

TRANSITION OF THE TRANSITION

Abstract:

Is the experience we have in implementing reforms and transition processes enough to enable us to see the essence of transition? Is our understanding of the transition contents from 90's still the same after two decades? Do we have any doubts about our notions of transition? Is it possible that transition is heading the wrong way, especially if we test it from the perspective of future global flows?

The main idea of this paper is to point out the need of more critical view on the practice of transition and the dominant philosophy underlying the understanding of this process; as well as the need that each country, especially small countries should take care about their uniqueness and real strengths.

KEY WORDS: transition, way of thinking, institutions, private property, globalization

MAIN IDEA:

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The main idea of this paper is to point out the need for more critical view on the practice of transition and the dominant philosophy underlying the understanding of this process; as well as the need that each country, especially small countries, take care about its unique features and real strengths.

DEVELOPMENT OF THE MAIN IDEA:

What is moved by transition – which processes? Which less visible processes that shape context of moving ahead are initiated by transition? In other words, what are consequences of transition, if it is considered as dynamic process?

Did we learn some lessons, practical or theoretical, from the course of transition so far?

Finally, I will emphasize the necessity to think about new paradigm of economics. The need to transform the transition is also very important from that point of view - the need for transition of the transition.

HYPOTHESIS:

Transition is change of the prevailing way of thinking and life manner in a society. The way of thinking and life is dominantly influenced by interest structure and social power structure. That's why the transition represents the change of the social power structure. This understanding of transition raises question whether that new social structure follows the line of megatrends of development. My hypothesis is that **the dominant understanding of**

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transition is not in accordance with the new global scene. It doesn't follow requirements of the new time!

Where is the transition heading?

Transition has initiated realization of two ideas:

1. The creation of new national states (26)
2. The creation of new society – democratic capitalism

These two ideas are being gently assimilated through a process of **creating the welfare state**, i.e. creating the ideal of **social state**.

If welfare state is crawling socialism, did transition processes in ex-socialist countries so far represent a transition from revolutionary socialism to evolutionary socialism?

Did we fall into the trap of socialistic transformation of socialism? Did we fall into the trap of classical national state paradigm?

Which processes, that shape our, at least, close future, are initiated by transition on practical level?

I'll point out to three I consider:

1. Constructivism
2. Mechanicism
3. Politicism

And will try to describe each of them below:

1. Constructivism: We know what we want in advance! We believe in our constructivist vision of development! There is something that we call common goal and we must look at the society through prism of that common goal! Bureaus for planning were social constructors of economic system, weren't they? Didn't Gosplan represent the greatest mind? Kornai says that planned (constructivist) economy ends with economy of poverty. The key consequence of constructivism is distance from reality i.e. neglecting facts and messages of everyday's life.

More precisely, constructivist logic is based on the conviction that someone else knows better what my interests are! For example, smart government knows better where my money should be invested, so it collects high taxes. Beside other things, high taxes have significant message for the society: we know better than citizens themselves what they need! Constructivism is leaned on the logic of commands and helps more than it leans on the logic of creating conditions and removing barriers to development. Strategy – that is contemporary, modern term for constructivist logic! Is there something in today's world that we don't need strategy for? For example, all strategies we have in Montenegro weight almost 20 kilograms! Piles and piles of paper! This is just an undercover for bureaucracy!

One of the most favorite terms of constructivists is the word institutions! Undoubtedly institutions are the expression of maturity of one society, but they also serve as an undercover for strengthening collectivistic dictatorship! Making institutions stronger is understood as spreading state power during transition! Is this really the case? Is it really the truth? What is the institution – is it something that give signals for direction of our behavior? Turn signal at

cars is also an institution, isn't it? Promoters of social state would say: "Turn-signal on state owned car is the institution, but not the one on private car"! „Dear ladies and gentlemen, the turn-signal on car is the institution, not ideology! “

Constructivism politics is revealed through promotion of macroeconomic stability as the goal of economic policy! Macroeconomic stability means that economy is managed so as the Minister of finance has no trauma with budget! If the state collects enough taxes – then we reached the welfare state, because we achieved macroeconomic stability! For example, if GDP growth rate is 8%, as in Montenegro, then this year's absolute annual increase of GDP amounts to EUR 160.000.000. This is also the amount of absolute increase of state budget! State budget growth ate total increase in GDP! At the same time people are wondering why citizens don't feel direct benefits of macroeconomic stability! It is obvious that macroeconomic stability doesn't bring benefits to citizens, but they pay for it through higher taxes!

