ELIT
Economic Laboratory Transition
Research Podgorica

Montenegrin Journal of Economics

Tomas, R. (2020), "The Limits of Neoliberal Globalization",
Montenegrin Journal of Economics, Vol. 16, No. 4, pp. 157-170.

The Limits of Neoliberal Globalization

RAJKO TOMAS[1]

[1] Professor, Faculty of Economics, University of Banja Luka and Member of the Academy of Sciences and Arts of the Republic of Srpska, Bosnia and Herzegovina, e-mail: rajko.tomas@ef.unibl.org

ARTICLE INFO

Received February 15, 2020
Revised from March 19, 2020
Accepted May 23, 2020
Available online September 15, 2020

JEL classification:

A10, D42, F60, F61, F62, F63

DOI: 10.14254/1800-5845/2020.16-4.13

Keywords:

Globalization,
neoliberalism,
wealth distribution inequality,
gap between the rich and the poor,
resistance to globalization.

ABSTRACT

This paper explores the theoretical determinants of modern globalization and the limitations it poses as a natural reaction to its consequences. The author assumes that planet Earth is a natural global system, and that, owing to the contrast of interests in resource scarce conditions, humans have established a social global order with significantly different rules of functioning than the natural global order. Modern globalization is based on the ideology of neoliberalism. Globalization on this foundation has led to an increase in the World's wealth, but also to an increase in the inequality of its distribution and to the widening of the gap between the rich and the poor. The author sees the causes of globalization's bad consequences in the redistribution of accumulated wealth on the basis of economic power and in the unwillingness and inability of the state to limit it. A series of contradictions that globalization is burdened with, causes several forms of resistance to globalization, which set its boundaries. These resistances arise due to: non-harmonized motivations of the participants in globalization; the price convergence of factors of production, different economic powers of market participants, differences in the market size, widening inequality of wealth distribution, widening gap between the rich and the poor, negative selection, moral hazard and captured resources. Neoliberal globalization has reached a stage in which it autonomously creates the limits of its own expansion and abolishes its own principles.

INTRODUCTION

People make judgments about globalization and its tendencies in the world, based primarily on the relationships they have created and control. In doing so, one is losing out of the sight the fact that the planet Earth is, in essence, a natural global system, and that there is also a "global" natural order of relations on it. The global natural order on the planet Earth represents the unity of natural resources, the unity of relations and processes that take place between them, as well as the free, in no way limited, action of natural forces and the free movement of living beings in the natural environment in which they live (Radovic-Markovic and Tomas, 2019, p. 1). Humankind has appropriated the planet, all of its resources and all living beings on it and has given itself the right to govern it in its own interest. Living in a natural environment as one of the kinds, people became motivated to shape their lifestyle according to their norms. Due to the scarcity of natural resources on the planet Earth, from the aspect of human needs, but also because of the limited power and contrasted economic and political interests of human communities, humans have established a social global order (Ibid., p. 2). They created their own communities, established mechanisms for their functioning, determined the boundaries between them, determined the rules and measures for integrating and disintegrating the processes that take place in the organization of humanity. The principles on which people build the social global order differ substantially and rarely reconcile with the principles of the global natural order functioning. Humans establish the global world according to their own vision, motives and power, adhering to social laws, which are often opposed to natural laws, so that the global natural order is importantly different from the global social order. Due to the differences in economic, political and military strength, the impact of human communities on the creation of a global social order varies. At each stage of social development, the global social order is maintained as a balance of opposed interests and powers.

Within the global social order, a process of "globalization" is taking place, which leads to changes in world trade, economy, politics, demography, ecology, communications, technology, culture, democracy... These changes are changing the characteristics of the global social order, contributing to removing differences, reducing the contradictions, "softening" the borders, increasing all forms of communication and cooperation between different countries and communities. Therefore, humans abandoned the principles of the natural global order in order to build their communities according to their principles, as to establish a global social order. Within this order, they are developing a process that leads to a new globalization, a process that removes the constraints and barriers they have created in the not-so-distant past. Human motivation triggers both the process of "globalization" and the process of "deglobalization", thus changing the characteristics of the global social order. History records a number of events that have contributed to globalization, but also a series of events in the domain of deglobalization. The history of human society is not just the history of globalization. Globalization and deglobalization are subordinated to the interests of the people, that is, the interests of their dominant groups. Can the interests of people, expressed through social processes and institutions, lead to the convergence of the natural and social global order? Can globalization, in all its aspects, extend and strengthen the human freedom in the broadest sense of its meaning?

It is a fact that, because of their own motivation and the necessity of the conditions in which they live, humans have (a) established a social global order; (b) that relations in this order and its structure change in accordance with the interests and powers of the dominant social groups; and (c) that, regardless of all changes, the difference between the natural and social global order is maintained throughout the entire history of humankind. This confirms that the natural global order is not the ideal of the global order, for which the dominant human motivation strives. It also confirms that there are principles in human motivation that motivate people to create obstacles (constraints) to establishing equality between the natural and social global order.

1. OBJECTIVE LIMITS ON THE REACH OF NEOLIBERAL IDEOLOGY AND GLOBALIZATION

1.1 Ideological limitations of modern globalization

The goals of modern globalization, like the previous forms, are not aimed at eliminating contradictions in different forms of social life, nor is the general goal of human behavior and human motivation to narrow the gap between the social global order to the principles that govern the natural global order. Globalization is used as a way of fulfilling different interests and takes place in scale and intensity that supports the most the realization of the interests of entities that have a global impact. Accordingly, each stage of globalization represents a specific set of changes in the world that benefit the interests of the most powerful countries and companies. The current phase of globalization is under the severe influence of neoliberalism.

