*Unlike competitive markets with theoretically infinite number of agents whose decisions merge into a large mass of other agents' decisions, forming prices as allocation parameters controlled by no one, international arena is characterized by a limited number of discernible subjects whose decisions have system-wide impacts and turn out significant for policies of other agents. Policies pursued by any country concern not only the country in question but influence other countries and oftentimes significantly affect the degree and manner of reaching their policy objectives. Due to the limited number of acting entities the nexus of international interactions has a notable conflict potential. Small countries are in a special situation due to their almost implied modest power implying further a significant number of independent agents whose interests have to be seriously taken into account in framing their own development and many other policies. Policies of various countries come out visibly interdependent so that other agents' interests and actions uninterruptedly define wide enough set of constraints to be observed in formulating and implementing development policies of the country in question.*

*Particularly important are the large, economically developed and militarily powerful countries. Their aspirations have to be carefully observed and meticulously*

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*studied by the small and relatively weak countries. There might emerge, and in Serbian countries almost regularly emerges, a conflict between highly valued national goals deeply rooted in history, popular myths and collective memory, on the one hand, and interests of the big powerful international players on the other. These are settings in which baleful strategic mistakes are occasionally made and in Serbian history the frequency of such mistakes was rather pronounced. There has been far above the optimum courage in Serbian history conspicuously exercised by both elites and popular masses. The consequences of such “determinations for the kingdom of heavens” are perilous and mistakes are dearly paid in terms of hundreds of thousands of lost lives and wasted chances for economic and general social development. The paper ends with recommendation that the small countries endeavor to carefully fit into interests and policies of great powers, invest equally large efforts into choosing the right allies and adjust pragmatically to their aspirations and, as the case might be, even to their orders. No matter how strange it may sound, bending flexibly to the interests of the mighty may be the optimal strategy of pursuing the genuine national objectives. For, no matter how elevated and majestic they are, they dwindle to little value if they are blocked in the process of realization and the high-minded efforts invested in their realization get ultimately frustrated.*

**Keywords:** geopolitics, development policies, great powers, interdependence of decisions on international arena, the conflict between elevated national goals and the pragmatic exigencies, power as a relative concept, the dimensions of power, limitations of public policies.

## Резиме

*За разлику од конкурентних тржишта са теоријски предвиђеним бесконачним бројем субјеката, чије се одлуке утицају у велику масу одлука које доносе групе, резултујући у образовању цена као алокационих параметара којима не управља нико, међународна цена се карактерише ограниченим бројем разнотипних актера чије одлуке имају учинке на нивоу система као целине и јављају се као значајне за политике других актера. Политике које води било која земља тичу се не само те земље него утичу и на друге земље, а често делују значајно на стил и начин остваривања циљева урађених у њихове политике. Услед ограниченог броја делујућих активних чинилаца сила интеракција на међународном плану има примат конфликтни потенцијал. Мале земље су у посебном положају због своје безмало имплециране скромне моћи која даље имплецира постојање значајног броја независних субјеката чији интереси морају озбиљно да буду узети у обзир приликом обликовања њихових социјалних развојних и других*

полютика. Источноглас се да су политике разних земаља очљиво међузависне, тако да интереси и деловања других актера континуирано дефинишу довољно широк скуп ограничења која се морају уважавајући у формулисању и реализацији развојних политика посматране земље.

Нарочито су важне велике, економски развијене и војно моћне земље. Њихове прејензије морају да буду држљиво праћене и темељно проучаване кад је реч о малим и релативно слабир земљама. Може да искрсне, а у српским земљама скоро редовно искрсава, сукоб између високо вреднованих националних циљева дубоко усађених у њовести, њоуларним мишловима и колективном сећању, с једне стране, и интереса великих и моћних међународних играча, с друге. Ово су околности у којима њокадијно моју да буду почињене кодне прешке а у историји Срба била је досија изражена учесћалост њаквих промашаја. Количина храдрости била је у српској историји далеко изнад ојимума, и њо како у редовима елија тако и међу широким масама. Последнице њаквих „ојређења за царство небеско” њојудне су а прешке су скупо праћане стишинама хиљада изјубљених животиа и пројушћеним изједима за економски и ојшти друштвени развојак. Раг се окончава са прејоруком да би мале земље предало оздиљно да настоје да се праљиво уклоје у интересе и политике великих сила, да уложе једнако велике њоре у дирање њодесних савезника, ње да се прамајично прапраоде њиховим прејензијама и, већ према околностима случаја, чак и њиховим налозима. Како јод њо мојло да звучи бизарно, флексибилно прапрањање интересима моћника може да се њокаже као ојшмална прапраеија залања за аушентичне националне интересе. Јер, независно од њоја колико су они узвишени и величанствени, своде се на безначајну вредност ако су онемојћени у пројесу остваривања, а њлеменији њојори уложени у њихову реализацију бивају у крајњој линији разочарајуће осујећени.

*Кључне речи:* њоолика, развојне политике, велике силе, међузависност одлука на међународном плану, сукоб између узвишених националних циљева и захтева прамајичности, моћ као релативни њојам, димензије моћи, лимитираност јавних политика.

## 1. Introduction

Greater topics, such as this one indicated in the title, require thoughtfully adapted methodological approach, the one that will be carried out with large and striking moves. It seems advisable to start from recalling some elementary but supporting and decisive components of large social entities whose prominent and essential aspects should be passed through the analytical machinery of economic science.

The term *constraints*, which dominates the selected title is one of those central and always current terms. Although various researchers would choose different collections of such concepts, we can expect without any major concerns to find quite a lot of overlapping between those lists composed by different authors. In addition to constraints that are a central concept in the title, the other two determining concepts could be *preferences* and *alternatives*.

Indeed, many theoretical instruments and tools which present a base for the economic science, and through which most valuable findings arise, are not only connected with three key categories in this one way or another, but they are derived from them more or less directly. Even a cursory glance at the central, far-reaching decisive segments of the economic analysis, announced at the beginning of the good books, leads to the conclusion about the central role of these three categories. In a very effective and impressive introduction to his famous textbook Mankiw and Taylor (2008, p. 3-14) postulate ten principles of economics that are almost directly attributable to the three central categories where they find their cognitive points.

Among these decisive elements of the economics, the way they are perceived in their synthetic vista, they are all related to the three categories, but the following have special significance. First and foremost is the *choice* - which, of course, is guided by preferences; it is made on *alternative* options and determined by the *constraints* without which it would be neither possible nor required - then the price is quoted to reflect the opportunity cost understood as the missed value of the *alternative* that was sacrificed for the sake of the given choice, where the value reflects and measures the *preferences* as the leading element in the selection; then the reaction of economic entities to incentives is emphasized, and these relate to *alternatives* and they are directly defined by *preferences*, while the essential character of trade is still underlined as a positive sum game and the role of markets in allocating resources in the environment that is defined by the *constraints* and managed by *preferences* in choosing between many *alternatives*. Below are further points which state that the standard of living depends on the productive potential of the given community - potential is the aggregate term for overall *constraints* the economy is faced with and due to which, guided by the *preferences* of the relevant entities, it must make respective choices based on the set of alternatives.

*Constraints* may also include particularly pronounced connections between the emission of money and inflationary tendencies and short-term substitution between inflation and unemployment; these functional connections are part of a specific technology established at the level of the system as a whole and as such they determine the *constraints* on each of the variables in these relationships: efforts to restrain inflation are faced with increasing unemployment and analogously, it can be said the other way round. It is good to recall that similar conclu-

sions, albeit in a modified analytical setting, are easy to perform also from conceptual plans which other authors use to formulate their presentation of basics of economics; Begg *et al* (2010, p. 3-14) emphasize the concept of opportunity cost as a *preference*-driven choice to the available *alternatives* in terms of total *constraints* and the bounds of production possibilities as the aggregate term of these *constraints* at the level of the system as a whole. Similar emphases are easy to recognize in our literature: in his recently published textbook of microeconomics N. Trivić (2016, p. 162-7) distinguishes opportunity cost as a fundamentally decisive concept that is, in terms of the inevitable *constraints*, a reflection of *alternatives* in interactions which are always guided by *preferences*.

## **2. Individual constraints generated by interdependencies of national policies in the global economic and political space**

Acknowledging constraints and identifying their implications is one thing, and their identification in economic and social constellations is completely another thing. The existence of *constraints* and search for their numerous and often hardly discernable implications has always been a cognitive and active challenge which was difficult to take. Number of objective constraints is generally higher than those which are the subject of social perception and in respect of which it could and should be possible to make necessary accompanying economic, political and broader social adjustments. Many of the actions of economic policy turned out to be unsuccessful due to insufficiently visible or completely unknown constraints which in designing these actions could not have been taken into account. Therefore, there is a sharp criticism of economic and political operations that are not fully justified, since they are based on the absence of results which due to these invisible disturbances could not be achieved. It is possible, although rarely, to find the reverse combinations where there is no criticism due to an overestimation of obstacles and constraints which are publicly believed to be more serious and more restrictive than they are actually.

The paper deals with a special, rarely properly viewed and typically ignored constraints that greatly affect both the pace and the ways and models of economic and social development and have not been observed enough, and only in exceptional cases they are the subject of conscious institutional adjustments and thoughtful measures of economic and social policy. It is a complex web of geopolitical forces which are the expression and product of variable geopolitical situation, which can be defined as broadly understood configuration of relations, interests and power between individual countries and international organizations, understood as a general framework within which individual countries conduct their policies and realize their global strategic objectives. In these complex con-

stellations regularly and properly, through the centuries and even millennia, we have powerful state entities or coalitions of smaller countries that dominate in a given geo-strategic area and impose their interests and supporting policies on a multitude of less powerful entities.

Bžežinski (2001, p. 14-28) extensively and systematically monitors the evolution of geopolitical changes and geostrategic tendencies over long historical periods before and after the Roman Empire, and finds that all historical epochs were characterized by the existence of extremely large forces that established their hegemony as the domination over the large number of smaller state communities. Rome, China, the Mongol Empire, the Ottoman Empire, the Russian Empire, the British colonial creation “where the sun did not set”, then the Soviet Union and, most recently, the United States as the only remaining truly dominant world power - these are all examples of universal historical legality consisting of the fact that every epoch and every geostrategically defined, globally relevant territory had, and to this day has had, its hegemon. An important aspect in which it is possible to monitor and interpret the overall history of mankind is the one that consists of the interaction of hegemon and smaller entities over which hegemon manages to establish and maintain its dominance.

It is clear that the hegemonic policy defines and reproduces constraints under which less powerful entities operate too. Hegemon, as a rule which does not take any exceptions, is large in all relevant dimensions, so its decisions, on average and individually observed, tend to be large and far-reaching. Such decisions generate effects within a large area of potential impact and affect a large number of entities on the international political scene, and often most directly affect significant number of entities. And in its routine procedures hegemon affects many others and, since these decisions are followed by numerous versatile adjustments, the decisions produce systemic effects even when their maker does not have any in mind nor sets them as a goal. Hegemon cannot help but expose itself as a factor of marked changes even in the broadest system environment.

Power is a relative term (Horvat 1984, p. 60-2): the power of any entity is seen as possibility that other entities will, in their patterns of behavior to a greater or lesser extent, follow the preferences and the global objectives of the hegemon. In its essential components of power it has the characteristics of a zero sum game: since the power of the nature of things forms and changes only in relation to others, an increase in power at certain points of a broad and complex group of countries must be accompanied by reducing power in the other areas. This regularity applies primarily to political power whose definitional characteristic of domination is or more or less pronounced subordination. However, for other forms of power it is possible to conceptualize changes that bring an increase in power of all relevant entities within the group.