Why constructivist logic is oriented to growth and is against development? Constructivism is always related to quantity, to something measurable! It's less related, or isn't related at all to quality, which is expressed through invisible processes, knowledge, new organization, to innovation!

Aren't we witnesses that governments often don't won't to set the development, but macroeconomic stability and growth rate, as the goal of economic policy?

What was happening in socialism?

2. Mechanicism is an important constitutive element of thinking of so-called quasi-elites! It's the belief in somebody else's solutions! It's the belief that only external solutions can be good! "Don't invent the wheel... Copy and implement the laws of successful... Take over experience of successful!" We are mechanically transferring the institutions from the West into our country! We should not "invent the wheel", but we should create conditions to use these solutions, and do everything so as the culture of people accept their usage!

Mechanicism is directly related to belief in constructivism! Both constructivism and mechanicism don't admit importance of an individual, individual interests and relation of an individual with other people; both constructive and mechanical logic rejects the role of culture as historical amalgam in human behavior! Individual interests, social relations and culture are important for development of institutions. That's why evolutionism is needed instead of mechanicism – it is needed to create conditions for opening of new processes, which will lead to creation of institutions. Essence of institutions is imposed by **logics of processes**, not the logic of someone's mind!

The key mistake of transition is an opinion that huge institutional changes must be made immediately; an opinion that comprehensive institutional reforms must be conducted all at once and reality should be immediately pushed into those artificially created institutions and institutional arrangements! Very often, such institutional arrangements limited progress! Experience showed that **removing obstacles** is much more important at the beginning then institutions themselves! „This and other experiences give a signal to economic decision makers who look for "trigger" of economic growth that it is better to focus on how to eliminate burning obstacles to growth, then how to spend scarce political and administrative capital on ambitious institutional reforms... Of course, institutional reforms are needed at the

end in order to maintain economic growth! But it might be easier and more efficient to go into that once when economy is already growing and when expenses can be distributed through time!”¹

3. Politicism Belief that politics must and can resolve almost all problems and the belief that politics must put everything under control! Philosophy of the politicization is stability, i.e. political stability! This understands the system of power where political parties, no matter whether they belong to position or opposition, hold the real power! The same role of political parties in such system is the consequence of equality in ideas, i.e. political parties in opposition don't have the new idea which could endanger political parties within the government.

Populism is the practical goal, much more important than ideas and opening of new development processes. The balance is being achieved in one moment: political parties in government find the point of impotent power, and political parties in opposition find the point of powerful impotence! That is the point of equilibrium! The result of this balance is stability, which will cement the relations in a society. In practice it means that political system becomes obstruction to new ideas, new businesses, innovation and entrepreneurship! Along with political cementing – business structures are also being cemented: there are very few new businesses and new business ideas!

Where will these three processes – constructivism, mechanism and politicization lead us? They are bringing back old paradigms on the role of state in economy and state control over businesses; they recover protectionist logics, hamper business and new initiatives! Long-term economic development based on such processes is not sustainable, not matter for high growth rates which occurs sometimes; these economies have low limits of growth! In other words, prevailing understanding of transition, supported by logics of Western countries, bring many new transition countries to the entrance hall of development and permanent lagging behind developed countries. Did developed countries implement same policy measures which they propose to underdeveloped and transition countries in order to get to the position they have today?²

In my opinion, this question is the crucial practical starting point of thinking about transition! If this is a practical issue, then a question is what is the direction of the new assumptions of transition?

Before dealing with this issue I will point out to lessons we could learned from transition. I will also point out to mistakes many small countries have made, when they blindly listened to the bureaucratic-political commanding advices and followed McDonaldization policy of their own development.

LESSONS OF TRANSITION

¹ Dani Rodrik: *Goodbuy Washington Consensus*, Panoeconomicus, Novi Sad, 2/2008.

² See: Norbert Elias: *Civilizing Process*, translation, publishing house of Zorana Stojanovic, Sremski Karlovci, 2001.

Devid Lendes: *The Wealth and Poverty of Nations*, translation, The Pillars of Culture (Stubovi kulture), 2004, Belgrade

Which lessons should we learned from transition with respect to individual behavior, business activities and the role of state? I will point out to several psycho-philosophic lessons, as transition is considered as the change of prevailing behavior and logics in a society!