The ideas of neoliberalism emerged in the first half of the 20th century in the works of Mises (1929) and Hayek (1945, 2005), mainly as a critique of Roosevelt's New Deal and ideas about the development of the welfare state in Britain. They were almost forgotten until the serious crisis of Keynesian theory in the 1970s. As capital became more internationally mobile, the Bretton Woods monetary regime became unsustainable (Rodrik, 2011). The fact that Keynesianism plunged into a serious crisis in the 1970s was an occasion to examine Keynes's real contribution to economic theory and economic policy (Pilling, 2014, p. vii), but also to remind that Hayek's theory could have been an alternative to the new economic policy (Pilling, 2014, p. 8).

The economic crisis of the 1970s was a good occasion and a suitable setting to abandon the principles of Keynesianism and to implement the ideas of neoliberalism. Big capital needed market deregulation, trade liberalization, tax cuts, limitation of the role of unions in negotiating wages, reduction of the role of the state in the economy, privatization of the public sector and reduction of public spending. Because of these needs, neoliberalism has become since the late 1970s the dominant doctrine of economic development in the world, backed by big capital and significant international financial institutions such as the International Monetary Fund and the World Bank. From that time till the present, neoliberalism is the ideology of modern intense globalization (Monbiot, 2016). Neoliberalism involves the complex market organization of most social relations, in which competition is an objective measure of the distinction between success and failure, and individual motivation, decision-making and risk are the basis for achieving social goals.

By this logic, the market identifies all the relevant actors and outcomes of economic and social processes. It determines who is the buyer or seller, rich or poor, successful or unsuccessful, who makes money and who loses... In doing so, the interests of individuals drive the whole of society, because, acting in their own interest in the market, individuals act for the benefit of the whole society ("Smith's invisible hand"), contributing to the growth of the overall efficiency of the use of available resources. By restricting the role of the state, the scope for free choice in the market is expanded. Although Hayek inspired modern neoliberalism, it is not entirely based on his views. Hayek was of the opinion that the state should regulate the market in order to prevent the emergence of monopolies, to ensure the protection of working conditions and the natural environment (Hayek, 2005). A significant influence on the formation of neoliberalism in the 1970s, especially from the point of view of limiting the role of the state, was played by M. Friedman (2002), who believed that the role of the state in the economy should be stopped whenever possible.

The evaluations on the experience of applying the idea of neoliberalism over the past four decades have varied. On one hand, they have contributed greatly to the expansion of world trade, the transfer of technology and knowledge, and the more efficient delivery of public services (Ostry et al., 2016, p. 38). On the other hand, economic growth is much slower in the neoliberal era than in previous decades (Monbiot, 2016), inequality within and between countries is increasing, global inequality is much greater than national inequality (Vieira, 2012). Financial globalization has contributed more to instability than it has driven investment and growth (Rodrik, 2011). Based on an analysis of global trends, Frankel and Romer found that correlation analysis does not confirm the interdependence between trade and income (Frankel and Romer, 1999). The Gini coefficient increased in the OECD countries from 0.29 in mid-1980s to 0.316 at the end of the first decade of the 21st century. Of the 22 OECD countries, it has grown in as many as 17 countries, including the United States, the United Kingdom and the Scandinavian countries. At the same time, the incomes of the 10% of the poorest grew more slowly than the income of the 10% of the richest people in OECD countries (OECD, 2011).

The neoliberal principle of financial openness (capital account liberalization) has favored developing countries to increase investment without increasing domestic savings. However, opening up to foreign financial flows carries serious risks (Obstfeld, 1998, p. 10). Foreign direct investment, including technology and knowledge transfer, contributes to long-term growth (Dell'Ariccia at all., 2008, p. 3), while foreign portfolio investments and investments in banks, especially hot money and speculative cash inflows, do not encourage the growth nor they enable risk sharing with foreign trade partners (Ostry et al., 2016, p. 39).

Globalization on the principles of neoliberalism has confirmed that economic inequality between people and countries is increasing faster than economic growth. The relatively faster growth of inequality than economic growth warns that there are limits to such a concept of development. A number of authors interpret the emergence of the global crisis in 2008 as a hint of the breakdown of neoliberalism.

Crisis after the crisis is triggered by a failed ideology (Monbiot, 2016). According to Monbiot, all crises of the modern world, however isolated they may be, are catalyzed and deepened by the same coherent philosophy. Neoliberalism has become an ideology that presents itself as a neutral natural force, as a stream that has no alternative. The ideological dimension of neoliberalism is reflected in the acceptance of the consequences of competition as the just outcome of relations in society; impugning restriction of competition as a form of suppression of freedom and the spread of irrationality; reduction of taxes and expenditures for public needs; privatization of public services; limiting the scope of labor and collective bargaining between employers and trade unions as a form of eliminating disruptions to the functioning of the labor market; treating inequality as a reward for utility and a wealth generator that is concentrated in the interest of all. In a system with such ideological features, a legislative framework is in place to ensure the reproduction of established relationships. The rich are convinced that their wealth comes from their merits, while the poor blame themselves for their failures, and both believe that it is just (Ibid.).

Rodrik (2011, p. 14) argues that the basic problem of "hyper–globalization", as he calls the goal of neo-liberalism, is the weak governance of the global market. Namely, the competencies of governments are at the national level, while the market is global. In such circumstances, if you give great power to governments, you have protectionism and autarky, and if you give the market great freedom, you have an unstable world economy. The current phase of globalization is directly influenced by neoliberal ideology and the interests of powerful companies and countries. The modern social global order represents a balance of these interests within a market whose dimensions and way of functioning are based on neoliberal ideology. And a global market based on neoliberal ideology operates on the basis of conflicting interests of its participants. Therefore, there are a number of objective constraints on the spread of globalization, some of which are a direct consequence of the application of the principles of neoliberal ideology.