Constraints that stem from unequal distribution of power in terms of small countries, and especially from the existence of such hegemon as - in the dimension of power - markedly superior countries, are now quite easy to identify. Large and powerful countries have their own interests, and they also get the power from the capacity to implement the interests within the given limits. The interests go far beyond the geographical boundaries of individual state units and territorial demarcation of the countries. Interests spill far over these borders to other states, which are much less powerful than the hegemon. Hegemon does not match equally all patterns of behavior of those it can influence due to its superior power, and from that it follows directly that it will endeavor to ensure such patterns of behavior of the other, less powerful entities that match its interests.

To the extent hegemon is willing to and, thanks to the power, capable of imposing patterns which suit it on entities in surrounding, they are obviously imposed and manifested as constraints on the operation of these - in the dimension of power - inferior subjects. Constraints on the less powerful result from the interest of the more powerful, and the hardest restrictions arise from the *hegemon's interest* in the given geo-strategic area. It should be noted that this reasoning fully expressed all three main categories of economic approach to social reality which were mentioned in the introduction: *constraints* are directly the subject of this explanation, since they are result of the interest of hegemon, and sometimes the result of the interest of those that do not operate exactly as hegemons but are remarkably more powerful than those they affect; it is evident that in the background of these interactions we have *preferences* of those that affect the behavior of the other entities. There is, finally, the following important fact: since the impact on others is only one way of realizing the interests of those who are in possession of the necessary power, it is clear that there are also *alternatives* that can be classified into those relating to their own resources and efforts of hegemon and the other directed at achieving relevant desideratum through unidirectional influence on the actions of other entities in the complex international political constellation.

Does out of this unidirectional influence of the more powerful countries, especially the hegemon, on the actions and policies of other, less powerful entities, follow that powerful countries are deprived of constraints that arise from international interactions? Absolutely not. Looking for ways and means of defense against excessive encroachment of hegemon in the affairs of smaller countries, these find ways of developing defensive coalitions. If the pressure of hegemon is too great, smaller and less powerful entities in its environment will find, often more or less spontaneously, forms and methods of uniting which enables efficient countering excessive hegemonic aspirations. History knows cases of successful opposition of alliance to a powerful dominant force that in its dominance was

unable, or simply did not want to find the right balance. One has to remember a spectacular historical episode in which Napoleon was definitely defeated by the so-called coordinated efforts of the Holy coalition.

In international political relations there are also established broad-based and stable equilibrium constellations which hegemon cannot easily disturb or which manifest themselves as quite unattractive for a radical encroachment since the costs of such interventions are prohibitively high, or risks are too big. Hegemon also has its own calculation of costs and benefits, and coalition that imposes its high anticipated costs of aggressive operation actually imposes as a determinant of constraints on its own behavior. Life in the community, even in the international community of states, exempts no one from obstacles and restrictions whose generation is inherent to the community.

Therefore, both the large and the small, powerful and inferior powers are exposed to constraints, but there is no doubt that the restriction resulting from the interactions does not affect everyone equally. It is not surprising that those powerful are in this dimension in disproportionately better position: they impose more restrictions on others, based on which they achieve wide range of interests, whereas small countries can only appear as the weaker entities in these interactions. Relations in establishing mutual restrictions are extremely asymmetrical, so in this respect the case of small countries emerges as paradigmatic, and regarding their development policies the influence of the international impulses manifests itself as an exceptionally powerful and sometimes as a crucial.

### **3. The interdependence of actions and policies in the international strategic area**

Fundamental and far-reaching feature of the international political scene is a small number of entities and a clear recognition of their decisions and consequences arising from their autonomous choices. The effects of decisions clearly go beyond the boundaries of the state entity that makes these decisions, and their unavoidable spillovers across national borders inevitably affect other countries, with the possible intensity that enables their retaliatory reactions. Hence there is the resulting interdependence of decisions and policies and a clear need to consider the interests of other entities on the international stage in drafting appropriate moves. From the established interdependence restrictions on the policy result in: anticipation of mentioned retaliatory reaction has the result of precautionary exclusion of some actions, which would otherwise be very attractive in relation to the objectives as landmarks of national policies. Namely, the consequences of possible responses to the measures within the given policy may be worse and accompanied by large losses in relation to the expected benefits of the policies

which these restrictions would not take into account. Thereby, the constraints on the economic and political actions, and even on the global development strategies covering long future periods, are quite directly woven in the current policy and the one that should define the developmental trajectory in the longer-term perspective.

The constellation where public political decisions are shaped and implemented with consequences for the international environment - and that includes all interactions of the state with other countries - is very specific and structurally different from market environments which are regularly included in microeconomic analysis. Namely, in the market configurations, especially those that are the subject of the usual theoretical abstraction embedded in standard definitions of competitive market, the number of subjects is large (in the pure theory it is infinitely large), and the effect of the policy conceptualized and implemented by each of them - for theoretical considerations is negligible. Where there is a large number of subjects there is a large number of decisions, a negligible size of each subject (in a mathematical sense its dimensions are zero in relation to the system as a whole) clearly implies negligible individual policies.

Negligible is in this context precisely defined as infinitesimal weight and insignificant impact of individual decisions in relation to the total mass of the decisions through which the given economic system functions. Individual behavior and effects of individual decisions are drowning, metaphorically speaking, in a number of decisions that on the current and every other basis are generated in the overall economic system. The result of drowning is aggregation of the huge ("infinite") number of decisions in large aggregates of the total supply and demand, and, based on the interaction of these two aggregates, the allocation parameters that all operators have to take as set and which they inevitably adapt to. No entity controls the whole of the system: as there are no entities that can significantly affect the overall demand or supply, it is even less likely that there will be someone able to control, first of all, the market price and then other possible allocation parameters. What happens at the level of the whole, no one controls; parameters that are formed at the aggregate level with the interactions between supply and demand for all subjects are exogenously given and the only option that is available to them is optimal adapting to those externally defined numerical indicators.

The stage of international interaction has no structural characteristics of the described micro-economically formalized market environment. At this stage, operators are limited in number, individually discernible with their policies relevant to decision-making processes of other entities and reaching their goals. In principle, every decision affects all other relevant entities in the international environment, and the consequences arising from the individual decisions of any entity may be large enough for a number of other entities to cause their above-

mentioned retaliatory reactions. This means that the forms of rational decision-making of any observed isolated entity can not be independent from the preferences and objectives of other entities. Anticipation of their possible reactions and preventive refraining from decisions that could give rise to larger reactions are equivalent to the occurrence and calculated participation in the process of decision-making about those constraints which result from the international interdependence of policies and the corresponding operation of a group of entities on the international stage. No entity can afford complete autonomous behavior that would prevail in the absence of international relations.

Structural differences between globally relevant environments where the states maintain their public policies and competitive markets formalized by microeconomic theory have resulted in the application of essentially different analytical instruments. Those are theoretical models and algorithms through which decision-making processes are described and predicted, as well as the processes of evolution of relevant variables as an object of these decisions, within the two structurally differentiated environments. If changes and the movements within the competitive market structures provide formalization using standard mathematical optimization, especially techniques which optimize the function with the given constraints, with eventual formalization of constraints of non-negativity of the relevant variables, the interaction between agents on the international political stage may be satisfactorily formalized only using Game Theory.

#### **4. Possible games in international interactions and turnaround perspectives with hazards of global turmoil**

Imperative of the application of game theory to a group of processes taking place on the international stage has significant and far-reaching consequences. The spectrum of these consequences is so broad that it certainly cannot be the subject of a systematic analysis of the work of such a limited scope. Game theory has become highly formalized discipline with the accumulated vast literature. Authoritative accounts of this discipline were given by the national scientific production, and the most complete and coherent presumably is the one that was given ten years ago by Stojanović B. (2005). Here are just a few highlights, specially designed points in game theory, those of particular importance for the consideration of constraints imposed on the national public policies from the field of international interactions.

First of all, game theory already at the abstract analytical level does not provide as accurate and concretized, unambiguous mathematical predictions as it is the case when using standard mathematical optimization apparatus in the description and parametric testing of microeconomic processes. This smaller cer-

tainty remains pronounced specificity of game theory, despite the fact that for many categories of games, reliable algorithms for finding appropriate solutions were developed (Stojanović 2005, p. 73-89, 136-69). This leads to the conclusion that the margins of uncertainty in game theory are far beyond and therefore the possibility of making predictions of reactive decisions of operators in international interactions is much smaller.

There are few properties in most widely defined class of decision-making processes that reduce their potential effectiveness so much and increase the hazards of failures and wrong choices as it is the case with uncertainty. One consequence of this limited specificity of formal solutions offered by game theory is the lack of reliability, sometimes limited, which, through the expected reactions of state entities from the international environment, can identify operational constraints imposed on domestic economic policy on that basis. If the precautionary principle in such a vague situation dictates a more conservative approach, the result could be overestimating the constraints that should be reckoned when planning the economic policy. On the other hand, the lack of specificity and very limited concretization of alternative outcomes in game theory, the outcomes dependent on factors with resulting approximate and unreliable assumptions, result in many risks associated with reactions from the environment remaining unnoticed and logically feasible restrictions from these reactions remaining completely unforeseeable and therefore ignored. Turning to one or the other direction - overstatement and insufficient respect, even ignoring the constraints - makes policy-making difficult and precipitates its quality below the level which would prevail in the absence of these complications.

State policies depend to a large extent on prevailing beliefs about what the beliefs of others are (Stojanović 2005 p. 432), and the beliefs of the "others" similarly depend on our own beliefs: that formation of beliefs about the beliefs of others and the creation of beliefs how the processes of creating "our" beliefs about the beliefs of others work... can be refracted through multiple interdependent degrees conforming to extremely complex structures which further make decision-making processes complicated to a large extent. The structures that are formalized by game theory and that can only be analytically studied based on it and operationalized to the required level, are indeed extremely complex and full of hazards so the public-political operations in a number of situations are not adequate and therefore they are about to cause serious disruptions and huge losses.

Nash equilibrium deserves to be specially mentioned (Stojanović 2005 p. 117-35, especially 121-4, and 135) as the constellation that under sufficiently realistic assumptions shows analytically demonstrable tendencies of establishing, and that is in a principle far from the optimum for the system as a whole, where the system is defined as a group of all relevant entities on the observed international

stage. The idea of Nash equilibrium is very simple. Each entity, within a group with sufficient number of entities, maximizes its objective function. Since this maximization is achieved by maximizing the same behavior for all other entities within the group, each optimum depends on the decisions, i.e. on optimal solutions calculated by all other entities. The system has no mechanism, nor can it have, that would guarantee that the individual optima of individual operators would be set up in accordance with the best possible solution for the system as a whole, i.e. for a group of entities observed as a functional community. Each entity chooses its individual optimum with respect to the analog election of all other entities, but that optimum remains in a global sense flawed at the level of totality of the optimal solutions for all entities within a given group.

In other words, in the system there is no impulse to *move the whole toward the global optimum* because it is the choice for each subject the optimum decided upon until other entities hold their *local* optimum. Adhering to the individual optimum, with mutual adjustments that link them to those optimums permanently, entities in their totality deprive themselves of the possibilities to move the system as a whole to a global optimum, which in this system of local optimization actually remains inscrutable. To move the system to the global optimum, it is necessary to have the organization of mutual coordination between decisions and policies (Stojanović 2005, p. 425-35, especially 432-3), such that does not exist in this system. Nash equilibrium can also be interpreted as a special form of generalized constraints: *all subjects are simultaneously limited in the sense that they cannot achieve superior global optimum for all* that is otherwise available to the system with the prevailing technology and available resources.

