Global Advanced Research Journal of Management and Business Studies (ISSN: 2315-5086) Vol. 5(8) pp. 189-197, August, 2016
Available online http://garj.org/garjmbs/index.htm

Review

Ungovernable Globalization = Economic Titanic (Economic Theory and Economic Policy In A Maze of Transition from Territorial into Market State)

Dragoljub Stojanov,

Professor of economics, University of Rijeka, Economic Faculty, 51000 Rijeka, Croatia
Email: Vjeverica56@yahoo.com

Accepted 02 June 2016

Main hypothesis of this paper is that the world economy is entrapped by globalization process lacking economic theory of globalization. Consequently, we see the Titanic (global economy) sailing over the world of oceans without a captain We think that capitalism has entered its new development stage which we declare as mega-capitalism or capitalism III. This conclusion we have reached following dialectic of globalization. The essence of globalization process is huge increase of the strength of microeconomic subjects (transnational mega corporations) and the declining role of the territorial state. Therefore we raise a question: Quo vadis global economy?!

Keywords: globalization, dialectic, theory, illusions, risk

INTRODUCTION

Nothing is impossible in one so inexact sciences such as economics," P.Samuelson
Fukuyama has concluded (1992) that civilization is at the end of its evolution since it has reached the optimal model and time trends in the extant development of capitalist market-democratic type of society? Did not he to want to know that the structural dimension of the problem of the crisis of contemporary capitalism is the transformation of capitalism from an industrial into financial one? Instead Schumpeter, "creative destruction" and creativity, capitalism developed the "rent-seeking" financial capitalist which Eugene Famma's hypothesis of efficient financial markets transformed into Minsky's financial instability.

As if we have not learned the lessons of economic history since the "Tulip", "Mississippi" or some other "bubbles", cotton crisis, 1929. crises which all show that logic of Marx and Schumpeter is valid since the early days of the market - capitalist economy?

Do we want to accept internal dynamic of capitalism and necessity of its dynamic transformation into a new stage of its development? Or we prefer to keep eyes closed being obsessed with present achievement?

It looks like we do not. For an old-fashioned economist, it would be a bit strange. For young and Nobel economists like Lucas, Prescott and Romero that is a funny issue. According to them, the business cycle is associated with real economic developments –

technological changes. And that's it. Credit, money or leverage is of no significance in the development of economic cycles.
Therefore, the old-fashioned economist will not be surprised by three young economists study published in NBER Working Papers No. 17,621 in November, 2011. entitled "When Credit Bites Back: Leverage, Business Cycles, and Crises", in which they, as they claim, for the first time in economic history have found that the cycles goes up and down hand in hand with credit expansion, which leads to a recession, possibly depression, when it comes to credit contraction and deflationary tendencies (Oscar Jorda, Moritz HP. Schularick, Alan M. Taylor, 2011.). These prominent economists seems never read Keynes, not to mention Marx, Fisher Kondratieff and Minsky.

How is this possible? Does nothing have significantly changed from A.Smith to 2016 year? Are we all prisoners of neoclassical economists who used to dominate XIX century economic policy as well as again economic policy of the beginning of XXI century? The beginnings of XXI century economics prescription of the IMF, World Bank for indebted countries worldwide is great come back of liaises-fair dogma.

In the first part of paper we discuss economic crisis and economic thought of renown economists. In the second part we discuss dialectic of globalization and its possible effect relevant for transition process from territorial into market sate. In the third part we address causality between economic development and development of economic thought. We point out that we do not have an adequate economic theory for globalized world economy which leads us to conclude that mega capitalism might be a next stage in the process of evolution of international world order based on reinvented neoclassical economic paradigm. New world order will be dominated by mega corporations and mega banks and the first principle of mega capitalism might be morbid maximization of profit of leading subjects followed by ever increasing democratic deficit.

Distinguished economists on economic crisis

Insufficient aggregate demand is taken by the administrations of many countries, starting with the USA administration, as the main cause of sub-prime financial crisis. Therefore, economic thought of J.M.Keynes has come again at the forefront of the economic knowledge. Following Keynes theory of insufficient demand many distinguished economists such is (Krugman 2007,Stiglitz,2007,Vade,2008,Swartz-Nelson,2007,Friedman in Swartz- Nelson,2007,Ben-Barnanke 2002,C.Romer,20002,Pitelis-Argites,2008,Crotty,2008) identified present crisis as a crisis caused by insufficient demand. On the other hand, a few distinguished economist such is J. Taylor,(2009) or K.Rogoff, (2008), Minsky, in The New Yorker,(February 4th, 2009), find that aggregate over- absorption usually precedes recession. Our understanding of Marx theory of economic crisis, Stojanov, (1985), Keynes theory of business cycle (Stojanov, 2007), and empirical data from XIX century (Marx) and from 1929 economic crash suggest that present crisis can hardly be cured by increasing demand. Moreover, increasing demand might provoke world-wide stagflation.