1.2 Differences in the motivation of carriers of globalization

Globalization and its history are often, unjustifiably, identified with the development of trade. Thus, Frank argues that forms of globalization have existed for three millennia BC. Obviously, Frank equated the traces of trade development with the first signs of globalization (Frank, 1998). Trade development is an important feature of globalization, but globalization cannot be identified with it. Produced goods surplus develops the motivation to trade. The ability of people to produce more goods than they need triggers the need for a market in which that surplus would be sold. The mere existence of world trade does not mean that we live in a global world. As long as there are people's motives to keep boundaries between their communities, retaining the right to self-regulate lifestyles in them, and set limits on the mobility of people, goods, money, ideas and political movements, the existence of trade between communities does not mean that they are in the global social order which according to the principles of functioning corresponds to the natural global order. The emergence of this form of globalization has determined the existence of surplus goods that need a new market. With the disappearance of surplus goods, the need for a global market would disappear.

This is the case in other areas of globalization – the expected benefits of globalization drive interest in its spread, especially in the era of the neoliberal concept of globalization. However, a global social order based on human freedom as implied by the natural global order could be spoken of only under the assumption of a homogeneous motivation of people across the planet Earth. Thus, globalization is determined by the degree of homogenization of the motivation of humans and their communities on planet Earth. However, all resources on Earth are limited and unevenly distributed, so the ideal of equality between the natural and social global order is difficult to achieve. We can only speak about the tendency of its establishment because with the development of technologies that contribute to the growth of labor productivity in the world, trade is expanding, transportation is being developed and methods of communication and exchange of information and ideas are being refined. Changes in the world confirm that there is a tendency to homogenize people's interests, which increases the degree of globalization of relations in the world. However, we can talk about the complete globalization of the world only when the world has changed so much that homogeneity of people's motivation in the world becomes a reality. The world created by such motivation will mark the end of tendencies towards globalization.

T. Friedman presented a very interesting look at the history of globalization. According to Friedman, there are three periods of globalization, by subject and carrier of globalization. In the first period (1492 to 1800), countries were the carriers of globalization, and the subject of globalization was natural resources. In the second period (1800 to 2000), the bearers of globalization of the commodity and labor market were companies. Holder of the third phase of globalization, which begins around 2000 and continues to this day, according to Friedman, is an individual and a small group of people, and the object of globalization is competition to reach the opportunities offered to the individual in the market (Friedman, 2005, p. 34).

Inspired by Hayek's claims that the most stable social institutions are shaped by spontaneous evolution rather than intellectual design and that people talk about society when they do not know exactly what they are talking about, Margaret Thatcher stated in 1986 that "... *there is no such thing as society*" (Brittan, 2013). With this famous statement, which can be considered as one of the pillars of Thatcherism, she emphasized that an individual must face all their problems, motives and goals, because there is no society beyond individuals and there are no rights of individuals without obligations. It is obvious that the acceptance of neoliberal doctrine has changed the role of the state in the economy and the relationship between the state and the individual as well as the state and the companies.

Speaking historically, it is true that the main drivers of the globalization process were states, companies and individuals, but their impact on the globalization process cannot be categorized into the time frames set by Friedman. Although Friedman relates the role of states in globalization to the period from the discovery of America to the end of the eighteenth century, the fact is that the First and Second World Wars show that in the first half of the 20th century, states had a great influence on the process of globalization and even a tendency to change the order which was established by the end of the eighteenth century. All the traits of globalization have diminished under the influence of major wars, natural disasters and disease pandemics. Any progress in globalization has always been a consequence of the synergy of interests of states, companies, but also individuals. Although at certain periods the dominant carriers of globalization were states or companies, there is no evidence that the dominance of one entity ceases other entities to play their role in the globalization process. At each historical stage, globalization has been the result of a synergy of interests in accordance with a hierarchy among the subjects that bear those interests. Thus, modern globalization is a consequence of the synergy of global interests of states, international institutions, companies and individuals on market principles. McMichael (2000, p. xxiii) explained this as integration "*on the basis of a project that implements the market globally*". The development of technology and the increase of labor productivity accelerates and strengthens the synthesis of the interests of states, companies and individuals that they achieve through the process of globalization.

People across the globe today have more of the same information than ever before. Information availability, ease of communication, and low cost of information sharing are all modern ways of homogenizing people's interests on planet Earth. Through the homogenization of interests, people are increasingly feeling that the global world is increasingly a prerequisite for achieving their motives. The availability of information homogenizes people's interests, but also enhances and "standardizes" their education, innovation and level of competitiveness in the labor market. In addition, the homogenization of people's interests influences the unification of their opinions on a range of tendencies in the global world and contributes to the convergence of social and political processes. All this leads to an increase in the scope and forms of collaboration in research and development of real-time forms of work without restriction due to geographical distance, and soon, due to language barriers (Friedman, 2005, p. 35).

By empowering the role of individual and preparing him for that role, modern globalization has a strong influence on the development of innovation and the increase in productivity. Because of this, globalization becomes acceptable to companies, investors and states. Globalization, driven by the motives of companies and powerful states, and strongly supported by the interests of individuals, tends to constitute a modern multicultural entrepreneurial environment. It constitutes the most liberal and stimulating entrepreneurial environment so far. Potentially, it offers the possibility of integrating all knowledge in the world into the process of development, that is, the unprecedented possibility of productivity growth (Radovic-Markovic and Tomas, 2019, pp. 4-5). However, guided by their own motivation in the global market, states, companies and individuals, in a neoliberal environment, also influence the creation of objective contradictions that arouse their own interests in limiting globalization. Thus, neoliberal globalization is driven by, but also limited by, the motives of its bearers. Distribution inequality and inequality of opportunities, as charachteristics of neoliberal globalization, prevent the creation of a multicultural entrepreneurial environment.