It is also worth mentioning the fact that game theory found one of the most fertile areas of its application precisely in the field of international relations and inter-state interaction. In their book on the global political economics Gill and Law (1988, p. 32-8) emphasize the application of game theory on the web of international interdependences and in the orientation of the appropriately structured games it offers one of the most powerful points of entire text. This is not surprising since it is a very complex system with a limited number of entities which generally make their decisions independently, have differentiated objective functions and, often, even the important elements of these functions that are directly opposed. There is no consistent institutionalized mechanism of communication between them, coordination of decisions runs with great obstacles and uncertainties, and when communication channels are established, the likelihood of harmonization of decision remains low due to the lack of mutual trust and because of well-known and extraordinarily important fact that a violation of promises at the level of each entity becomes particularly attractive when all others keep to their promises!

## 5. Potential conflicts of interstate interests in the light of game theory

Crucially important fact of inevitably differentiated foreign policy and foreign economic interests of individual sovereign states is effectively presented with elemental prisoner's dilemma game (Gill and Law, p. 32-4), and more developed varieties of games serve well to concretize further this powerful idea. This is the context in which the idea of building mechanisms of cooperation is fully expressed, as well as the importance of repetitive games in which participants have to count with future consequences for policy violations in the current period and even a possible positive effects of domination of sufficiently powerful hegemon that has the means and ways to punish offenders. Economic effects and safety are the key elements that drive entities on the international stage to violate or fulfil their promises, as they drive the hegemon to opt to invest effort and resources to introduce a minimum order to the community of principally autonomous state units to keep it on a lasting basis. Availability of necessary knowledge and information have great importance in behavior on the international scene, and a lot of dysfunctional and / or even destructive behaviors can be explained with the scarcity of these two key elements for rational and even in a broader sense constructive decision-making. As in other areas, the lack of knowledge and information imposes itself as the root cause of chaotic tendencies in relations between countries.

An important role in foreign policy and foreign economic relations play, of course, internal, i.e. domestic political relations and social processes that take place under their influence. It is known, for example, that in the last few decades a number of strata of the developed countries, most often identified with the name *middle class*, together with the so-called *working class*, which based on their economic position and social status came much closer to the middle class a long ago, were in surprisingly unfavorable economic situation. In the absence of unhindered mobility of factors, turbulently increasing international trade has contributed to international standardization of numerous income categories.

Chinese workers, for example, are not in the position to move to developed countries to look for higher incomes, and, through competition in the labor market, gain more profits for themselves while reducing the salaries of local employees. But in the spirit of the famous Heckscher-Ohlin theorem, the effects which could not be achieved with labor mobility are largely achieved through international trade: consumers in developed countries, including in particular the US, are increasingly being supplied from much cheaper Chinese, Indian, and other import rather than buying expensive domestic goods. Interactions are transferred through known mechanisms from the product market to the market factors, causing their far-reaching adjustments. The world of labor in the developed countries is hit as a whole (compare Diton 2016). Consumers cannot find any

reasons to buy more expensive domestic products instead of much cheaper imported ones nor is there a logic according to which an American worker should be paid ten times more than the Chinese for more or less the same performance. The reorientation to the import as a cheaper source of supply means not just reducing the demand for goods of domestic origin but also - which is more hazardous - reducing the demand for broadly defined categories of labor that was involved in the production of such expensive domestic goods.

Reduced demand in the labor market caused by the unexpectedly broad front, produces, in parallel with the rise in unemployment, adequate equally massive stagnation and even decline in incomes, and when such a high percentage of the population finds seriously and even dramatically compromised in their standard and economic status, then it must entail serious social tensions. These tensions have to express themselves in the political sphere and reflect a struggle for a new foreign economic protectionism. The whole system of international trade may be brought into question since the release of macroeconomic trends leads to tectonic fractures in standard and economic situation of a large part of the population of developed countries. This is a broad area where the foreign economic policies, particularly those in the sphere of international trade, are faced with great turnarounds and real turmoil which are about to generate powerful shocks in international political relations, and fundamentally change the landscape of relations among sovereign states.

Quite predictably it leads to occurrence and further intensification of their efforts to influence others and possibly radically restructure present order in the field of international interdependence. New initiatives and new pressures are on their way with all accompanying threats and blackmails, whose flows, and to a lesser extent effects, could be satisfactorily predicted. Despite the generally applicable standards, one cannot rule out unilateral moves directed at the protection of those broad, socially more vulnerable working classes in developed countries, and they can produce conflicts whose dynamics is even more difficult to predict, but known in advance to be tense and multilaterally hazardous. International atmosphere radically changes, among other things, in a particularly delicate dimension of finally vulnerable economic position of the world's hegemon, vulnerable in terms of important changing of collection of available options in foreign policy under pressure from severe internal political tensions.

## **6. Public policies in the atmosphere oriented toward the entities of unequal size and widely differentiated power**

In the introduction it has already been pointed out that the world with the policies of individual countries is characterized by entities of strikingly different sizes

and varied power. It was also pointed out that in the constellation of entities involved in the network of interactive interdependencies hegemony is lawfully and predictably singled out as subjects that are powerful enough to establish a domination over entities in their environment, which allows them to exert a strong influence on entities in that environment and to modify and direct important components of their behavior, according to their interests. He also pointed out that those small in the scope and power, dominated entities are not without impact on those that established dominance in the relevant environment, but these relations are strikingly asymmetric: the impact of the large is unequally greater than the return impact of the small on the large. The possibility of forming a coalition somewhat modifies this conclusion, but it certainly does not deny. Since that requires coordination and a high degree of agreement of a number of entities, coalitions are difficult to form, and when they are established they are very quickly destroyed. As in the case of respecting the rules of mass behavior in any order, violation of the rules becomes even more attractive if there is a higher number and greater consistency of other entities adhering to these rules.

The situation is getting complicated with additional hegemony, so in one unified interaction space more than one entity operate with the possible and accomplished domination. The emergence of multiple hegemony is relatively new in world history and conditioned by the advancement of transportation and communication technology, which connected the world with its planetary extents in almost unique interactive space. In the past, for example, China could have dominated in its part of the world since the interactions of areas under its domination with the areas dominated by Western European countries with colonial pretensions or, in the distant past, the Mongol Empire, were almost negligible. In the modern world, which is in a prominent way functionally unified, there is a possibility for more hegemony to act, and in the group of smaller countries there are relations of the asymmetry of power and possibility of unequal reciprocal operation with developing a relations that could be characterized as a *dominance of the small*: the impact of stronger entity is still greater than the influence that goes the other way, but these influences are much smaller than the impact of hegemony and are not the same as dominance in the strict sense, i.e. effective superiority inherent to hegemony as prominently larger and more powerful entity.

The advantage of dominance in relation to clearly inferior status of being dominated is one of the essential reasons for the tendency of individual countries - the aspirations that are in the history practically taken as conclusively proven - to expand and increase, to accumulate power by assuming that it is an increasing function of state mass, regardless of the attribute in which power is manifested and measured. This may be the population size, economic potential, military power or disposal of some properties that in the broader international

community confirm to be undeniably attractive. In historical retrospect the element of size of the observed state was generally territory, the more so because it is an important component of both economic and defense potential, as well as other dimensions of the size, especially the population and fiscal capacity, highly correlated with the territory.

Conquering new territories for some countries was a source of economic and social vitality during long periods, often centuries. Only in recent times territories have lost importance and power of a state, and especially ceased to be an element in which the state sought to achieve its expansion. One of the important reasons why territories lost their dimensions through which countries fulfill their expansion is the international arrangement that has a planetary scale and which draws its far-reaching dimension from the universal consensus of the entire international community and consists of the great principle of the inviolability of borders. This arrangement has grown from universal consent that the modern world is united in saving itself from conflicts so frequent in the past and so typically related to the ongoing efforts directed at redistribution of territory.

It is not easy to make an exhaustive list of the elements that determine the tendency of governments to maximize their power, as a way of achieving this general desideratum to encourage population growth, develop their economies, raise the efficiency of its institutions, improve technology, persistently work on the expansion of all other components of knowledge and, in the most general terms, raise the level of their culture. The culture is identified as a category that can be defined at different levels of generality, and when it is conceptually defined broadly enough, it can cover almost all specifically understood dimensions of power: technology and everything that it is conditioned by it, the level of economic development as the epitome of crucially important material culture, lifestyle which can prove to be a powerful instrument to influence other nations and states, particularly when it becomes the subject of mass imitation and social organization as a determinant of broad social efficiency, i.e. the effectiveness with which work processes are performed and development processes are guided not only in economy but also in other numerous and wide areas of social life far beyond.

This was the identification of the main components of what is at the top of the list of priorities of actions for every state and what is included in a broad concept that is here terminologically defined as *power*. Power is, therefore, a great desideratum at the level of state units but also the means and a way of achieving its maximum realization. It is a desideratum because it is decomposed into components that are desirable in the obvious, self-assuming way: economic development as, among other things, the material basis of living standards and the welfare of the population, technology and other elements of widely understood

knowledge, yet widely understood (effective) social organization, and, more specifically, the institutions through which it is operationalized, internationally attractive behavior patterns with lifestyle and, of course, more narrowly defined by the various components of culture.

In this list of desiderata that stand behind the category of power and that are the determinants of inspiration for the maximum magnification of power there is one that should not be left out and which emerges in many contexts as the most important actually. That is *security*. In international relations and interactions there are numerous and in some periods unfavorably frequent conflict situations which are, as a rule - with the exceptions that almost need not to be mentioned - resolved through the balance of power. More powerful entities in these relations easily find ways to impose their solutions, and the weaker accept them if they follow the imperatives of rationality. It often happens that the weak oppose the stronger, but they typically do so to their damage. In this resistance it is exposed to additional costs, damages that would be avoided in the case of respecting the superior power of entities with whom they came into conflict, separate, poorly foreseeable losses arising from the conflict, which would certainly be avoided in the case of accepting the dictates of the one that is undeniably more powerful. All considered the ultimate solution for this daring entity with less power is predictably less favorable than the one which would have been created if such a futile conflict had not been started. It's not easy to list all the disadvantages that the weaker is exposed to when they come into conflict with the stronger.

In this review *culture* is used as a term that is not unambiguously defined. *First*, we can talk about above mentioned specific elements of culture that can be approximated with some activities in this field: film, theater, literature and publishing, television, heterogeneous and strongly indented field of media, a number of activities in the entertainment world ... When, for example, it is said that the Chinese easily and massively accept and affirmatively perceive American movies and TV series, and that the restaurants such as MacDonald in China found fertile ground for their swift expansion and that the reverse impact is almost out of question, much has been said about the relative force of two cultures, and thus about the component of power arising from cultural influences.

However, there is *another sense* given to the concept of a *culture* in which culture is seen as the most general characteristics of a society, as a feature in which the society is reflected entirely and which is seen as an indicator of broadly understood civilization development. Culture can be understood as a reflection and rate of modernization in a given time. It should be kept in mind that the *modernization* is not a concept that is related to the most recent period, i.e. for the present; each time and each period have their own specific modernization, and it is easy to conceive that the modernization applies to those which in most widely

understood social development in their time managed effectively to establish themselves and find ahead of others regarding the level of essential and social desideratum.