In an attempt to trace determinants of insufficient demand following the ideas of aforementioned economists, we consider that the main causes of insufficient demand might be classified as follows:
Insufficient demand is caused by both low level of personal and investment spending in relation with GDP(Krugman,2006,2007,Stiglitz,2007,Vade,2008,Bernanke,2002)

Insufficient demand is primarily caused by wrong macroeconomic management-restrictive monetary policy: Ben Bernanke, (2002), C.Romer, (2002), Friedman in Swartz-Nelson,(2007, Insufficient demand is caused in two class model either by inadequate consumption of workers or in three-class model by insufficient consumption of financial reenters(Crotty,2006,2008,Pitelis-Argities,2006,2008, Orhongazi,2007).

Insufficient spending is a consequence of asymmetric information, moral hazard and inadequate systemic regulation, Stiglitz, (2007).

Sound highly surprisingly that no economist has pointed out to the drop of marginal efficiency of capital as a main cause of economic slump. Moreover, there are distinguished economists who even did not believe that an economic crisis is at all possible in XXI century due to the benefits the New Economy brings to field of microeconomics (Krugman, 2006 Summers; 2000).If we take as granted insufficient consumption as the main determinate of crisis, as suggested by aforementioned economists, we may post the following question in order to test proposition of insufficient demand:
How is possible for an economy to be confronted with: balance of payments deficit and inflation if under - consumption in the economy persist and precedes the crisis.

How is it possible that an economy face a sudden drop in assets prices just by changed expectations? Why the expectations are suddenly changed?

How is possible that personal consumption drops down in time of full employment having in mind that according to all economic schools full employment provides the highest level of wages?
Why an economy experiences a drop in investment if not caused by fall in marginal efficiency of capital (MEC), What factors bring about a fall in MEC: is it insufficient demand or an overheated economy as suggested by

Keynes himself?

Why no economist brings credit into analytical procedure which changes the standard textbook approach to Keynes's proposition concerning propensity to spend and consume?

We support an attitude that credit –debt financed consumption and investment (high leverage) contribute to hyper absorption in an economy before economy face an economic downturn. Insufficient demand, therefore, is a consequence of previously overheated economy and consequent drop of MEC. Once MEC drops to low level, interest rate must follow the suit. As long as MEC is higher than interest rate (i) investments are profitable. Once investment becomes unprofitable, asset prices are endangered and expectations are falling apart. Te factories are getting closed and we get drastic fall in consumption both: investment and personal. Different interpretations of the causes of crisis ask for different economic prescription. If we take insufficient demand as the most important disease, does it mean that the crisis might be fixed out by additional demand? Or the crisis fixing requires more deep systemic changes in time of severe crisis such is present crisis as well as was the Great 1929 crisis. If crisis can hardly be solved by monetary and fiscal easing, politicians must be at work nationally as well as world-wide.

Could Keynes help us today?