1.3 Labor price convergence as a constraint on globalization

An individual is not capable of changing global relations, but by his behavior and his motivation, he can support or slow down the global tendencies that are in the interest of the drivers of globalization, large companies and politically and economically powerful states. Globalization increases the individual's choice possibilities but does not set him free. Instead it makes him more dependent on globalization. Greater freedom of choice, which frees his creative abilities and brings him to the center of events that are in his interest, he "pays for" with fierce competition in which he proves his identity and loyalty to the interests of the bearers of globalization. Also, placing the individual at the center of all economic, social and political developments in an environment that stems from the principle that "there is no society" diminishes the importance and need for the existence of public institutions, thereby making the individual more responsible for a number of events that are important in his life, such as is education, health care, retirement insurance and the like.

Although the motives of individuals are essential for the success of globalization processes, modern globalization, led by large companies and powerful countries in the world, still implies inequality of distribution and the lives of individuals in conditions of unequal opportunities. Strong motivation of individuals, unequal distribution and unequal opportunities are the drivers of globalization of the labor market and the intensification of competition in it, which inevitably creates market pressure to equalize the price of labor in the global market. In all cases where this tendency leads to a decrease in the price of labor, there is resistance of employees, but one can also expect the resistance of states in situations of slowing economic growth and increasing unemployment. A significant impetus to the economy globalization was precisely the differences in the prices of the factors of production and in the conditions of profit acquisition. Globalization, by shifting demand for production factors from high price zones to low price zones, contributes to their convergence tendency. In doing so, labor price convergence is socially and politically most sensitive.

Globalization involves separate processes of labor and capital mobility. Much of modern globalization is the result of the movement of world capital for higher profits. Such a world-wide movement of capital does not significantly improve the economic position of most people on the planet: while some get a job, others lose it, while some get a higher pay others' pay decreases, all of which takes place in the context of growing the gap between the rich and the poor. The current globalization does not take place in a multicultural entrepreneurial environment. It does not have the general support of individuals and cannot have it as long as the increase in the profits of some is realized at the expense of the welfare of others.

Globalization, which rests on the differences between the prices of the factors of production and the conditions of profit acquisition, has a limited reach in raising the efficiency of resource use. It will have the effect of increasing economic efficiency by adding scarce factors of production to the cheap factors until the full convergence of the prices of the factors of production and the conditions of profit is established. Further growth of the company's profits in the global market will depend on its own productivity and economic power. Globalization will be supported by individuals' motives and will have an impact on establishing a multicultural entrepreneurial environment to the extent that the effects of productivity growth would improve the economic and social position of all individuals. Today's globalization is not an example of such a process. In addition, people often do not make their own choices solely under the influence of economic interests. It is a spectrum of interests that vary in time and space and cannot be expressed in the same measure units. These are all the reasons why the tendency towards globalization will differ for a long time in different parts of the world and at different times.

1.4 Economic power as a limiting factor of globalization

Globalization is not equally acceptable in all parts of the world, in individual markets and within different social groups. It brings a number of benefits through a reduction in production costs, an increase in international exchange, and an increase in overall wealth. With the globalization of the economy, there are changes in the interaction of buyers and sellers. Competition takes on global characteristics, resulting in the convergence of factor prices, the establishment of new relative price ratios and changes in the level of economic efficiency. Global competition, by establishing new relative price ratios, that is, labor productivity, influences the redistribution of wealth between companies, countries, regions, social groups and markets. As a consequence of globalization, the position in the distribution of wealth between developed and underdeveloped countries, between rich and poor people, between industries and between large regions, is changing. Unfortunately, the tendency is for the rich to become relatively richer and the poor even poorer, which only confirms that the modern world is not a society of equalities, it is not a society of equal opportunities and it is not a society of economic freedom, and that the development of the global market is used for the own interests of capital owners. According to the World Inequality Report 2018, income inequality is increasing the most in North America, China, India and Russia (World Inequality Report, 2019).

Modern globalization has not changed the system of wealth distribution. It is doctrinally based on profit maximization and its interest has been to move beyond the borders of nation states by market globalization and create a large liberalized market space. The motives of the current bearers of globalization are not primarily the rational use of scarce resources, the fairer distribution of wealth, the reduction of poverty, and the same opportunities for development and success. The motives of the current bearers of globalization are not primarily the rational use of scarce resources, fairer distribution of wealth, reduction of poverty, and provision of the same opportunities for development and success. The global market does not share evenly the huge effects of market expansion. "*Obviously, the mass has been replaced by privileged individualism*" (Draskovic, 2014, p. 21). Market rewards those who own assets such as financial capital, human capital or entrepreneurial skills (Birdsall, 2006). A 2015 IMF study (Dabla-Norris et al., 2015) warns that economic growth is reduced if relatively much of the nation's income and wealth are concentrated in the hands of a relatively small fraction of the population. Thus, if the relative share of the income distribution of the 20% of the richest rises, it will reduce GDP growth in the medium term. However, if the opposite is true, or if the relative share in the income distribution of the 20% of the poorest increases, it will result in medium-term GDP growth. A. Sen (1999, p. 20) warns that poverty is not only a low income, it is a deprivation of basic opportunities. The value of wealth created in the world is increasing, but economic and social inequality among people is increasing. Similarly, this is the case in countries that are major proponents of globalization.

From the mid-1980s to the present, the income of the "bottom" 50% of the US population has not increased, while the income of the 1% richest has increased by 300% (Piketty, 2014). The inequality of distribution in the US and other rich countries is confirmed by Milanovic's analysis (2016). Saying goodbye to his presidency at the United Nations on September 20, 2016, former US President Barack Obama declared, "*A world in which one percent of humanity controls the same wealth as the other 99 percent will never be stable*" (Obama, 2016). Many young people in the United States today are living worse than their parents, and the chances of this changing are diminishing (Stiglitz, 2015). The IMF researchers' analysis on income inequality shows that in 2005-2012, the real wage growth rate was less than labor productivity growth in many developed countries (Dabla-Norris et al., 2015, p. 14), and that middle-class incomes in the US, UK and Japan are declining or stagnating (Dabla-Norris and all, 2015, p. 13). Stiglitz warns that politics have shaped the market in a way that favors the rich over others, and that the great political power of the rich has had an impact on legislation and the regulatory role, thereby ensuring the self-sustainability of inequality (Stiglitz, 2012).