Bžežinski (2001, p. 23-5) strongly insists on culture as a component of general government and social power. He is very clear about the specification of individual dimensions of culture. In his opinion culture is not a matter of arrogance of an ambitious country that simply self-proclaims its superiority in the synthetically understood dimension; culture must be recognized and widely *recognized by others*, and these are entities that are already under the domination of a given more powerful entity or they are about to become. Cultural superiority is, in other words, conditioned and demonstrated *by the judgment of others and not by their own*. Although the culture in a broad sense indicates a component of power, and thereby a factor of domination, we can talk about the culture of the weaker entities in the group of countries that make up the international community. The culture of the weaker will not, of course, manifest itself through domination - this option is out of the reach for the one that has less power and is at the lower cultural level - but through flexible and purposeful marching the limitations that are objectively given, including not less important those arising from the policy of entities clearly more powerful than they are. Culture is therefore a factor of power and an important factor in establishing dominance of hegemony over the plurality of satellites. The intriguing question is, and probably the reason for a number of disagreements, can we talk about the reverse causal loop between power and culture: can we, in other words, at least selectively, and even in a small group of some specific constellations, conclude that the power is the sign of culture as culture is the holder of power, can we sometimes speak of greater power as an indicator, as well as of a proof of higher culture?

Some would argue - and others would vigorously oppose it, thus providing the basis for a fruitful and exciting intellectual debate - that necessary and sufficient level of culture was not expressed on 27 March 1941 in the streets of Belgrade during the famous demonstrations as it was in the small Western European countries where less heroism was demonstrated, but with their pragmatic adjustment, on a massive scale, they *saved lives*. Cultural superiority of hegemon or simply - for given occasions - a satisfactory level of culture has extraordinary importance and high value in maintaining the dominance: culture is a substitute for the brute force in the way that the dominated, through culture and thanks to it, without giving much resistance, accept a superior position of those who in a given interaction found themselves in a position of superior side. With admiration and even with some amazement they emphasize unexpectedly small number of soldiers and modest defensive potential with which the Great Britain controlled its vast colonial empire.

## **7. The limits of power in relation to growing range of state entities**

With the size of a given state entity - the size observed through the territory, population, economic potential ... - its power grows too. One could ask the question how it is possible that in the ongoing search for ways of increasing power the whole world does not become a Mega-state under the control of a single authority. The answer is that government entities must be managed, and that the activity of management, just as all human activity, faces - this time quite specific - the law of diminishing returns. With the size of the object to be controlled the reach and scope of management activities grow too, with an increase in the volume the corresponding additional control pulses grow and, of course, resources that enable them give less and less effect. It is difficult to manage large units, and the greater they are the harder it is. Again, we are faced with a known triad of economic categories: *constraints* of the knowledge, skilled personnel, information and related system and material resources, assumed by some control systems, impose limits on aspirations of top management, i.e. its *preference* for power and expansion of space for domination, and the inability to control large facilities with master logic of objective necessity compels the ruling structures to settle for less majestic *alternatives*.

Among the alternatives that arise as a substitute for the large state units in which and from which they rule or dominate over others, hegemons play a key role of those reified through the formation of coalitions. In the introduction coalitions are already mentioned as creations that allow the small to join under certain conditions and jointly restrain the reckless aggressive hegemon. They are at the same time an important factor of limiting the growth of large state units that establish a dominant role on the broad areas. Forming a coalition is part of a much wider process of association of autonomous entities in larger wholes, in a way which does not imply the renunciation of their autonomy. History shows that the merger does not contribute to the creation of associations of the countries that will cover the entire planet. On the contrary, integration of autonomous entities brings the creation of powerful large blocks, which generally oppose each other and the cause of high tensions on a planetary scale and global hazards; they can question the whole world with all the achievements of civilization that make it so impressive in many respects. And these stratifications of entities into competitive and opposing blocks are the basis for strong interdependence in interactions and relations between societies and countries: the mere inclusion in one of the blocks results in one subject significantly affecting the interests and position of other entities with its decision because this classification obviously changes power relations among the blocks.

Without going further into these dreary considerations, may only be added that such polarized joining is a part of a much broader empirical law that includes

organizational formations at different hierarchical levels, even single individuals. It is a fact that man is a social being and that there is neither survival nor valuable affirmation of humanity outside the community. However, it is true that people, besides inclination towards integration into the entire differentiated hierarchy of collective, have a tendency to group confrontation wholeheartedly accepting larger collectivities as media of such confrontations. It is interesting that this tendency has experimentally been demonstrated. Akerlof and Shiller (2010, p. 205) report on an indicative experiment in which a large group of students is divided into two groups, in a way that one group assigned students with odd date of birth, and the other with the even date of birth. Through not very particularly long and not very large mass of interaction these two groups developed sense of belonging and awareness of a separate identity, which further led to the emergence of loyalty to a group, to certain group interests, as well as to the conflicts that predictable originated from the opposed aspirations. It seems that quite analogous tendencies occur in a group of sovereign states as autonomous entities in foreign economic and foreign political decision-making.

The formation of blocks, and thus limitation of the power of hegemon, somewhat mitigates but by no means abolishes restrictions imposed on small countries on the basis of unfavorable geopolitical constellations. The small remain handicapped to the extent to which they bow to desideratum of rationality, directed toward finding flexible and restricted patterns of behavior that offer limited but valuable opportunities for survival in a harsh world always dominated by the most powerful. This makes it more challenging and difficult to formulate long-term development strategies, and even survival, and generates the needs for particularly refined knowledge, i.e. elements of planning and operational management which the small conspicuously lack.

## **8. Globalization as a factor of growing interdependence on the international stage**

In the first place it must be noted that globalization is a universal, as its very name implies, global process that takes place under the influence of strong autonomous impulses and nobody controls it. Unmanageability of globalization results from a larger number of circumstances and a few will be listed here. *First*, it is the consequence of a large number of factors, which is enough to make globalization unmanageable and uncontrollable. There are no such control centers that can establish control over arbitrarily large number of interfering factors, even if they were - as they are not - controllable. The sheer multiplicity of factors is sufficient to make the process of globalization predominantly autonomous, not subject to any kind of conscious orientation, including entities that are out of anyone's han-

dling capacity. However, they can be found under the influence of a large number of subjects, and this very multiplicity of influential factors must make globalization unmanageable. With a plurality of factors, it is almost destined to be the subject of game theory and not a matter of algorithms oriented to calculation of unique optimum. With the impact of a large number of entities, the system as a whole is more likely to get stuck in a Nash equilibrium and inimitable B. Stojanović (2005, p. 135) had good reasons to emphasize that Nash equilibrium *is not (general and systemic) an optimum*.

There is *another* equally compelling reason contained in the fact that the technical progress is a basis and by far the most powerful force that drives and maintains a number of components of the globalization process. The development of technology is principally unpredictable and this unpredictability at the level of principles can be demonstrated at the most abstract philosophical level as it was done in an impressive and permanently amazing way by K. Pepper (1988, p. 145-7). The argument is as deep as simple: if achievements of - always in the future located - technical progress were predictable, it would not make sense, they would be *known now*, and there would be no need to talk about what the progress of technology will bring in the future. And what is not predictable certainly cannot be manageable nor controllable. *The third* big reason of unmanageability of globalization consists of the fact that it is far from being just a technological phenomenon and economic process; it is also the phenomenon of cultural convergence, then the demographically relevant phenomenon of the security-relevant phenomenon, but beyond that it appears as a process of social evolution in the broadest sense of the word.

Societies have not developed institutional mechanisms through which they could direct and control complex processes in so many areas of social interaction, let alone those that would enable the control of globalization worldwide, that is to say at the level of a large number of very different entities with particularly differentiated and often conflicting interests. Therefore, it seems amazingly, if not absurd when J. Stiglitz in his recent article (2016) stresses that rules through which public policies are pursued “should include measures to tame globalization”, and especially striking is his judgment that “globalization is not the problem, but *the way it was managed*” (both quotes on p. 39, underlined Lj. M.). It seems that no one is immune to irrational claims and can hide behind the Nobel Prize.

The implications of globalization trends are indeed numerous and somewhat immense. There is no doubt that the various observers would speak out in public with a variety of lists, and all of them could be meaningful and relevant. Here *the first* place will be taken probably by unavoidable fact that globalization by the logic of its definition increases - and it seems faster and more diverse - a network of international contacts, including striking interstate contacts. More contacts

mean more international interdependence and interaction, with the increase in the diversity of these international connections at the same time. This means that the development and current economic policies of some countries will increasingly depend on what is happening and what is being done in other countries.

Thanks to technological advancements hegemons also have new opportunities to control those they dominate, but a general increase in the system on a planetary scale makes them harder to control because they are larger and more complex, so on that basis we should expect some weakening of subjects with great power over the less powerful entities. In any case, the growth of interdependence should be expected in two widely separated areas, which could be interpreted as the different levels where interdependence is established. There is one area of intermingling of real economic sizes, primarily multiplication and increase in trade flows including real labor mobility flows and, in particular, the capital. The second area consists of increasingly dense networking of the world using information and communication links, and there is a rapid growth of opportunities for the transmission of control impulses and feedback on their effects in the field.

Current trends in both large areas have resulted in strengthening mutual influence and integration of national economic policies, and thus the growth of constraints that impose governing control of the state concerned on each policy in its own economic-political field. Perhaps it is good to note that the interdependences due to the momentum of globalization increase in the width and depth: in the width because the number of geographic areas increases, as well as the number of sectors which are becoming more firmly connected, and in depth because those relations, thanks to technology, are becoming more powerful and more effectively accomplished.

## **9. Technologically conditioned structural changes as a factor of the decline in manageability and expansion of constraints on economic policy**

In addition to technologically conditioned enhancement of interconnectivity of management operations, the development of technology identifies the change of various economic constitutions and structures too - especially the capital market, and to some extent the labor market - which inevitably and indeed strongly increases the interdependence of individual economies, and thus the relative representation of exogenous dynamic impulses, including the controlling ones originating from abroad, at the expense of control range of operation of the domestic economic and political operations and directing potential of the corresponding institutionally formalized instrumentarium. In parallel with this change in the balance of driving and controlling impulses, there is certainly an increase, and

will continue to be along irreversibly established trend, in the number of range of management restrictions which are imposed on a given economy and its economic policy outside economic and business system as institutional order.

We should recall, inter alia, the brain drain. Domestic economic policies will not be able for a long time as hard as ever to push equalization in the formation of incomes, so called compression of income as mentioned in recent times. There are many reasons why people educated at the top foreign universities returned regularly and with no exceptions to Serbia at the turn of the century, but there is one particularly important among them and that is the fact that a highly educated person had a salary *above the general social average*, and that the income ranges depending on the qualifications were disproportionately higher than it is the case today. It seems that such reckless egalitarian policy cannot have a long-term perspective; price of equalization is too high and when it becomes unbearable, there will be inevitable reversal.

There are much stronger effects - and to a much greater extent they are imposed as control restrictions - of the growing international mobility of capital. What was previously a long, complicated and expensive procedure with significant risks of not being successfully completed, today it is done by clicking on the computer keyboard. Never before has capital been as mobile on international routes as it is today. This means that one of the most powerful preoccupations of the economic policy is becoming an influence on capital flows. This influence is strongly emphasized on two grounds: the control activities should produce the maximum incentives for attracting capital flows generated abroad, and on the other hand they must devote maximum attention to efforts to keep the domestic capital exposed to the temptations of attraction of foreign environments, somehow on its own territory. It almost means that the current economic policy has to adapt to the dictate of capital instead of setting ultimately against it and limit it, as it was the case until recently in the long economic history of the world. Pressed by necessity to uphold equity and to maintain it on its territory with the continuous improvement of environment, the economic policy loses its effectiveness once again on two grounds. First, the threat of capital going to the favorable climate generally weakens its effectiveness; and, secondly, possibility for *concrete organizations* to leave, together with the capital that was invested in them imposes on economic policy a series of equally *concrete* constraints that are detailed enough to descend to the level of the individual, clearly identified companies.