First, we should break the dreams about the existence of heaven (or heal) from extreme mythological point of view in our life. The transition is understood as the transfer from one political and economic system – socialism to another one – capitalism; it is the transition from the world of dark to the world of light. Have we been aware of the danger to enter so-called welfare state, which also lean on redistribution and high expenditures of state?³ Have we ever been aware of Schumpeter's ideas from his book: „Capitalism, Socialism, and Democracy“? The need to individualize the development arises from all of this, not the need to bureaucratize it!

Second, we didn't understand shrewdness of the state, i.e. the politics. No matter for all technological disturbances during transition, process of transition is being expressed as an attempt of the state, which had lost the real power after socialistic system crashed, to regain the real power. Thus, essence of transition is an attempt of the state to return the real power it had lost! In other words we can conclude that anachronism is one of the main features of the today's concept of transition.

Third, did we realize that the crisis is also a chance? Are we aware that the crises can be used as an opportunity for success? Crisis breaks social relations, which have been cemented until transition. It smashes previously cemented social structures! The crisis is like cracking a dam... The pressure is going up, society have no mechanism to lessen it and find some kind of exhaust valves along the way, and the crisis escalates, i.e. the dam is being cracked. Should we continue following the same logics which brought us to crisis, or should we change it? Or maybe the logics remained the same, only the players, which transition brought to scene, are not the same any more...

Fourth, multiparty system is being glorified. But „there no master will exist, if there are no servants“ (Hegel). In other words there is no real power in politics, if citizens are not weak, impotent and helpless. If system is took over from somewhere else and being implemented in completely different environment, especially in small, newly created transition countries, then it results in glorifying democracy system, i.e. the rule of majority! I am sure that Churchill was right at the time he said: "Democracy is the worst form of government, except for all those other forms that have been tried from time to time." (From a House of Commons speech on November 11, 1947). In other word the democracy is the worst form of government if there were no alternatives that existed. However, we live in the age of enormous technological possibilities and new methods of direct participation of citizens in decision making processes can be develop; different democracy systems are possible, especially at local level and in small countries!

Countries mostly have Constitutions that look like regular statutes or bylaws which regulate organization of state bureaucracy! It seems that we haven't used the chance

³ Edgar Browning: *Stealing from Each Other, How the Welfare State Robs Americans of Money and Spirit*, PRAEGER, London, 2008.

to promote new constitutional paradigm. Old paradigm which insists on organizing authorities and governing bodies should be replaced with paradigm which is trying to find the ways **how to protect an individual from majority!** Isn't it true that the Constitution should be an act which protects the right of an individual from self-will of majority! We need direct participation of citizens, direct expression of people's will in decision making process, which also means more referenda, less power in political parties,... Regardless legal power of state – **individual freedom** and **power of individuals** are the key constituents of **logical foundation of the society of future**. The transition has given us the chance to enter these processes among the first!

Fifth, principle that the equality is more important than freedom strengthens in transition!

Bureaucratic elites, wanting to centralize social relations, promote the theory which claims that all of us are equal! This theory is well known as the theory of equal bellies! That is the philosophical essence of the social-democracy. Indeed, welfare state is the creation of social-democracy, as socialistic state was the creation of constructivists and communists! The only difference is that social democrats appreciate money more than ideals – the ideal is equality! Freedom principles create conditions to respect the principle of differences between individuals and unequal capabilities, knowledge and skills of each and every individual. Thus it increases the chance of a society to essentially achieve equal treatment and equal rights of individuals. If we follow freedom principles, then possibilities to reach essential equality of individuals are greater than it has been the case, especially during, but also after 20th century, when equality in outcomes and the criteria of equality in outcomes has been intruded to people through regulation!

Sixth, the transition emphasized the necessity of property democracy, much more than political democracy! **Property rights**, along with **family** and **state**, represent the key institutions regulating the relations in a society! Property rights determine prevailing way of thinking and behavior of people living in a society!⁴ How can we distribute all resources that belong to one country among its citizens? How can they become owners and how will they run the management over their property? This brings us to the conclusion that **coupon privatization** has been the best form of privatization! Coupon privatization gave people the chance to open processes through capital market. Capital market is the best way to learn lessons of market economy and to understand global economy! Capital market is supreme criteria of financial market success and the indicator of the scope of changes in the system.