Observed tendencies in an increasingly globalized world make the future of globalization uncertain. The idea of free access to resources is the basis of efficient development, the method of rational use of resources, and the basis of establishing human capital and differentiating entrepreneurial skills. However, in the conditions of neoliberal globalization, it was used to establish the global domination of big capital. Data on wealth distribution show that it is the hypothesis that free market, privatization and deregulation bring benefits to everyone, from which globalization started, is not correct. Economic science may be responsible for this misconception, since globalization often resonates with the principles that apply to the national economy or to classical international trade. The global economy has the opportunity to become a new major chapter in economic science. The outcomes of free access to resources, free market access, competition, regulation, risk taking, mobility of people, goods, capital and knowledge are different in the global market compared to that in the national market.

The scarcity of resources and the goods that they produce is a major feature of the environment in which economic processes take place. Therefore, economic science has set the principle that access to resources must be free, and that the market is a force that selects producers and rationally allocates scarce resources. Free access to resources, market selection and allocation of resources are arguments that justify the globalization and necessity of reforms being implemented in countries in transition. Competition in the market selects the best manufacturers to produce some type of goods. At the same time, it is also a method of choosing the most efficient way to use scarce resources. However, competition rests on producers' aspirations to create differences between themselves, not equality. Good positioning of manufacturers in the market in conditions of fierce competition implies great efforts of manufacturers. The fiercer the competition, the greater the effort of the manufacturer, and the more it benefits the consumers, such that competition in the market is the best consumer protector. However, following Hegel's thesis (*Phenomenology of Spirit*) that each phenomenon abolishes itself, we come to the realization that competition in the market for one commodity tends to end in a monopoly. In order to maximize its own profit, the monopoly reduces the production and employment of resources, thereby achieving higher sales prices. Therefore, for the rational use of scarce resources, we have accepted the market selection (competition) of manufacturers as a method of establishing it, in order to transform it into a monopoly that uses market power to achieve financial goals and equally so the efficiency of resource use. This paradox of competition is inherent in both the national and global markets. Efficiency is used to gain economic power, and once economic power is mastered, it becomes crucial in determining behavior, with all the bad consequences for resource efficiency.

The efficiency of the market use of resources is gradually being transformed into a dominance of economic power over efficiency. The market method of exchange does not distinguish and does not separate the effects of efficiency and the effects of power within the price. The effects of a producer's economic power and efficiency are synthesized in the goods he sells, that is, in the price he achieves in the market, so that they exceed national and market boundaries as equally as higher productivity. In the distribution in the global market there is no mechanism to identify, which part of a company's revenue comes from the market power, and which from the resource efficiency. The spotted paradox of competition, with all its bad consequences, has a predisposition to emerge in the global market in a stronger form than within a closed national economy. Within national economies, there are developed methods for controlling monopolies and state as an authority enforces them. Global monopoly has not been thoroughly analyzed in the literature as a phenomenon and tendency for globalization. If it is true that competition abolishes itself, the tendency of modern globalization is to establish the dominance of monopolies in a global economy in which there is no authority powerful enough to control them. The globalization of the economy arises from the expansion of market freedoms, but the present form of the global economy is not the embodiment of a free economy.

Tendencies in the global economy are strongly influenced by multinational companies and economically and politically powerful states. Large companies and economically and politically powerful states are aware of their power and importance for the overall international trade and seek to valorize it in the global market. In doing so, companies use methods of monopolistic and oligopolistic profit maximization, and states require special trade agreements through which the size of their market is directly or indirectly valorized. Simply, they are aware of their power in the global market and know that there is no alternative market to the global market. Freedom in the global market is limited by the interests of large companies and powerful states. Globalization is driven by large companies and powerful states, creating through it the desired environment for pursuing their own interests.

1.5 Differences in market size and regulation as limiting factors of globalization

When we talk about globalization, we often forget that it is a process that takes place in limited circumstances. There are objective limits to the expansion of production, exchange and consumption. Neoliberalism implies that the growth of companies and the way out of the crises is achieved through finding new markets. On the other hand, globalization warns that there is a situation in the economy when new markets can no longer be found, nor the consumption can be further increased - a condition in which all the needs for a given commodity are met. Hence, for every commodity there is an upper limit to the growth of production and consumption. At each stage, globalization faces its constraints, be it of political, economic, or technological nature. The interests of companies and the state in the global market put and remove restrictions on globalization, so that the uneven intensity with which it takes place is a general feature of its historical course. An integral part of the historical tendency towards globalization is the stages of deglobalization. Although in recent decades, especially after the end of the Cold War, there has been a significant harmonization of market regulation and the relaxation of production factors mobility with the uneven regulation of the business environment still determining the existence of different markets, mainly determined by national borders.

These markets have different absorption capacities and are often characterized by an uneven trade regime for the same type of goods. From the point of view of companies operating in the global market, these facts are of great importance. Also, from the point of view of countries, the size of foreign markets and the regime of performance of domestic companies in foreign markets have a great influence on the overall development. The larger the market, in terms of number of customers and purchasing power, the greater importance it has for foreign companies and the more important it is for the countries of foreign companies' origin. Thus, in the global world, the size of the foreign market and its business regime are becoming significant factors in the development of the countries and companies that come from them. Countries are aware of this and in an effort to develop themselves and maintain economic and social stability strive to manage the conditions of conducting business and trade of foreign companies in their territories. The size of a country's market is proportional to its impact on global development. Economic integration, such as the European Union, creates a larger market with a unique trading regime for foreign companies. Such an environment strengthens the competitiveness of domestic companies in the single market, but also contributes to the accelerated growth of small country economies (Tomas and Radovic-Markovic, 2018).