Some visual impact has the growing tendency of creation of a densely woven network of international bilateral and multilateral agreements that by the logic of multilateral compliant consent given in advance limits the economic policy in many operations it previously operated freely. These agreements, as well as other forms of coordination of national public policies, act almost in width and depth:

in width by including in various forms and ways a growing number of countries, economic and other activities within and subjects that act as autonomous factors at the micro level, and in depth by increasing the intensity of these connections and making their rich composition more diverse. The network of these various arrangements is expanding rapidly and could be interpreted as a clearly visible aspect of the development of the world economy as a whole. These arrangements are far from being symmetrical; they are not such even in terms of power of partners included, or to the extent where some of them affect the nature and conditions of the arrangement. They can therefore be interpreted as formalized restrictions on economic policy whose space for the operation is being reduced on this basis too.

New time has brought a phenomenon that was previously hardly conceivable. There is a competition between individual countries, and it is precisely in the area of economic policy. In attracting capital, and in providing conditions for more comfortable operation, the countries are trying to compete to attract as much capital as possible. Wherever it appears, the competition narrows space for maneuver of those involved. The same happens to economic policy: faced with competition from the outside, it is faced with a visible reduction in the number of options at its disposal. Although competition disciplines national economic policies in a way, it could not be said to be unconditionally useful and in the affirmative sense always effective.

Without going into details, the formulation and implementation of economic policy is not an area that, by its structure and functional properties, could be improved with competition. In this area all the standard functional deficiencies were identified and in the first half of the last century they were established as market defects, manifested to a far greater extent. In this part, the limited number of subjects is particularly important, their unequal power, strong impact between many of them and with the largest it is the establishment of a sort of monopoly situation with a large number of dominated followers; there is, finally, the absence of sound institutional basis for that “market” in the form of clearly defined and systematically protected property rights and contractual relations.

In recent years subsidizing FDI has become very popular, and this is “explained” by referencing to a similar practice in more or less all the surrounding countries. There are general theoretical bases for criticism of this practice, the criticism that fundamentally calls into question all that practice and competition, by proving that it is a single deformed “market” with the wrong (non-owner) basis. Competition compels countries to unrestrained concessions to foreign investors, who would, if it was a well-designed project, have an interest to invest without subsidies. And vice versa, if they were attracted by subsidies and did not

otherwise invest in these projects, the chances were that those would be unprofitable business ventures.

## **10. Restrictions on economic and other public policies based on threats to man's natural environment**

One should not omit even relatively new but general, truly comprehensive factor of the general reduction in the scope of economic and development policy, which undoubtedly affects all countries - large and small, dominant and dominated, hegemon and subordinate associates - and that is the pollution of the atmosphere, and many other forms of environmental degradation that could impose themselves as a severe constraint to the whole world and all economic activities. Number of ways in which the environment is degraded and contaminated is very large and it increases in time, but they all have one fundamental characteristic and a global aspect which restrict economic activities and make them more expensive and less efficient. Natural conditions under which economic activities are carried out, "belong to" the whole mankind, and they are far from being defined in terms of clear property relations. Despite international efforts and repeated actions to limit pollution and preserve the natural habitat where humanity resides and works, the fact is that these valuable natural resources of the country are used by the economic operators in an unlimited and uncontrolled way, with no institutional mechanisms to regulate this usage and in particular, to limit it to the extent which will not endanger the future of *mankind*.

For example, the atmosphere and the wide expanse of ocean "belong" to the same extent to the countries *A* and *B*, and the country *B* may with its industry and traffic pollute the atmosphere or deplete fisheries resources on the wide seas more than the country *A*. The global institutional order has no mechanisms to ensure that the country *B* compensates the damage the country *A* nor the mechanisms that would make the country *B* save these valuable collective resources. If the mess in "possession" and the use of resources last a little longer, Saks warns (2014, *passim* especially p.32-91, 69-81 and 478-84), that the very survival of *mankind* with all creations of civilization accumulated in its long history could be endangered. From the enormous pressure, unprecedented in the overall history - for the mankind to survive - powerful constraints on the economic policies of all countries will arise, but there is no doubt that smaller countries will be exposed to greater risks than the large and powerful, and in particular greater than the risks of the hegemon.

Surprisingly, there is a large number of dimensions in which current economic activities and their development trajectories affect the environment and generalized resources whose property rights are not defined - and cannot be over

many - and which are subject to the disorganized, uncoordinated and uncontrolled, for now uncontrollable exploitation of all countries. The essence of the problem is the fact that various countries to a very different extent exploit these resources, which are mutual only because their usage has not been legally formalized. Some of these resources are used intensely and ruthlessly, which affects all. In the current development developed countries have much more benefited from them, and thus far more exploited them, and today the underdeveloped ones, acting with natural aspirations to make up their developmental delay as quickly as possible, cannot do that without engaging as big polluters and as entities that exploit other unregulated resources. It is a source of great international tensions and a potential cause of the devastating inter-state conflicts. These tensions are today imposed on the economic policies of countries as direct constraints and as sources and generators of many, sometimes multiply mediated additional restrictions.

The number of fronts where the natural environment is degraded, terminologically specified here as dimensions of the impact of economic activity on the human environment, in a really dramatic tones is mentioned in the latest, already quoted book by J. Sachs (2014, p. 38-9, 173-201). Although it says, in overtones that become recognizably apocalyptic, that all numerous warnings of planetary hazards of more intense distortion of man's natural habitat are deprived of any real basis and that they represent one's artificially forced and from objective truth drastically removed *myth*, inspired by real motives of obtaining such abundant funds for supporting research, it must be noted that his analysis seems truly disturbing. Referring to the extensive literature, to the extent that it is largely treated as a separate new discipline, Sachs informs on nine fronts where serious damage to the environment is accumulated. These are (1) air pollution with aerosols which has not been quantified yet with the required precision, (2) chemical pollution (also not quantified yet), (3) climate change, (4) acidification, i.e. increasing the acidity of the oceans, (5) reduction of ozone in the stratosphere, (6a) the nitrogen cycle, (6b) phosphorus cycle (whereby 6a and 6b relate to the saturation of solid soil with nitrogen and phosphorous compounds that increasingly limit the fertility of land and have devastating influence on the quantity and the quality of agricultural production), (7) depletion of fresh water, (8) repurposing the land use, particularly accelerated deforestation with severe damage to the environment on the broadest, global scale and, finally, (9) the accelerated loss of biodiversity with disappearance of a large number of plants and animal species. The attention should be drawn to the insufficiently predictable but followed by a number of deteriorations the synergy of these multiple damages. Thus, e.g., air pollution with aerosols interacts with climate change and the re-appropriation of land use, nitrogen and phosphorus cycles with other forms of chemical pollution, and ocean acidification with a sharp decline in biodiversity.

Recognizing that these are serious threats to man's natural environment, but also to the habitat of other living beings, it is obvious that it indicates the need for a set of large, interconnected and time-uninterruptable, continuous actions that should fit into a coherent policy on the world level. And for that, as well as for any other policy the right institutional infrastructure is necessary with the right economic and system machinery. However, it is still in its initial, quite rudimentary form of development, drastically lagging behind the real changes that have loomed largely as a threat to the world economy.

This is another, this time perhaps the most striking, example of unequal alarming pace of development of certain areas of social life on a planetary scale. The technology has been taking huge steps, imposing itself as a striking phenomenon over the past nearly three centuries of more recent history, and institutional infrastructure as abstractly defined and understood in the broadest sense the organization of society, lags disturbingly and greatly behind this impressive expansion. Since they always catch the attention in many areas of human activity, the novelties generated in the technological and operational development of organization, are not accompanied by training of the society to effectively manage those novelties. One only needs to recall the tumultuous expansion in the creation of new instruments in the capital markets and that monetary and financial theory has not reached the point in its development where mechanisms resulting from the creation of new instruments at least could be *understood and interpreted*, not to speak of expedient and rational enough *management*.

Restrictions on economic policy arising from environmental threats to humanity and the relative slowness in developing management mechanisms are easy to detect and as if they can define and characterize themselves. The first large group of constraints derives from the general underdevelopment, that is, the delays in development, institutional constitutions which could be managed by the new creations in technology and operationally understood organization. This restriction on the development of the necessary institutional machinery is derived from the two other, deeper and more difficult to surmount constraints, and it is a deficit in available knowledge and antagonism of interests with still unknown mechanisms of its possible adjustment. This is a broad front of so far almost insurmountable difficulties where both large and small countries, hegemon and those dominated have been severely pressed, but there are compelling reasons for the expectation that under these adverse circumstances small players will suffer more than greater players on the world political stage. Another broad group of constraints arises from the increasing pressure of environmental threats that is powerful enough to cause serious efforts to limit such threats or at least to alleviate them, but these efforts necessarily involve far-reaching harmonization of national public policies and their constraints.

If the world is increasingly technologically connected, there is a clear need for strong relations in the management structures too and public policies governed by and through them. Adjustments will have to be so radical and far-reaching that they will inevitably be accompanied by insufficiently predictable turbulences and, because of them, in forms that will largely follow and reflect them, by the corresponding tensions and conflicts. It is well-known that in the potential and actual conflicts, small countries pay more than large countries.

### **11. Contradictions of globalization and difficulties of harmonizing differentially affected, that is favored interests**

It is well known that large changes are polyvalent, complicated, unpredictable and, of course, unmanageable. Polanyi (2003, especially p. 95-6 and 270-1) devoted many pages of his famous book to turmoil brought by major changes, but also a kind of cognitive limitations and misconceptions concerning their causes and consequences. As one of the biggest changes, and such that engulfed virtually the entire planet, globalization is unique in multitude of its consequences and particularly distinctive after the multitude of its aspects. It is understandable that with so many consequences and reflections in so many aspects globalization has to be contradictory.

It should be obvious and again understandable, that globalization gives a huge mass of *net* positive effects at the level of the world as a whole. There was a massive reorganization of resources; a huge mass of resources was diverted to the superior alternatives, and the opportunities for a much improved evaluation of resources were created through a global and far-reaching restructuring of world trade flows even in the constellations where the necessary institutional conditions were not provided for the mobility of resources.

It is natural and expected that, in parallel with the adoption of the huge benefits for the world as a whole, globalization brought to some areas and some sectors painful and expensive adaptations or even apparently large losses. That is why there is a heavy problem of an objective assessment of valorization in the situation characteristic for a multitude of different and often opposing effects, both positive and, locally and sporadically, negative. It requires good analytical soundness and calm, mature reasoning to bring an objective and prudent judgment with a multitude of such different and contradictory consequences of globalization. It is certainly inappropriately unjustified to lament over the growing inequalities in developed countries without in-depth examination of the institutional causes of such emphasized income differentiation. Focusing on the consequences without plunging into the causes has never been a good research strategy. What if at the

level of the cause nothing can be found and argued reasonably, but in the field of results there is quite a lot of what is for some or even for many controversial?