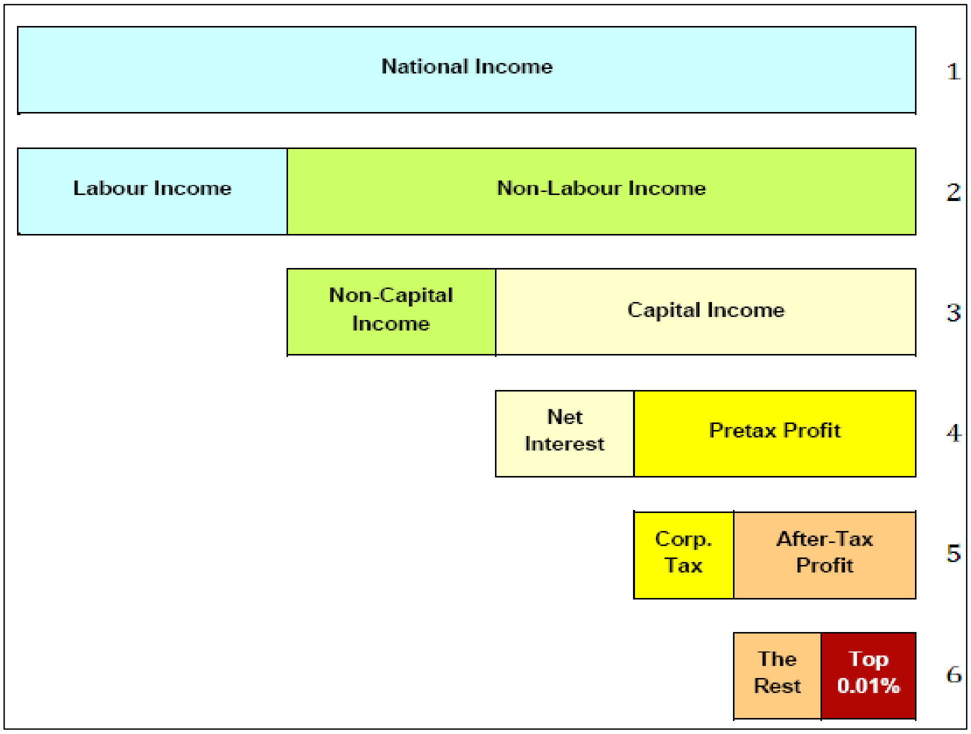
Keynes economic thought was more an evolution than a revolution in development of economic ideas. Still, it was a great and influential economic model shaping world economic development since II Second World war during time of underemployment, and all way around until the beginning of 70s. Keynes medicine can hardly be efficiently applied except in time of depression. An application of Keynes before slump occurs might only prolong the boom for some time, and finally end up in stagflation. This is eventually a reason what economists differ significantly in explaining and applying Keynes under different circumstances for. Additionally, one should be aware that Keynesianism likewise Monetarism or Supply-Side economics are in its essence suitable economic policies for different stage of a business cycle taken from a national economic perspectives .Under a global world economy the application of Keynes medicine, likewise of any other known school of economic thought becomes highly questionable. Therefore, if current world retreats back into some sort of" soft nationalism" those economic policies might be useful again. And what is the most scare moment from Keynes story for us who live in XXI century is the process of capital depreciation and its duration which was (and might be again) long and time consuming process. "At the outset of the slump there is probably much capital of which the marginal efficiency has become negligible or even negative. But the interval of time, which will have to elapse before the shortage of capital through use, decay and obsolescence causes a sufficiently obvious scarcity to increase the marginal efficiency, may be a somewhat stable function of the average durability of capital in a given epoch. If the characteristics of the epoch shift, the standard time-interval will change."

Under depressed circumstances a state intervention might crowd out private investment both in capital and labor market .In order to be effective state intervention should be undertaken under different social circumstances from those prevailing before the onset of crisis. New profit mathematics needs to be developed, and profit maximizing should stop to be the first principle of a society. That is exactly point quite understood by Keynes, but not welcomed one by him in the same time. However, that is exactly point Phelps is stressing out, and an idea that needs to be elaborated by contemporary economists and politicians. New time ask for new economic solution...That is presumably why Krugman and Stiglitz do not trust into the efficacy of monetary policy at this stage of economic affairs of the USA economy , and C.Romer, A.Swartz, Bernanke likewise Friedman (for the Great depression) do trust only to expansive monetary policy and devaluation of currency as an effective cure. We would say majority of them are seriously mistaken, and probably Phelps is most realistic respecting the time and circumstances we live with. Therefore, we conclude that the world needs a new social fabric to be developed and followed by suitable economic paradigm because two extremely important points are missing from deliberations of majority of distinguished, but confused contemporary economists. These points are internal dynamic of capitalism and dialectic of globalization.

Dialectic of globalization

There are many definitions of globalization. All of them are more or less confined to the country's integration into the international division of labor and integration of production factors in international scale. So, Bhagwaty (Bhagwaty, 2004.) defines economic globalization as "the integration of national economies into the international economy through trade, foreign direct investment, short-term capital movements, international mobility of workers and aid workers in general, and international technology flows" . Anne Kruger defines globalization as "a phenomenon thanks to which economic agents in any part of the world much are more influenced by events in the world than before "(Wolf, M., 2004).A lot closer to us is Henderson' definition of globalization. David Henderson, chief economist of OECD defines globalization as "the free movement of goods, services,