The maximizing behavior of companies in the global market faces a different kind of restriction than the restriction in the domestic market. Economic development is leading to an increase in the number of companies in the world where the domestic market is small for their survival and development. Such companies put pressure on governments to liberalize trade or to allow access to foreign markets through bilateral and multilateral trade agreements. On the other hand, sellers in the domestic market will benefit from state protection from foreign competition. Thus, modern countries, especially whose markets are significant for global exchange, are forced to pursue policies of reconciliation, above all, of internal contradictions related to trade liberalization and protection of the domestic market. The main objective of these policies is to establish an acceptable balance between the global pressure on the convergence of prices of factors of production, conditions of production and living conditions of the population, on the one hand, and the interests of the domestic owners of the factors of production, on the other hand. By placing barriers to the free movement of goods and people, states manifest that national (state) economic, and often political, interests are above global interests. World economic growth and trade liberalization are gradually narrowing the gap between national and global interests. However, as long as this gap exists, globalization will only be a growing tendency and the global social order will be different from the natural global order.

1.6 The increasing gap between the rich and the poor as a limiting factor of globalization

From the market point of view, only the entity having enough money to pay the price of a good can have the status of a consumer in the market. The value of consumption in the market corresponds to the aggregate amount of money consumers are willing to pay for the goods, not the real needs of the people for the goods. Despite centuries of experience with economic, social and political crises due to a mismatch between consumption and needs, today millions of poor people, millions of people on the brink of poverty and millions of ordinary people do not have enough money to afford all the goods, often basic, essential for existence. The nature of consumption and production in conditions of scarce resources indicates a gap between needs and consumption. At any given moment, people would be willing to consume more goods than the manufacturers are prepared to offer. This is consistent with the condition of the sustainability of the partial equilibrium model: for one to produce good, the demand for it as a free good must be greater than its supply as a free good. In the current conditions of social relations, from the point of view of freely expressed needs, people would at any moment be ready to consume more of a good than they are prepared to produce the same good (Radovic-Markovic and Tomas, 2019, p. 8). This gap solves the market through selective action: the consumer cannot be the one who has no money to pay for the goods. This excludes from the market all those whose reservation price is lower than the ruling market price. In this way, the market verifies the economic power of consumers. It does not have the power to verify the real needs of consumers and to express solidarity and humanity in the distribution of consumer goods. It does not ensure equality between people, but through valid market prices, it demonstrates the contribution of everyone to the creation of the total product.

The functioning of the market distributes the value created between producers and consumers, conveying a series of useful information to the all parties in the exchange. However, the functioning of the market also conveys many forms of inequality among people, which stem from the economic, social, cultural and political position of the environment in which they live. The market is a verified mechanism whose functioning can ensure that the maximum amount of goods is produced out of limited resources. However, the market nature of the distribution of that production to community members is driven by the economic power of the resource owner, not by the needs of the community members. The same principle of distribution is being transmitted to the global market and manifests itself as an increasing gap in the distribution between rich and poor sections of society.

Globalization has accelerated the growth of wealth produced in the world but has widened the gap in the distribution between the rich minority and the poor majority. This gap is increasingly becoming a problem for the development of the global economy. The rise of globalization has been used to concentrate wealth in the hands of a relatively small number of people. It is obvious that the gap is moving towards a tipping point from which the tendencies in the relative distribution of wealth will have to change. It will be a condition of stability and development of the global economy. However, it is uncertain whether resource owners will be prepared to accept this as a necessity and objective outcome of the accumulated contradictions in the allocation. Concentrating market power in a small number of hands is as bad as over-regulation (Stiglitz, 2015).

The market-based wealth distribution has been the subject of theoretical disagreements between economists and politicians for decades. In the 20th century, socialist countries tried to replace the distributive function of the market with administered prices. This created a great socialist paradox: with the intention of eliminating market inefficiency, socialist states nationalized private property and introduced a planned economy, and in the 1990s, in the name of increasing economic efficiency, privatized state capital and liberalized the market. They were intended to introduce a fairer distribution using planned prices and planned allocation of resources, and today in these countries we encounter more severe forms of market functioning than in the developed Western countries. The experience of the former socialist countries has shown that the market is not in itself a cause of dissatisfaction with the distribution of wealth. Previously it has been explained that the market competition tends to establish monopolies and redistribute income through market power. That is its nature. The emergence of a new product in the market is followed by a monopoly, then competition from manufacturers in the production of the same product, and then the consolidation of production and again by a monopoly. Thus, the market creates resource efficiency but also power that reduces efficiency. The state should eliminate the effects of power in the redistribution of wealth. If it does not, the market will reproduce and multiply its inherent distribution system, that is, the gap between rich and poor will widen. In such an environment, manufacturers will be motivated to participate in the market in the distribution of income both in terms of efficiency and power. If the state removes the possibility of power-based distribution, the motivation for growing the share in the distribution based on efficiency and production growth will increase.

The experience of the former socialist countries has confirmed that fairness of distribution cannot be increased without the production of greater wealth, and in order to increase the produced wealth, there must be a motivation for producers to do so. Without this motivation, many of the goals of modern society, such as poverty eradication, equal opportunities provision, solidarity and humanity, are impossible to achieve. The World Bank's Poverty Report (World Bank, 2018) confirms that, despite rising inequalities in the wealth distribution between the rich and the poor in the context of the world economy globalization, poverty is reduced. The percentage of the population spending daily up to $ 1.90 (purchasing power parity) decreased from 35.9% in 1990 to 11.2% in 2015. This is more a consequence of the growth of wealth than a change in its distribution.