In any case, selective and one-sided lamentation over thirty years of stagnation of operating income in the United States, with a noticeable increase in inequality, must be qualified as inappropriate if it is shaped with the prediction of much bigger *positive* fact that nearly forty-year turbulent development of China brought to several billion world mass far above the average growth rate of individual and totally calculated income, and thus brought the *decline* in imbalances in the spectacular scale on a planetary scale. This, of course, does not mean that it is advisable to ignore the significant political and social tensions in developing countries (in a recent interview M. Panić impressively explained that Trump was voted by *angry* people in the US; it may be added that they are *unjustifiably angry* because of far-reaching and irreversible consequences of objectively conditioned flows of globalization, whose natural component is the quest of entrepreneurs for large reserves of cheaper labor, and that they equally unjustified accuse the ruling *establishment* of what had to happen in those circumstances, due to the strict conditionality and obvious unmanageability).

Turning to the topic of this text, internal social tensions and violent political convulsions will impose on the US foreign policy, both economic and other public policies, radical restrictions, and the restrictions on the policy of this power acting as a hegemon will produce strong effects on a wide group of other countries, imposing itself on the public policies of these countries as almost equally severe restrictions. From these highly probable further breakdowns in public policies, which are essentially based on the pressure of the labor world in the United States to get protection from foreign competition, nothing good can be expected (Bagvati 2008, p. 263). We can expect the protectionist measurements and partial canceling of painfully obtained liberalization of foreign economic flows.

This is likely to lead to a well-known deformation so many times recorded at the level of individual countries and on the world scale: some large social groups, possibly internationally defined, will be protected and economically assisted with globally and dramatically demonstrated damages which by their volume far exceed the gains of those groups obtained in harsh political confrontations. It could be one of the typical scenarios in which minorities are able to fight for their financial interests with a lot of damage and irreparable losses caused to majorities. The world is far from perfect configurations that are presented in the theoretical models: Bagvati (2008, p. 267-8) cites examples of vulgar political arithmetic which at the international level overcomes the rational and attractive economic calculation for the entire international economic system, and manages to mobilize even perversely customized (quasi) scientific theories in defense of particular interests.

## **12. Institutionalization of international relations and conditioned flows**

To have an international commodity, financial and, in particular, capital flows, avoiding major turmoil, some kind of order is needed. Ranking is the state of relations that allows at least some minimum of harmonization of flows and policies, their regularity and thus the legality at the level of major international systems that precisely provides information signals and control instruments at least for the minimum necessary for guidance and, again, at least to some extent, provides predictability of economic trends in their supporting tendencies. Without certain elements of the order the world could not function even with that modest measure of organization which it works with in the current constellations of notoriously burdened numerous imperfections and structural discrepancies. Ranking is built and developed with systemic effects of everything that is happening in the field of most widely understood international economic and then political relations.

This is the point where we must define two separate concepts necessary to consider the order. The terms are systematism and system creation. Systematism refers to the elements of the order, spontaneously and unexpectedly emerged as a result and the outcome of business transactions which could be performed neither on domestic nor on international plan if there were no mechanisms for their mutual adjustment. Searching for modalities of more effective use of resources, economic entities search for ways of linking their transactions with the transactions of others, which is the way, with any deviations and unexpected twists, to the necessary extent - necessary for the economic activity to be continuously performed - the relations between supply and demand are regulated.

Each group of transactions includes elements of systematism, but it is obvious that the big players contribute more to the establishment of systematism. Systematism is, therefore, spontaneous or collateral result of transactions both at the domestic and international level, but these latter are, on the whole and in terms of individual elements of these heterogeneous groups, larger and more far-reaching. They also face greater challenges in establishing the components of the order in a far more extensive and complex economic systems. The effects are much stronger in terms of systematism when it comes to larger players and more extensive transactions they perform regularly. Elements of systematism occur as direct consequences of these large transactions, but also because they all require adequate preparations where information collected during these preparations serve as the basis for the adjustments that inherently occur as elements of necessary order. Many entities of smaller and more modest scope adapt to big decisions of major economic entities, and these adjustments are interwoven

into the order that takes on the properties of the system on a higher stage. The system can be defined as a plurality of conformations that generate information necessary for the harmonization of decisions and allow the activation of motivational structures needed to launch and sustain the adjustments through which that coordination of decision takes place. The end result of this information and motivational feature of the system is, even if it is not perfect and only partially established, the *order* predictably seen as a proper arrangement of fitting parts in wider entities which operate based on previously perceptive legality.

Systematic arrangement of any configuration of economic flows is not a binary characteristic, i.e. it is not a property which can be said to be either represented or absent in only two logically possible variants. On the contrary, it is a feature which, at the abstract level, as well as at the level of lively economic reality, varies over a wide range, which owns and is logically defined through *defining the feature of continuity*: the observed constellation can be found on this wide scale in an infinite number of positions. For the purpose of accuracy it should be specified - resorting to a well-known mathematical concept - there are many of these positions in the continuum. Systematic arrangement may, therefore, be understood as a *continuous variable*, which in a given interval can take as many positions as there are real numbers in one interval of the coordinate system.

Systematism of economic decision-making processes produces, therefore, an initial, generally rudimentary order out of which new needs for further and more complete institutional construction arise. In other words, there is a need for formalized and official institutions. It turns out that without such institutions, many adjustments in terms of coordination are not carried out, many tendencies of future developments cannot be anticipated reliably enough, but many potential and actual conflicts remain without mechanisms for constructive dismissal. This is the level at which state actions are activated in the field of a number of public policies, the actions directed at *more permanent* regulation of economic relations and inspired by the desire to build the stable, discernible and versatile mechanisms to create a sort of hard core of the institutional order, sufficiently comprehensive and robust to include numerous entities of economic developments in a longer perspective, and also to provide opportunities and interest to fit into their broad frames because of better coordination of decision-making and possible directing of economic processes.

This is the point at which spontaneously arisen systematism turns into system creation, i.e. in a very wide group of measures and actions that public authorities take toward building and developing a systematic institutional order. It is a planned development of order both at the national and international level, where the latter is more hazardous and less predictable because of the notorious and often stated circumstances that at the international level there has not

been (yet) structured *world state*. System creation is such a broad set of activities that it is certainly immense, and especially unpredictable in its successive stages. Although there are many activities through which the system is developed and structured, they are still specific to a far-reaching important way. It has a multitude of *organized* activities, which, due to theoretically understood attribute of *publicity*, in general, cannot be spontaneously performed through the operation of free, institutionally unlimited *market* or *alternative* and *spontaneous* mechanisms. Institutions necessary for modern, including any, market economy are formed in a spontaneous and organized way, and the entity engaged in this organized segment of the establishment and development of institutions must, of course, be a state. At the international level it is the country again, but this time, a *plurality of states* that with coordinated actions build and develop coordination structures with the aim of at least partial and approximate harmonization of national public policies.

The standard recommendation to entrust the construction of the institutional order to highly organized state and its institutions misses the point and relevance despite the obvious fact that this order has the attribute of the publicity in terms of fiscal theory (non-excludability and uncompetitiveness). Recommendation in its original form remains inapplicable with respect to the institutions at the global level intended to regulate relations between entities belonging to different countries, and to create the necessary order in the interaction between the countries. World state does not exist, and a cluster of international organizations under the auspices of the United Nations or indirectly related to them, is only in a rudimentary stage of development and it is far from the world government. This means that the development of institutions that should govern international economic relations is significantly different from building institutions at the national level and for the purpose of regulating the internal economic flows. International institutions are not developed to the extent to which domestic institutions are developed, and the process of their construction is more galling, long lasting, harder to predict and burdened by major hazards.

The construction of the international institutional order by its nature involves more entities-countries, and there is always open, permanent question of the scope and participation of individual countries in building order which by the logic of its purpose should oblige and harmonize in numerous activities *all* participants in the international interactions. There is a variety of options here, as well as domestically, in the structuring and developing the institutional order in many stages and at many points, but one can hardly find solutions to which there is no discernible alternative. Different variations of particular solutions within this large order are attractive in a different way to some entities, and this differentiation of interests formed in relation to individual variants has to produce

tensions between the participants in this complicated and hazardous job, even those which give rise to latent and open conflicts.

Rich, for decades and centuries accumulated, international experience shows that the share of individual subjects in building the order which will direct and synchronize *both their decisions and actions* is prominently varied and strikingly uneven. *Power* emerges as the key word in this context, and there is a large number of entities, whose multilateral regulatory systems, including coordination of decisions of a large number of countries, were *built by others*. These *others* are easy to identify: they are the countries that entered the processes of economic development before others and they are in the group of economically most developed countries. These are at the same time the countries that are in a dimension of power superior to others and that could not have failed to build institutions in the sphere of international regulatory system according to their needs and inspirations. Without any risk it can be *a priori* postulated that the international order in all its empirically known variants suited better some countries more than others and that it even was systematically better adapted to more developed and more powerful than to those that entered the development race late or lost significant intervals of historical time in Proust's way.

However, it can be said in a sense that those who contributed more and were more involved in its construction, have the right to more benefits from the existing regulatory order, but it is obvious that this laconic statement does not eliminate misunderstandings nor tensions. As with individuals who as individual members of a community have their own idiosyncratic ideas about justice, in the group of states there appear different views on how individual elements of the international order should look like and how they should be reformed in order to eliminate "injustice". As in the construction of the domestic order, here too, due to the conflicting interests appear serious, by the implications far-reaching political problems, and appropriate restrictions are a big reason for the large - in some constellations a word *drastic* will not be excessive - discrepancies of the actual order in relation to a number of normative conceptions about what kind it should be in order to be fairer and more efficient.

### **13. Scope of actions in system creation and associated constrains and obstacles**

In all human endeavors the order is a factor of the coherence of a number of actions, functional framework for their coordination and a valuable potential for increasing efficiency. Just as globalization, accompanied by the liberalization of economic processes and corresponding flows, at the level of large units, it undoubtedly brings valuable individual effects and raises the whole (world!) system

predictably to a higher level of efficiency. However, this is only one aspect of establishing the order, which is inherent, and of systematism and system creation as defined in the previous section. On the other hand, there is a completely different aspect of the distribution of these positive effects on the individual entities in the given system.

Regardless of the positive overall balance with no exceptions - positive at least in the long run – there are always groups of entities to which this general improvement does not bring proportionate benefits, and even those that are in a position of direct losers. Among subjects that find themselves in the position of a loser, or just in a position of disproportionate, below-average winner, too often there are those that have sufficient political power to block changes aimed at raising the *overall* desirable effects in the process of institutional adaptation. Just as in analogous constellations there are groups that are sufficiently powerful to impose specific patterns of economic and system development that brings considerable effects only to them, for which reason they are clearly situated at the side of recognizable particular interests, but these selectively produced benefits are achieved at the cost of much greater losses at the level of relevant unit. These are the proverbial political constraints on economic and system changes that are easy to show they are desirable and welcomed, according to purely economic criteria.

And this is the context in which small, and thus insufficiently powerful countries often find themselves in the position of a loser or an entity which participates in the general improvements less than proportionally. It is easy to discern the options that are available to them. Since they do not have the power necessary to reverse these adverse trends to institution-building, the only thing left for them is to accept them as exogenously given changes and adapt in an optimal way. Attempts of the small and insufficiently powerful countries to resist the main changes backed by powerful interests - cannot be fruitful in any better variant, but in a worse they are subject to retaliatory actions of more powerful entities, while the consequences of such typical retaliations assume all substantial features of punishments for “unconstructive” behavior.