Table 1. Deconstructing National Income



Source: Bichler and Nitzan (2012)

labor and capital, while creating the single market of inputs and outputs, and full national treatment of foreign investors, as economically speaking, there are no more strangers" (Wolf, M. 2004.)
We hold that, in this and similar definitions of globalization are technical and superficial definitions, which do not reflect the dynamics of the capital. We are most prone to own politeconomic definition that holds that globalization is a process of privatization of the world's economic resources by large capital, often virtual and hybrid, as evidenced by the exponential expansion of financial derivatives, the last twenty years, whose value has reached 457 trillion Euros in 2007 (Deutsche Borse Group, 2008). And, if privatization is a political process with the economic consequences, often accompanied and favored by policies of international financial institutions, we dialectically come to the conclusion that globalization is the process of transforming territorial (national) market state into global corporate market state as a new stage in the development of capitalism, which would we call mega capitalism, and which precedes to post capitalist society, as it was seen by Marx (Capital), Keynes (Economic possibilities of our grandchildren) or Hilferding (Financial capital). Practically observed under conditions of contemporary globalization global economic crisis is a process of centralization of capital on a global scale taking place by means of huge mergers and takeovers, which this time happens in conditions of imperfect global market structure.

Thoughts on the Relevance of Economic Policies

In the development of economic thought to date, there has been a fascinating interdependence between economic events, economic ideas and economic policies. One of the most obvious examples of the interaction since the Second World War is the change of focus from unemployment, a Keynesian idea and economic policy, to inflation that is Monetarism, as an idea and policy. An analogous change occurred in the acceptance of Phillip's curve and Ocun's law from the Second World War until 1970 and their replacement by the vertical Phelp's curve together with the notion of rational expectations. With the formation of the IMF and GATT), stage was set for the greatest prosperity that the world economy has ever experienced to date. In the years immediately after 1945 the supply curve of national economies showed a positive Keynesian slope. During the fifties and sixties "it came to be accepted wisdom that businessmen were always in a

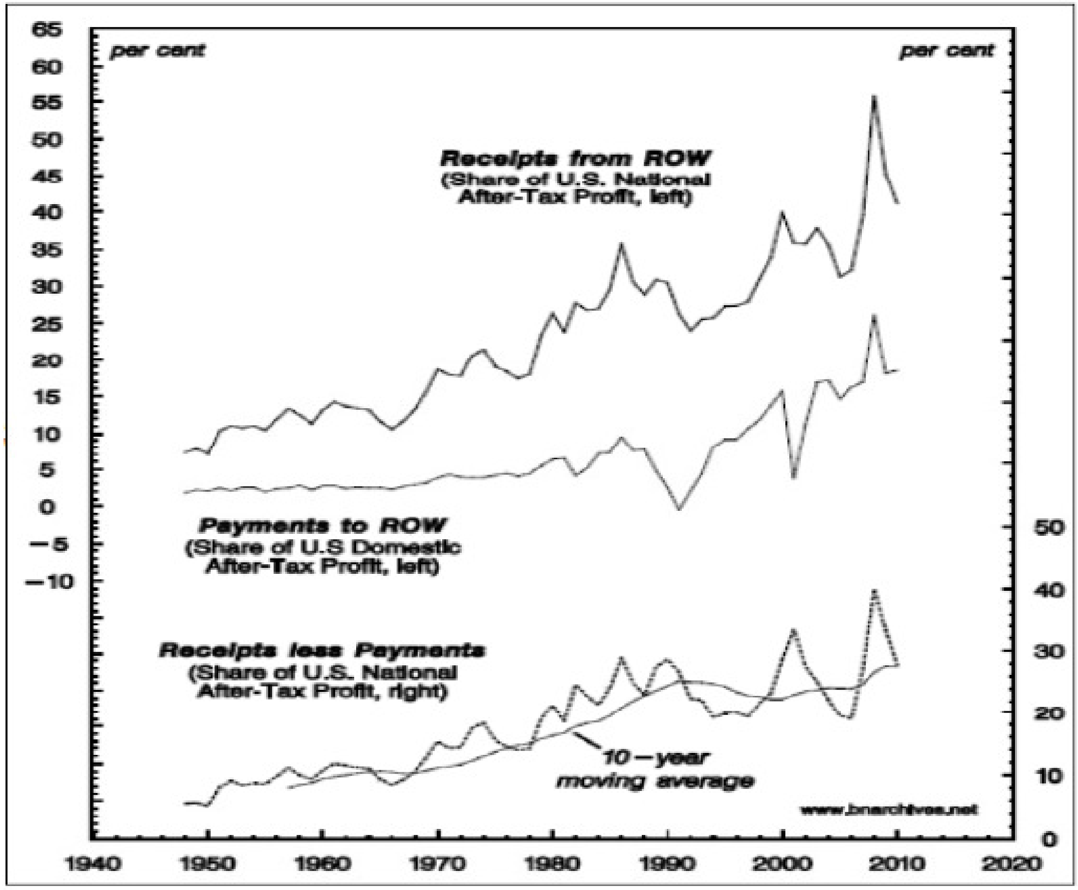


Figure 1. Rest of the World: Receipts and Payments of After-Tax Profit

Source: Source: Bichler and Nitzan (2012)