1.7 Negative selection, moral hazard and captured resources as factors to slow down globalization

Competition between manufacturers puts pressure on increasing resource efficiency. The overall positioning of a company in the market is influenced by its economic efficiency (competitiveness) and its market power (importance in the market). When the pressure of competition is stronger, economic efficiency increases. However, in certain social circumstances, especially in the state-economy relation, there can be negative selection and moral hazard. These phenomena threaten the effects of competition, that is, reduce the efficiency of resource use. From the standpoint of self-interest, manufacturers are not motivated to encourage competition. For resource efficiency, it is important that companies survive in the market solely on the basis of resource management efficiency and that resource owners take full responsibility for their own economic decisions. It is often the case that wealthy business owners have a strong influence on legislation and other regulations, whether they are members of parliament or government or whether that influence takes place through concealed corrupt practices. In such circumstances, part of the risk of their businesses is transferred to the state or other market participants. Such procedures reduce the overall efficiency of the resource use. Resources that are not freely accessible, whose owners are in any way exempted from market selection, that is, resources that are irrationally used, and the market is powerless to improve their use, represent captured resources (Radovic-Markovic and Tomas, 2019, p. 10).

Through our previous analysis, we have observed that wealth production is increasing through the liberalization of access to resources, through competition and market expansion. Negative selection and moral hazard work in the opposite direction. They are created and maintained by the market power. Their activity in the economy is manifested by increasing the volume of captured resources, reducing the wealth produced, and putting the pressure on redistribution on the basis of power. Thus, global wealth could widen and narrow the gap between rich and poor if negative selection and moral hazard were removed from the global market. Removing them or reducing their influence can be carried out by efficient states based on the rule of law, first and foremost, by eliminating corruption and special arrangements and privileges for companies. However, as such actions are lacking, there is resistance to such globalization, in which the global market is used for greater redistribution through power rather than for the creation of greater wealth and participation in its distribution in proportion to its contribution. Resistance arises from the use of globalization to concentrate power in the hands of the rich minority. No normal person, as Chomsky observes, opposes globalization, that is, international integration, which is based on respect for human rights. Resistance comes as a reaction to the functioning of the private power system (Chomsky, 2002).

CONCLUSION

The history of globalization is a history of increasing wealth, but also a history of concentrating it in the hands of relatively fewer people and a history of widening the gap between the rich and the poor. Economic science has long established that economic freedom, competition, regulation, mobility of people, goods, capital and knowledge all influence wealth growth. However, the way these free market determinants are used in the globalization of the world economy is driving up inequality. Although proponents of globalization have always argued that globalization has no ideological background, modern globalism is based on the ideology of neoliberalism. Neoliberalism has become much more than a mere look at the form of functioning of the economic system. It has, in the truest sense, become an ideology with which social relations are changed to suit the needs of the big capital. This ideology considers that the gap between the rich and the poor and concentration of enormous wealth in the hands of a small number of people is justified by the outcome of fair play. Neoliberalism starts from competition, but its ideologues ignore the fact that concentrating economic power suppresses competition and promotes redistribution on the basis of power. First-stage competition, before the start of power-based reallocation, contributes to the growth of overall efficiency. However, its later stage, when the redistribution based on power comes into play, begins to threaten the development of non-monopolized branches, providing high rates of return to big capital beyond true resource efficiency.

Although economic globalization has provided rapid growth in wealth, especially in developed countries, it has not increased economic stability in the world and the economic freedom for majority part of the humanity. Large companies, banks and funds have positioned themselves in the global business environment such that they secure part of their income based on the power that they command in the market and not just efficiency and capability. Powerful companies and influential states, ideologically united through neoliberalism, exploited the good side of the free market idea to strengthen their own power and redistribute wealth under the influence of power. This fact denies that the liberalization of world trade brings benefits to all, which is one of the basic tenets of neoliberalism. It is understandable that all those affected by the redistribution of income on the basis of the globalization of the world economy will be able to resist such globalization.

The neoliberal doctrine triumphed when it succeeded at convincing even the strongest proponents of Keynesianism and the socialist economies that the role of the state in the economy, the role of trade unions in wage negotiations, customs protection of domestic production and controlled access to natural resources are obstacles to an accelerated economic development for the benefit of all. While this is true, neoliberalism has not offered a way that, in the context of a free market and a weak state, will be able to absorb all available resources and valorize their contributions to wealth creation in a way that will satisfy their owners. The opening up of large markets with cheap factors of production and markets of great consumer potential has triggered a huge mass of capital towards higher profits. Higher profits and security of capital placement were the only goals. There were no mechanisms in place to guarantee that a major liberalization of world trade would increase equality, equalize development and eliminate poverty.

Neoliberalism and the currents of modern globalization put nation-states in an unenviable position. On the one hand, they have to give up part of their functions in favor of the free market, and on the other hand, they have to intervene to mitigate the bad effects of globalization in the areas of inequality, social problems, poverty, ecology, etc. Truth being told, globalization encourages a series of positive processes throughout the world. All countries in the world benefit from the expansion of trade, availability of technology, growth of labor productivity, reduction of global poverty, expansion of the availability of public goods and services. Large companies were striving for their goals, alongside them gains have been realized for many countries incidentally, which contributed to the economic and social development. These incidental gains are particularly significant for less developed countries. The widening gap between the rich and the poor in the conditions of growing total wealth, manifests itself also as increasing inequality between the rich and the poor developing countries. This is a logical consequence of the investor-imposed allocation model. They ensure that also in the new markets relations supporting the neoliberal doctrine are reproduced.