The imperatives of rational behavior will direct the small to minimize damage if there is no maximization of some positive results, but this is better than the criminal attacks that the large can cause to the small in many situations. The small and helpless, deprived of this important choice - typically are suppressed in a position to choose between unfavorable options. It is good not to forget that even in this position there are choices, that rational strategy is a better variant than the other, i.e. optimal, and that pragmatic adjustment gives uneven favorable outcomes of confrontations and conflicts with more powerful entities, which crowd all *their* realistically diagnosed environment, compared to the small and weak operators on the international scene.

The liberalization of international economic relations is an important form of adaptation and development of institutional order in this area, the form in which underdeveloped and economically, and even politically insufficiently powerful countries often give resistance and increase the tension and friction in generally difficult and hazardous process of removing installed barriers by the state to international trade, especially to the movement of certain production factors. It is known that developing countries have greater number of better maintained protectionist measures and that, because of the actual or presumed impact of liberalization, they make more difficult to establish unified and equally applicable the modes of trade and other forms of economic cooperation. Poor countries, to the extent of their limited power, hinder, therefore, the liberalization of international economic relations. More powerful entities in these interactions, as the initiators of the release of economic trends, tolerate this inhibitory activity, primarily because developing countries are not abundant markets and because commodity flows in their trade are anyway mostly focused on exchanges between the developed (Bagvati 2008, p. 272). Therefore, they are not particularly affected by the high tariff protection in less developed countries.

For the same reason, developing countries were able for long to continue with their protectionist policy even in the increasingly intense activities of the international coordination of national economic policies, which can be viewed as a specific form of globalization as well as a relatively new variant of internationally oriented system creation. Thus, the lack of the ability of the small and insufficiently powerful to limit or block the policy of coordination of national policies, as well as the release of the most widely understood economic relations and the two generated flows, shows as ultimately desirable and noticeably productive in terms of increasing development effects. Like many other categories of economic operators, small countries are faced with a typical contradiction of short-term and long-term consequences of certain institutional changes. In addition, significant long-term benefits can be expected with the acceptance of the inevitable short-term sacrifices that can be interpreted as another name for generalized costs seen as everything countries must give up for the sake of significant long-term improvements.

This conflict of interest seen in different time dimensions is beyond doubt and produces effects both internally and internationally. The consequences are tangible and real in spite of the fact that the conflict itself is often based on misperceptions and more problematic interpretations of real economic interests. It is not only about the interests of individual countries but also about their associations established on various grounds and formally arranged in a series of strikingly different ways. The limited power of the undeveloped is shown as a kind of advantage, especially since the potentials of institutional changes are often not val-

ued realistically and that in the absence of high-quality expertise, much of what is favorable is qualified as unfavorable. Insufficiency of scientific knowledge and expertise here too appears as a nuisance, and the development of science in this field can provide greater benefit than it is in most commonly encountered contexts recognized and scientifically explained. That the world is an imperfect place is perhaps most clearly seen in situations where conflicts of interest arise due to misinterpretation of the expected changes and the inability to assess reasonably and realistically their real effects.

With all the misunderstandings caused by oversights and direct errors in the assessment of the possible effects of liberalization and strengthening of the order within developing countries, their inhibitory effect on the development of world institutions remains, as it has just been pointed out, because of their limited power, certainly limited itself. Much greater threat to the normative recommended institutional development occurs in developed countries and in those relevant for general system at the *national level*, and it is due to previously pointed differentiated impact of globalization and its institutions on individual powerful strata within developed societies. Moving companies to the countries with cheap and abundant labor force, then changes in the structure of foreign trade in terms of increasing the share in cheaper foreign imports at the expense of domestic production, produces strong pressures on the world of labor in developed countries, but also leads to political reactions that are likely to change the behavior of countries in the delicate business of developing institutions that should govern international economic cooperation. In the US, for example, there are strong protectionist tendencies, and newly elected President D. Trump announced sanctions for the companies that transfer their operations to the countries with (visible!) lower production costs. There are few political proclamations that are in a drastic conflict with economic theory such as this one.

This seems to suggest a fierce battle of the country with the business world and vigorous combating of the processes that have greatly increased the effectiveness of the economy globally: as if outsourcing and off-shoring will be drastically reduced, and somewhere the line will be literally broken, with great damage to the economy of the world as a whole, even to the economy of the countries where these restrictive measures will be undertaken. This would be an example of regression in economic policy and institutional building, the regression that would be initiated and maintained by the *developed countries* and that would strike hard the whole world in the long run, especially the underdeveloped countries. Less powerful countries often find themselves in the role of the collateral damage of great actions that are undertaken by the developed countries under different, often illegitimate pressures. Among most socially harmful consequences of often perverse directions of the activities of the country are certainly those that stem

from its instrumentalization in the service of particular commercial interest, when in the elementary static sense conditions for the efficient allocation of resources are tremendously being damaged and the system is drastically falling far below the level of its objective technological and resource opportunities.

The lack of a global institutional system that would have universal significance for all countries and all businesses is particularly strongly manifested through various forms of unfair competition: stricter standards in terms of environmental issues, more consistent respect for workers' rights, more persistent implementation of a number of standards in increasing and maintaining safety in work processes and beyond ... these are the areas where some countries unduly gain competitive advantage only because these standards are not respected and because these illegitimate paths ensure lower costs in production and distribution of their products. The introduction of a general system of norms and standards, as well as institutions with literally international extents of regulatory impacts, would improve the world as a whole, though, the resistance could be expected from the poorest countries because of the evident fact that the adjustment to standards requires commitment and resources, which less developed countries lack.

#### **14. The strategy of small countries in the institutional and structural adjustments through interactions with large countries**

Irremovable feature of geopolitical and economic reality is the existence of the large and powerful alongside the small and far less powerful state entities. The peculiarity of this reality is the constant and unpredictable dynamic change in power relations. There is no doubt that globalization cannot equally affect all countries and that its differentiated operation changes the power relations between the countries. These relations change with the change and possible improvement of the international institutional order in the sphere of economic relations, and different effects of certain countries on the directions and pace of change of that order within it result in the institutional changes which are far better reflected in some countries than in the other.

There is a predictable but potentially destructive conflict between the traditional national aspirations and beliefs incorporated into deep value orientations which have their powerful source in the historical memory and collective memories, and pragmatic imperatives to realize, in a complicated modern world, with unequal entities and changing relations in their power, always current practical goals whose realization is a condition for the economic prosperity and welfare of the people. The gap between what is axiologically sublime and national priority, on the one hand, and what is important pragmatically and efficient in actions in the daily realization of these high goals, on the other hand, is a source of

mass frustration and hardships. Although varying in time, this gap is a source of constant pressures on inflexible and poorly flexible system of values and secular national aspirations. The logic of pragmatism drives to the use of funds that for a large number of citizens do not seem to be compatible with large and often permanent, historical evolution of consecrated goals, and striving to do what the masses perceive as sublime and realized primarily with appropriate objectives of the agreed funds - usually leads to defeat and new, this time obviously different mass disappointment.

In the world of predominant power of major entities, whose vision of the future, especially of the institutional movements, is very different from what small countries want to achieve with regard to their long history of conditional value orientations and national aspirations, it is not easy to stay consistent with national priority and at the same time effective in its affirmation and permanent but consistent confirmation. For the small it is a great temptation with their large and sharply differentiated objectives to cling to their century long traditions and to find themselves in conflict with others who see their future differently. As particularly hazardous there appear variously shaped perspectives of living together and more or less concerted actions. Different and conflicting visions of the political and economic future and crossed interests in the set of institutional options that are naturally contained in these visions, have great potential for conflicts, but experience shows that often, and typically, they lead to more or less expressed actual conflicts.

In these conflicts small countries are handicapped in a predictable and obvious way because the prospects for the realization of national aspirations are shown as strikingly unsatisfactory. To make this realization lead to at least modest results, there is an unavoidable need for customizing to preferences and policies of the major players. In order to succeed in the realization of interests, one should closely monitor the interests of the large and even anticipate their evolution, understand these interests as limitations and carefully fit into them. Small countries by their size and their modest power inevitably and quite predictably face the situation that makes their adjustment to the (economic) political priorities of the big players difficult: the number of entities that are more powerful than them and whose interests should be considered as the potential restrictions is higher - at elementary arithmetic logic - than the appropriate number of larger and more powerful entities. Therefore, they have to count with a large number of constraints related to other participants in the geopolitical interactions, and above all the limits are more widely structured and restrictive. Identifying these constraints and successful positioning in relation to them impose themselves as a big cognitive problem and the task that requires a lot of refined expertise, and this is the element the small players strikingly lack.

An important part of this pragmatic adaptation is the identification of action areas where interests coincide with interests of the large or at least they are in tolerable harmony in relation to the interests of the powerful. Not all the interests are conflicting and a part of the economic-political and wider political maturity consists of finding and specially emphasizing, with the efforts to realize them to the highest degree, these, at least compatible if not completely, matched interests.

The imperative of successful national policy, adjusting its implementation to important international standards and relations, is difficult to pass on the internal political scene. The platform which at least for pragmatic reasons is moving away from what is national and is leaning on international factors hardly gets electoral support. It is difficult to get an affirmative interpretation in the later historical analysis too: it took Prince Paul long to get as complimentary treatment as he deserved. When the managerial elite turns to the national values and strictly local electoral preferences of voters in the election programs in order to achieve their political aspirations, it is very likely that there will be multiple conflicts with international environment of the country still dominated by strong players with their always different political preferences. There appear in international terms the hazards of major conflicts that in the recent, as well as in the old history, were so often realized. That is what exactly happened in our region where the small, with less power, engaged in conflicts with the more powerful than they are. The outcomes of such conflicts are also known: the small came out as defeated, they suffered powerful shocks and substantial losses in the conflict which they otherwise would not, and the final solution reached as the result of the conflict turned out to be significantly worse than it would be if the logic of inequality was respected and the conflict was avoided with farsighted strategy and skillful tactics.

Adjusting to more remarkable (economic) political priorities of dominant entities is the subject of, therefore, rational policy of small countries, which is implied. Neither these propositions, nor many others which in the first perception have an imperative character, have absolute applicability, and their indirect, less visible subtext should be noted. There are many actions and broadly understood policies of the small that do not cause punitive retributions of the stronger even though they do not fit fully into their strategic calculations or even directly get into a conflict with a number of their plans and related activities. The sanctions that would be introduced by the large as a form of punishing the small and as preventive elimination of future similar undesirable behavior obviously have their costs and they will certainly be avoided if they fail to pass successfully a kind of analysis of relations between benefits and costs. Sanctions that are expensive in relation to the assessment of benefit from behavior modification of the smaller participants in international interactions will be certainly avoided by the large.

There specific spaces are opened, a kind of cracks, through which the small can pull their distinctive policies with impunity even if the large do not like them.

The chances for such maneuvers are much more analytically and in-depth explained in the contemporary theory of conflicts that has grown into a separate scientific discipline (Shelling 1973) and whose insight into the non-frontal nature of the prevailing majority of conflicts - i.e. such configuration in which, in addition to directly conflicting elements occur those with the conflict which is far milder or even non-existent, and even those with the identification of agreement of interests – is one of the most important and cognitively most abundant findings (p. 4-5, 17 ). Great point in the thesis on the potential and actual relativism of conflicts is the message that for the promotion of self-interest the best areas of their matching or at least a certain conformity with the interests of the dominant entities on the international stage, and then finding that conflicts are not necessarily configuration with the character of zero-sum games, on the contrary, are very complex but possible situations in which two potentially conflicting parties may, with respect to their objective functions, realize significant gains.