position to set prices at a margin over costs that would provide them with a rate of return at which they would be happy to invest more. The OEEC in a 1961 report stated: 'The share of labor, apart from cyclical shift, remained remarkably constant in almost all countries around 1950. With high employment, business has been able to maintain a profit margin'". (Marris, S (1984). During the fifties it became generally accepted that the Phillip's curve, that is a Keynesian type of economic policy was completely compatible for national economies in their attempts to control deflation and also inflation.

It is certainly true that in comparison with XIX century economic liberalism internal economic equilibrium came to have priority over equilibrium of the balance of payments. Foreign trade and currency measures were targeted to achieve affirmative and useful effects from the foreign trade multiplier and accelerator in the interests of economic growth of the national economy. Keynesian economy policy at home was supplemented by choice of a growth strategy based on the theory of the comparative advantages of the 2x 2 x 2 model. At the beginning, while the argument for protecting new industries was valid, a policy of import-substitution was the dominant strategy for the economic growth of small open economies as well as for large countries. In time the small open economy, which had become a price taker, became more and more geared to an export growth strategy, and had become not only the price taker but also the rule taker. Concentration on the production of an increasing number of tradables ever increasingly made the small and medium countries dependent countries. Unless, of course, the countries concerned had opted for the Prebish or Myrdal models of isolation from the world economy with all the negative consequences of such a decision for growth (as was the case of Latin America). In spite of this, the production of firms of the small open economy more or less completely became part of the offer curve of national economies. The process of transnationalization of the world economy had begun.

In 1958 the currencies of the EEC countries became convertible with the result that their markets and their economic policies became interdependent. Europe has very quickly become competitor to the USA. From 1960-1965 wages in Europe and Japan, the main US competitors, rose from between 2-6 per cent annually, while wages in the US fell during the same period 0.7 per cent. The new wage relationships caused a balance of payments surplus in America which reached 6.6 billion dollars in 1964. (Mandel, E. (1972) However, acceptance of the concept of full employment based on the slogan ¨We're all Keynesians today¨ required in the USA, and not only there, an expansive monetary policy. In the meantime the expenses of financing the Vietnam War increased; with the result that inflation soon became enemy number one for the American economy. In 1971, the first time since 1888, America had a balance of trade deficit of 2 billion dollars. The offer curve of the American economy had become a vertical. The world was at that point looking for a new economic policy. When the supply curve had become a vertical Keynesianism became counterproductive. Nevertheless, economists went on trying to cure stagflation by counterproductive Keynesian methods supported by a policy of fluctuating currency rates of exchange. By passing to fluctuating exchange rates in an attempt to save Keynesianism, the effect of the Phillip's curve deepened stagflation the world over. This showed that although the world might have become interdependent, isolationism was still very much alive. In other words priority was still given to the national interests. The supranational concepts, like the process of transnationalization in the world economy, were to gain impetus as soon as the time was ripe. The prosperity of the world economy was certain at some point or another to come to an end. According to C. Dumas "the long expansion of the 1950s and the 1960s consisted to a considerable degree of more of the same... This relates directly to the inadequacy of present capacity, not only in the implied need to invest in new industries' and write down the capacity in shrinking traditional industries but also in the need to transform by new investments the productive processes of industries with still salable products but outmoded method... Both the incentive to apply advanced labor-saving technology and the actual development of such techniques have to be linked to the large increase in wage cost over the past thirty years" (Dumas,C.(1985)

The world economy had to enter a phase of structural transformation. This was well presented by Schuker in his «American Reparations to Germany» in which he gave a reminder that the world economy had for 300 and more years experienced what he called- long waves. Long waves went together with the process of the concentration and centralization of capital - that is with the growth of firms and their efficaciousness. (Schuker, 1990)The natural result of this was that after 1980 Keynes was replaced by Monetarism. New economic credo becomes the thought: “Governments do not solve the problem, they are the problem. Modern economic policy considers that Welfare State had played out its role of the guardian of economic progress and prosperity. The new economic policy operated under the slogan: "The best industrial strategy consists of tough penalties for business failure, high rewards for success and low interest rates without inflation. Monetarism, renamed at the end of XX century as neoliberalism (neoclassicism), became the “mainstream” economic policy. Even so, Neoliberalism is still a national economic policy; it still has a national identity. While operating with national economic development goals, it has achieved structural transformation of the economy in all countries where it took hold. During that process it led to the centralization of capital and the creation of gigantic companies. The redistributive effects of the monetarist type of economic policy in the case of USA can be best seen from the following table.