A common characteristic for all countries of the world affected by globalization is that the globalization has increased inequality in distribution within them, that is, globalization is spreading inequality worldwide. Resistance to the spread of inequality is the logical reaction of all those around the world who are put at a disadvantage by globalization. Globalization based on neoliberal ideology implies unequal conditions and unequal freedom of global mobility of various factors of production. As long as this is the case, and as long as states are passive observers of the effects of globalization or, even, protectors of large capital interests, globalization will widen inequality and widen the gap between the rich and the poor. Of course, all this will be accompanied by resistance and with the tendency to set limits to globalization. In terms of the rational use of scarce resources, neither is good. Globalization by power-based redistribution diminishes resource efficiency, while resistance to globalization diminishes resource efficiency by reducing economies of scale and halting market price convergence. This is a situation that cannot be resolved spontaneously in the global market without government intervention. The state must eliminate the redistribution of wealth on the basis of power, thus creating the preconditions for a more efficient and more just process of globalization of the world economy. Thus, although in its neoliberal form globalization begins to diminish the role of the state in the economy, starting from the claim that "society does not exist", the development of globalization on the principles of neoliberalism creates a number of contradictions and resistance to globalization which are a consequence of differences in the motivation of market participants. It is obvious that the new stages of globalization will require the intervention of the state in order to reduce the bad impacts of resistance to globalization in increasing resource efficiency.

REFERENCES

Birdsall, N. (2006), "Rising inequality in the new global economy", *International Journal of Development Issues*, Vol. 5 Issue 1, pp. 1-9

Brittan, S. (2013), "Thatcher was right – there is no 'society'", *Financial Times*, April 18th 2013, https://www.ft.com/content/d1387b70-a5d5-11e2-9b77-00144feabdc0.

Chomsky, N. (2002), On Escalation of Violence in the Middle East, Noam Chomsky interviewed by Toni Gabric, *The Croatian Feral Tribune*, May 7, 2002, https://wayback.archive.it.org/all/20070807064137/https://www.zmag.org/content/TerrorWar/chomskygab.cfm,

Dabla-Norris, E. et all. (2015), *Causes and Consequences of Income Inequality: A Global Perspective*, IMF, Strategy, Policy, and Review Department.

Draskovic, V. (2014), *A neoliberal metaphor*, ELIT and RIFIN, Podgorica and Zagreb.

Dell'Ariccia, G. et all. (2008), *Reaping the Benefits of Financial Globalization*, IMF Occasional Paper 264, International Monetary Fund, Washington

Hayek A, F. (2005), *The Road to Serfdom with The Intellectuals and Socialism*, The condensed version of The Road to Serfdom by F. A. Hayek as it appeared in the April 1945, The Institute of Economic Affairs, London

Frank, A. G, (1998), *ReOrient: global economy in the Asian Age*, University of California Press Ber-keley and Los Angeles, California.

Frankel, J. A., Romer, D. (1999), "Does Trade Cause Growth?", *The American Economic Review*, Ju-ne, pp. 379-399

Friedman, M. (2002), *Capitalism and Freedom*, Fortieth Anniversary Edition, The University of Chicago Press, Chicago and London

Friedman, L.T. (2005), "It's a Flat World, After All", *New York Times Magazine*; Apr 3, https://www.nytimes.com/2005/04/03/magazine/its-a-flat-world-after-all.html,

Milanovic, B. (2016), *Global Inequality, A new Approach for the Age of Globalization*, The Belknap Press of Harvard University Press, Cambridge, Massachusetts, London, England

McMichael, P. (2000), *Development and Social Change: A Global Perspective*, Pine Forge Press, Thousand Oaks, CA

Mises, von Ludwig (2011), (1929), *A Critique of Intervencionism*, Ludwig von Mises Institute, Alabama

Monbiot, G. (2016), "The Zombie Doctrine", *The Guardian*, 16th April, https://www.monbiot.com/2016/04/15/the-zombie-doctrine/.

Obama, B. (2016),_*President Obama's Final United Nations Speech*, Transcript, Time.com, Sep 20, ime.com/.../president-obama-united-nations-speech-transcript/, last accession: October 10, 2017
Obstfeld, M. (1998), "The Global Capital Market: Benefactor or Menace?", *Journal of Economic Perspectives*, Vol. 12, No. 4, pp. 9–30.
Ostry, J., Loungani, P., Furceri, D. (2016), "Neoliberalism: Oversold?", *Finance & Development*, Vol. 53, No. 2, pp. 38-41
OECD (2011), *Divided we stand. Why inequality keeps rising*? OECD Publishing, Paris, http://www.oecd.org/els/social/inequality, last accession: November 8, 2018.
Piketty, T. (2014), *Capital in the twenty-first century*, The Belknap Press of Harvard University Press
Pilling, G. (2014), *The Crisis of Keynesian Economics, A Marxist View*, Routledge Revivals, New York
Radovic-Markovic, M., Tomas, R. (2019), *Globalization and Entrepreneurship in Small Coun*tries, Routledge, New York
Rodrik, D. (2011), *The Globalization Paradox: Democracy and the Future of the World Economy*, W. W. Norton & Company, New York and London
Sen, A. (1999), *Development as Freedom*, Anchor Books, A Division of Random House, Inc. New York.
Stiglitz, J. (2012), *The Price of Inequality, How Today's Divided Society Endangers Our Future*, W. W. Norton & Company, New York
Stiglitz, J. (2015), "Inequality is holding back the American economy", La Tribune*, 4. September 2015. (updated: 16. Februar 2015)* http://www.euractiv.com/section/euro-finance/interview/stiglitz-inequality-is-holding-back-the-american-economy/.
Tomas, R., Radovic-Markovic, M. (2018), "Development of Small Countries in the Business Environment of the European Union", Transylvanian Review of Administrative Sciences*, No. 53 E, pp. 84-106*
World Bank (2018), *Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle,* Washington.
World Inequality Report 2018 (2019), *https://wir2018.wid.world/files/download/wir2018-full-report-english.pdf, last accession: February 6, 2020.*