Another opportunity to relativize the constraints arising from the interests and policies of big entities occurs in situations of tense confrontation of large dominant players (cold war!) when establishing certain precarious, never reliable enough nor sufficiently stable equilibrium in which the weights can easily outweigh to one or to the other side and in which small additional forces, those that can be produced by the entities of the small power, receive a relatively high value. However, to successfully perform such maneuvers - those that are accompanied by high costs of retribution and those taking place on the edge of a fragile balance between the major powers - a lot of knowledge, operational skills and luck are necessary. Small countries generally lack all these elements. For small countries the most dangerous combination is the one of major disturbances in relations, which the large believe are significant, and the relatively low costs of retaliatory intervention whose purpose is preserving the credibility of the previously issued threats. These threats are variants of operationalization of *zero tolerance of disruptive actions of small players* and, even more, enterprises directed at preventing similar “deviant behavior” in the future.

Small participants in international events can be perceived and estimated as challengers of unwanted disruptions in relations that govern trends in the broader world context. Significant deviations in behavior and policies of the less powerful participants in the global events are reduced to distinctive forms of disruptive behavior that could roughly be categorized into two groups. The first group includes behavior that directly infringes upon the interests of stronger entities in the international arena or, again, directly impedes the realization of actions that are important to them. The second group includes behavior again perceived as

deviant, which is in conflict with applicable international semi system, i.e. with partial order which evolutionarily grew or was constructively created with multiple and often repeated moves of a large number of entities, where again those more powerful contributed considerably more to the construction of the semi system. It goes without saying that this semi system is far from being completed, but on a broader scale, and even on a planetary scale, it provides a valuable coordinating organization with the beneficial effects of maintaining a certain order, the mutual predictability of actions and behaviors and on that basis the essential increase in efficiency in relation to the regime in which there would be no such coordination of actions.

Strikes on order and violation of the existing built semi systems are seen in the international community as serious offenses and as a rule provoke punitive reactions. This is not particularly surprising since the general benefits of the international semi systems are very good; they have the character of a public good, they possess an intriguing particularity that deviation from their formalized orders is very attractive as long as most of the other participants adhere to implied rules of the semi system (one should remember that it was very tempting to increase production and reduce the price in the international cartel of oil producers, where the deviant policy is also here attractive as long as all others keep to their mutual agreement!) and that such deviations have infectious potential: when they start avoiding rules, others will simply be forced to do the same. The importance of preserving and further developing semi systems in international relations, particularly those economic, stems from the fact that in the long run they bring significant positive effects to all entities on the world stage, including of course the small and the second-class subjects in terms of available power.

Permanent and almost unresolvable problem is that the small, often due to deficient expertise, fail to see their long-term benefits properly and fully, but the problem is also that discount rate at which future benefits seem commensurable with the current in small and developing countries is far greater and there is considerably less willingness and ability to hold to that future improvements. On the other hand, the large have a special motivation for the defence and preservation of semi systems because they undoubtedly contributed more to their development and because they treat them almost as a result of its specific investment during long periods in the past.

## **15. Conclusion: between the pledged mission and political pragmatics**

In the previous section we highlighted a fundamental characteristic of the traditionally engaged nation committed to major and fixed value commitments in the long-term, whose historical memory and collective memory show over-standard

stability and which are determined in their political behavior to a large extent by the peculiarity of their social consciousness. It is a kind of national *mission*, highly valued by the vast majority of the population and which is in the collective perception raised to the level of mythical consecrated sanctuary. Due to their durability and inflexibility, these determinations as a determinant of the mass behavior make this behavior conspicuously different from the behavior of other societies. It is difficult to reconcile with the patterns of behavior which are prevalent in today's world. Such value orientations cause actions and ventures that are more difficult to fit in the surrounding world and they are a potential source of conflict with sufficient number of entities on the international stage where specifics of national aspirations and related activities, are mostly expressed.

Traditional mass evaluations result in corresponding political behavior, and multi-party competition drives political organizations and their management to the formulation of such programs and managing such policies which are largely in line with that tradition turned to aspirations of the voting masses. There is very little chance of occurrence of such epochal political organizations and their leaderships - previously there were no - which will tackle the gigantic task of radical change of the people's attachment to the past and yet, like Atatürk, succeed in the conservative electorate to provide the necessary support. Deep roots in the strategic choices turned to the past and related to the tradition are insurmountable impediment for the urgent necessary process of modernization, and thus for crucial start, acceleration and maintaining long-awaited successful economic and social development.

The inspiration for the attribute *pledged* came from an important text by Latinka Perović (2015, *passim*, inter alia, on p. 192), where she talks about undisturbed stability of *pledged objectives*, which turned the policy of the Serbian states almost continuously to the aspirations of liberation and unification of the Serbian countries, which directed the national energy and resources to national apotheosis, fundamentally different and diametrically distant from the modernization of society and the definitive start of economic development, even though priorities were right there located and objectively given to undeveloped economy and society in the initial, quite rudimentary stage of development.

A small country should always bear in mind the modest parameters which measure its size and the corresponding limited power that is inherent to such country. Otherwise it faces harsh restrictions discussed in advance that are another name for the goals and aspirations of more powerful political players on the international stage, especially those that have a dominant position and role in world affairs. The result of obsessive attachment to traditionally consecrated national objectives is frequent clashes with neighbors and collides with the dominant entities. These conflicts and collisions deplete national energy and resources,

and the corresponding slowdown in growth and the lack of modernization result in less economic and political power in the long-term dynamic context, and thus ultimately to the lower degree of realization of *pledged objectives* that separate society from the real development priorities.

The struggle to achieve pledged objectives means the conflicts which bring irreparable losses and put society to the lowest position in the development scale, but even on this basis the *pledged objectives* of maximum *national* emancipation of the people are inhibitory and counterproductive. National objectives are particularly hazardous in conflicts with the dominant entities in world affairs, with the forces that impose huge losses, among other things in population, and often they end in less favorable outcomes than they otherwise would. National heroism is not an effective way of realization of national aspirations. It seems that there is still no proper analysis of benefits and costs of the aforementioned infamous March 27, 1941, and especially the analysis of the costs paid in hundreds of thousands of human lives. Should we exclude *a priori* the possibility that Prince Paul assessed better than others what was then a complex geopolitical situation and he *was right* and all alone against the masses who passionately waved at the Belgrade squares refusing to side with the powerful forces they were not able *then* to oppose effectively? Would the Second World War have ended differently if March 2 simply had not happened in Serbia? Could the war *ultimately* have ended worse for the Serbs than it actually had ended? What would a cost-benefit analysis of the heroic retreat over the Albanian ravines look like? Would the First World War have ended differently if the Serbs had not given so many lives in that withdrawal, including the inimitable poet Vladislav Petković Dis?

The continuity in the tradition of heroism of the Serbian people is interesting. It was manifested through two world wars, the wars that preceded them and the serious conflicts that arose in the process of transition to a parliamentary democracy during the tragic breakup of Yugoslavia. Among the nations that were hit by the transition the Serbs showed the greatest resistance to the main flows of institutional transformation that was supposed to take us to capitalism. Predictably, this resulted in resistance to the new centers of domination that were brought, or better to say reallocated by a new time. Without going into details about the reasons for this resistance, which certainly had its objective determinants, the fact is that all countries around us, including - as sometimes claimed - traditionally heroic Montenegro, adjusted better to transitional flows, because it seemed that they showed a higher degree of obedience, and more refined analyses would show that they fitted better into the objectively given limitations they could not mitigate, nor eliminate. It seems that substantially they were not in the worse position than Serbia. On the contrary.

Are there going to be in due course any serious calculations about how Serbia and the Serbian people outside Serbia fit into the contemporary, including all those from earlier times, geopolitical constraints? Has heroism ever been worth and is it today? Does heroism in general contribute to, or subtract, the realization of pledged objectives ultimately inspired by? Poet Lj. Simović (2016) posed in his poetic way several dramatically intoned but indeed essential questions regarding our historical tendency to engage in attempts to realize grandiose national objectives (*pledged objectives* by L. Perović), and in a discreet way he came up with the question asking what we achieved in that fight and even how much *such* struggle contributed to the realization of these objectives. The poet asked crude but beneficially sobering questions.

This occasion again raises questions of the original paths in the development of socio-economic system and falling into the constellations in which we systematically and significantly differ from our surroundings. The system of socialist self-management was for our environment always such a slightly bizarre episode in our development. The originality in the creation of the institutional system bumps into two categories of always current and in fact binding constraints, which if being ignored causes significant cost: those that stem from the interests of powerful entities and those particularly important that are built into the mechanisms and structures of even rudimentary institutional order in the sphere of international economic and political relations. This second class of restrictions is the result of *systematism* of operations which in their current operations, and as a byproduct of current policies, are generated by the entities on the world stage, in a way the larger the players the greater the extent. Constraints of this class also stem from *system creation* of policies of certain entities interested in building necessary coordinating structures within the limits of the possible with conscious, planned efforts in the field of institutional engineering. What they create with sensible spending of creative efforts, time and resources they are ready, of course, to defend vigorously and no one should be surprised at punitive retaliatory reactions to those who, conditionally speaking, behave in antisystemic way.

These are the reasons why small countries should not forget at any moment that they are really small, and that the corresponding parameters of their modest size condition their equally modest power too. The realization of national goals, no matter how *pledged* and sublime they are, can be more or less successful only if the country equally successfully fits into its international environment and is well-oriented with respect to the objectives and the accompanying power of entities with whom it is in the inevitable interaction. To be successful, the small must adapt to the large. The very success in achieving national targets essentially depends and will depend on the manner and the extent of fitting into the plans and aspirations of the world powers. In the area of national aspirations, nothing

worthwhile can be achieved by the one who is stranded on the cliffs of conflicting needs and strategic preferences of those who as the powerful planetary potentates largely tailor and predetermine the fate of the world.

For good effects in the realization of its aspirations it is important, among other things, to choose the “right side”, i.e. assess the relative achievements of the most important players on the world stage and embrace the ones with whom they can reach their goals. Heroic victims given in the episodes of large upswing taken only for the purpose of glorious promotion of their nation and the state may have a particular aesthetic and ethical value, but they never generate irrelevant pragmatic value. Those who heroically fall for national ideals, if it is only for that reason, contribute nothing with these ideals. It is particularly important that national policy is not irreversibly seized by the obsession of dignity, because if it diverts efforts and activities away from the orientation of the current configuration of power or against them, the battle for the realization of national mission is inevitably lost. With this decisive battle the dignity is lost too, this enduring inspiration for great social endeavor. In the modern world, just like in any other relations and circumstances, almost nobody appreciates and respects the loser.

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This is the point when it is appropriate to conclude these considerations of rational ways of realization of major general social interest, including the achievement of possible *pledged* national objectives. In terms of methodology, the idea was to run this analysis in the sense of the so-called economic-imperialism. This “imperialism” consists of applying theoretical reasoning developed for the needs of the economics, and then the associated, appropriate and inherent analytical methods in the areas outside economics and sometimes distant from it. These elementary, at the same time fundamental, economic categories - preferences, alternatives and constraints - were applied to the permanent search for expedient paths of reaching major general social goals, including those that normally qualify as *national*. It is always about a critical attitude towards the current reality for which some new *alternatives* are always invented in the search for improvements and program projections, and these alternative options are perceived and qualified as superior from the standpoint of current *preferences*, and in finding ways and means of realization of desirable alternatives there are inevitable and utterly diverse *constraints*. A world without constraints would be a kind of paradise, everything would be available there, but confrontation with the constraints is one of the reliable signs of sober and realistic thinking about a better future.

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