These observations, along with the forward-looking outlook of capitalists, suggest that the current crisis may be the result of capitalists becoming not weaker, but stronger and that capitalist power may be approaching its social asymptote – a level too high to sustain, let alone increase.

Monetarism achieved structural transformation of the economy in all countries where it took hold, and in the process led to the centralization of capital and the creation of gigantic companies. In the world economy it created conditions for intercontinental economic integration of companies. According to Denis Lumb competition in traded goods rose significantly, since such goods are exposed to global competition. «Between 1979-1989 in America 1.4 million jobs were lost in industry, yet industrial production increased by about 30 per cent. Integration between the transnational corporations of the USA and Europe attained 200 billion dollars annually. In 1989 alone in Europe the business of European transnational companies was integrated by more than 50 billion dollars. Between 1984-1988 direct European and Japanese investment in the USA increased by 108 billion dollars and 37 billion dollars respectively» (.Marris, S. (1984)

The net profit of the Top 0.01% are earned, at least in part, outside the United States – in what the statisticians call ROW (rest of the world). -: Bichler and Nitzan (2012).The raw data that underlie this figure are fraught with hazards of estimation and interpretation, but the overall long-term trends they portray are probably valid. The thick series at the upper part of the figure plots the proportion of US after-tax profit coming from outside the United States (including both the foreign dividends and reinvested earnings of US-based corporations). According to Bichler and Nitzan (2012), the data show that during the 1940s and 1950s, ROW profit amounted to less than 10 per cent of the total, but that its growth has been rapid and that its level now hovers around 50 per cent of the total! And here arises an interesting question: indeed, who or what is to prevent US corporations from using their power world-wide? Except maybe foreign competitors coming from Europe, China, Asia and Russia which taken altogether constitute the global “market” state.

Graham's contention concerning the production of “goods in common” is vindicated today. It seems that the production of “goods in common” demands the formation of a world economic policy and a world government. In other words, it means replacing national economic policies with a global economic policy.

The basic economic entities of our time are becoming transnational corporations as the entities which reflect globalization process. The basic microeconomic principle of their behavior is the principle of increasing returns and diminishing costs! Transnationalization and globalization of the world economy forms a global market, but the market, whose one of the main characteristics is imperfect competitions with the prevailing oligopolistic market morphology. In an oligopolistic global market large corporations become "price makers" and "" rule makers "also. The market does not determine the behavior of market participants such as is the case under the conditions of full competition. In fact, the "great" form the market and run it, they share it. Transnational corporations spread their production around the world in order to minimize production costs, and the same time they use “world demand curve „as a source of their marginal revenue. So while the existing microeconomic theory helps understanding the operations of transnational corporations, global economy macroeconomic theory is neither on the horizon. In all this TNCs significantly influence the formation of macroeconomic and development policies of countries all over the world which is becoming addicted to FDI, that is of the capital that TNC have in abundance.

Whether any of the assumptions of virtual neoclassicism is valid in such an emerging global world? If not, then neoclassicism in time of the global economy deserves to go into the memory hole. Again, the global economy does not have a theoretical construct as seen from the angle of the global economy as a whole. What we want to optimize from the point of view of the global economy? Is that the GDP? Whose GDP should be optimized: either that of the global economy, or GDP of less and less sovereign individual countries which are by global privatization deprived of their resources? What about the issue of employment? What about the issue of optimal allocation of resources at the macro (global) level or about the issue of general equilibrium?

Globalization provokes a number of issues related to the process of economic development and its effects on both the host country and the capital exporting country. For example, an American transnational corporation produces a product in China while exporting capital from US. Then, it imports the produced goods from China back to the US. From the point of view of standard balance of payments statistics this transaction is clean and clear. However, from the angle of property rights (especially capital), policy and economic issues seem to be much vaguer on how to treat such a transaction. Does the US import its own goods produced by its own capital and knowledge, or does it import Chinese goods? Foreign direct investment and transnational corporations in the global economy provoke confusion between the “territorial” state and “market” state. The balance of payments issue, at first glance, is perhaps only the beginning of opening the Pandora’s Box which will have to be opened and studied by the new economists. Once opened, the Pandora’s Box of globalization will have a profound impact on relations between the “territorial” and “market” state as well as on the relations between virtual neoclassicism and real corporatization of the world.

Economic science, which until the age of extant globalization generally reflects national economic interests, presumably has to be transformed into economic science, which reflects the interests of new core subjects of globalization of society; such are transnational mega- corporations and transnational mega- banks. At the moment we are confronted with a serious deficiency of an appropriate economic and particularly macro economic theory.

CONCLUSION

Towards mega-capitalism

“Mega-capitalism” is the stage in the development of capitalism, which is dominated and led by both mega-corporations and mega-banks. The process of development of mega-capitalism will result in the development of global capitalism eventually. This, in turn, will result with global cybernetic robotization of workers. This process might be supported by neuro-economics, which we would define as cybernetisized neoclassical economics applied under imperfect market conditions. This is because extant economic doctrine is dominated by neoclassical economic theory regardless of the fact that such a theory has definitely become obsolete. Therefore, contemporary economist is lost in the fog of inadequate economic theory. Sure, the process will be followed by the declining role of the “territorial” state. This process reflects the centralization of capital on a global scale. This process, however, is evolutionary and repetitive since the beginning of the capitalistic way of production.

Economic science, which until the age of globalization ,generally reflect national economic interests, will be transformed into economic science, which reflects the interests of new core subjects of globalization of society, such as mega-transnational corporations and transnational mega-banks. When and if there is a morbid affirmation of the first principles of globalization-profit - globally reached, global society will then be ready for its transformation into a post-market and post-capitalist society and economic science will lose its meaning. Evolutionary transformation of capitalism would give the right to Marx (1962) and Keynes (1932) and their visions of a new society as they expressed in the “Capital” and in the “Economic possibilities for our grandchildren”. The first principle of the welfare society is to become global citizens, and that means the elimination of the “market” state. Hilferding’s (1952) fate of the world has been similar except the fact that the path towards post-capitalism is paved by the “expropriation of expropriators”.

If, however, the process becomes retrograde and the “territorial” state overthrows the “market” state, then the thoughts and reflections of the French School of economic war (which is these days advocates the so-called “intellectual protectionism”) might become very realistic and attractive. We think that modern technology and cybernetisation of the economy and civilization might not survive this retro course of events without global social, economic and political earthquake a few degrees stronger than that of 1929.

Let us conclude that a Titanic (global economy) sail over the world oceans without captain since economic science is devoid of its theory. We wait for a new A.Smith, but this time with a visible hand.

REFRENCES

Argitis G (2003). Finance, Instability and Economic Crisis: The Marx, Keynes and Minsky Problems in Contemporary Capitalism, paper presented in the conference „Economic for Future „Cambridge Un. Argitis, G..(2008), *Global Finance and Systemic Instability, Contributions to Political economy, Vol.27. No.1,* Oxford University

Argitis G (2006). *Global Finance, Income Distribution and Capital Accumulation, Contributions to Political Economy,* online publication, Oxford University

Bhagwati J (2004*). In Defense of Globalization*, Oxford University Press

Bichler S, Nitzan J (2012). The Asymptotes of Power, Paper read at the 2nd Annual Conference of the Forum on Capital as Power, *“The Capitalist Mode of Power: Past, Present, Future”, October 20-21, 2011,* York University, Toronto, pp. 1-45 (Conference Paper / Proceedings; English).

Bernanke. (2002). Deflation: Making Sure „It“ Does not Happen Here*, remarks by Governor Ben Bernanke Before the National Economists Club, The Federal Reserve Bord*

Crotty J (2000). Slow Growth, Destructive Competition, and Low road Labor Relations: A Keynes-Marx-Schumpeter Analysis of Neoliberal Globalization, PERI, *working paper series, Nu.6*

Crotty J (2008). Structural Causes of the Global Financial Crisis: A Critical Assessment of the „New Financial Architecture*“, PERI, working paper series No.180*

Dornbusch R (1997). *Key to Prosperity: free markets, sound money and a bit of luck*, The MIT Press.

Dumas C (1985). The Effects of Government Deficits: A Comparative Analysis of Crowding Out, *International Finance Section, Department of Economics, Princeton University, Princeton, NJ.*

Dujin JJ (1983). *Long Wave in Economic Life*, George Allen &Unwind

Eishengreen, B.ed. (1987). The Anatomy of Financial Crisis, *NBER, working paper No. 2126*

Ellsworth PT (1950), *International Economics*“, Macmillan

Fisher S (1987). Economic Growth and Economic Policy, in*: Growth Oriented Adjustment programs, ed.* Corbo V, Goldstein M, Khan M, IMF, Washington

Fukuyama F (1992). *The End of History and Last Man*, Penguin

Hilferding R (1952). *Financijski kapital*, Kultura, Beograd

Keynes M (1932). Economic Possibilities for our Grandchildren, in *Essays in Persuasion*, pp. 358-373, Harcourt Brace & Co., New York.

Keynes M (1964). *The General Theory of Employment, Interest and Money*, Harcourt, Brace & Co., New York.

Kindelberger C (1978). Government and International Trade, *International Financial Section, Princeton University*

Korten D (1995*). When Corporations Rule the World*, Kumarian Press

Krugman P (2007). who was Milton Friedman? *The New York Review of Books, Vol.54*, Nu.2

Krugman P (1991). Increasing Returns and Economic Geography*, Journal of Political Economy, University of Chicago Press, vol. 99(3)*

Krugman P (1995). The Dutch Tulips and Emerging Markets, *Foreign Affairs,* July/August, pp. 28-44.

Krugman P (2012). Lobbyists, Guns and Money, an article posted in The New York Times on March 25, 2012, *http://www.nytimes.com/2012/03/26/opinion/krugman-lobbyists-guns-and-money.html?_r=1 (retrieved on August 15, 2012).*

Krugman P (2006). Introduction by Paul Krugman to The General Theory of Employment, Interest, and Money, by John Maynard Keynes, *an official P.Krugman web page*

Lumb D (1990). What Does It Mean to Join the World Economy*, OECD, Paris*

Maddison A (2001). *The World Economy*, OECD

Mandel E (1972). *Decline of the Dollar*, Monad Press

Marris S (1984). Managing the World Economy, *International financial Section*, Princeton University

Marx K (1962). *Capital vol. I.* International Publishers, New York, vol II. III. Foreign Language Publishing House, Moscow.

Ohlin B (1979). Some Insufficiencies in the Theories of International Economic Relations, *IFS, Princeton University*

Orhangazi O (2007). Did Financialization Increase Macroeconomic Fragility? *Department of Economics, University of Chicago*

Panic M (2003). *Globalization and National Economic Welfare*, Palgrave

Phelpes E (2008). Keynes had no sure cure for slumps, *Financial Times,* December 12th, 2008

Rogoff SK (2008). is the 2007 U.S. sub-prime financial crisis so different? An international historical comparison, *NBER, working paper No.13761*

Romer C (2002). Back to the Future: Lessons from the Great Depression, *IMF Survey*, December 2

Schuker S (1988). American Reparations to Germany 1919-1933, *IFS, Princeton University*

Schwartz, A.ed.. (2007). The Impact of Milton Friedman on Modern Monetary Economics: setting the record straight on Paul Krugman“Who was Milton Friedman, *NBER working paper, 13546*

Stiglitz J (2008). the Financial Crisis of 2007/2008 and its Macroeconomic Consequences,

Stojanov D (1985*). Ekonomska kriza i ekonomska politika*: Neoklasièari, Keynes, Friedman, Marx, Informator, Zagreb

Stojanov D (2007). The Validity of Economic Thought of Marx and Keynes for XXI Century, *Journal of Economics and Business, Vol.I.*, Economic faculty Rijeka, Croatia

Stojanov D (2012). *Ekonomska kriza I kriza ekonomske znanosti*, EFRI

Summers L (2000). The New Wealth of Nations*” Remarks by Treasury Secretary Lawrence H. Summers Hambrecht & Quist Technology Conference San Francisco,*

The Economist, January 23, 2009

Taylor (2009). The Financial Crisis and the Policy Responses: an Empirical Analysis What Went Wrong, *NBER, working paper.No.14631*

Vade R (2008). The First-World Debt Crisis in Global Perspective, *Essay for conference on subprime crisis, University of Warwick,*
Vanek J (2004). Globalization, Destructive Trade and Remedies through Cooperation, *IAFP papers*
Whitman M (1981). International Trade and Investment: Two Perspectives, *IFS, Princeton University*