Seventh, transition brings attentions to the importance of the notion of time. Transition points out the danger of short-term view and the importance of long-term view. In other words, being trapped in short term, bring us to the danger of losing the vision. It can push us into the logics of inertia, imitation and following development models which had been successful in past. It is the emergence of belief that somebody else's part is our future! It is the pattern that kills entrepreneurial spirit of our people. It is the path that leads people to engage professions whose time has passed; it can bring us to look like the management of company „Oliveti“ (which produced typing machines) – they fought to increase production efficiency at the time PC industry has started to grow!

⁴ Ibn Kaldum: Muquadima, Svjetlost, Sarajevo, 1985.

Speed becomes extremely important; speed in decision making is crucial! I also consider very important to realize that what happens now in transition countries is nothing new! All of that have happened before Christ and in last 2.000 years. The key difference between then and now lies in technology and the consequences it brings. People now are not more intelligent than they have been before! They have no more real power! It is arguable whether they are happier – which could be concluded from ancient Greek theories!⁵

Did the transition result in creating the system with fast decision making; system which respect the importance time as resource and generating money along the time? Is large bureaucracy in conflict with the need of fast decision making?

Can we maybe express the comprehensive change of civilization in one single word: speed! Speed is condensing the intensity of using time! Thus average wage of contemporary human of 80 years cannot be just taken as granted; we must consider it in context of life intensity in those 80 years! Why are some people eternal?

Eighth, blind belief in institutions as synonym of state and big and complicated institutional arrangements is a mistake! If we enter transition processes aiming to achieve some intruded institutional arrangement, took over from somewhere else; if we don't think about culture and don't respect social habits, customs and mentality of local people, we'll put strong limits to our development!⁶ It also opposes to global trend of creating new states, i.e. destruction of currently present system of nation-states.

Critics of transition paradigm implemented until now say that it is more important to move barriers and obstacles, and to open the processes at the beginning. That will build the foundations to develop institutions afterwards. The institutions being built must tie global processes with local culture – globalization and local culture must get connected somehow. This brings us to the question: If the culture is important, are all institutions the same? Are there any specific features of certain cultures, any uniqueness? Does it really mean that everything must be exactly the same and uniform in order to be global?

Are, as I already said, the institutions just a belief in the power of state? Does strengthening institutions only strengthen the power of the **state**? Or should the strengthening the institutions be strengthening of the society at the same time?

Ninth, the state should become a part of society, not the owner of society! National state is becoming more anachronism and out-dated institutions every day! Millions of people in future will probably pay the consequences of opposing this idea. Shouldn't we expect that states which accept this idea and follow it will become centers of power in future? As for example Netherlands, Portugal, Denmark had become "super power" when realized the processes which destructed Roman Empire and build their states on those processes. Can the history repeat? Is it possible that similar thing happens today?

⁵ Ronald Right: *Short History of progress*, translation, Geopolitika, Beograd

⁶ Svetozar Pejovich: *Why is culture important?*, Walter Eucken Institute, 2003

Tenth, transition processes require **courage!** Processes require self-belief and self-respect! Processes ask for people who are ready to sacrifice much – to sacrifice life if needed, in order to make these processes possible and real! Hadn't the Christ been a paradigm of introducing, promoting and sacrificing for an idea? Not too many people have said much about Christ as a brave man!⁷ Courage is usually being related to Alexander the Great, Cesar, Colombo, Napoleon... They were brave to defend and develop paradigm of development of their era. But Christ was been brave to develop new paradigm and to prove his belief in this paradigm by his own life? Did the transition need more brave spiritual leaders, as Claus, Laar,...?

All these lessons bring us to one common lesson: We must turn to life and an individual, to his freedom and the quality of his life – that is the key message and the key lesson of transition.

SMALL COUNTRY IN TRANSITION

How does the context within which transition process (constructivism, mechanicism and politicism) take place and lessons learned from transition influence the context of social relations in a small country, such as, for example, Montenegro? What can be a real danger for a small country in circumstances like these?

I think that imitating a big and strong country can be devastating for a small country. Imitating means that a small country have all bodies, all ceremonies and protocol procedures, as a big country; it also has numerous bureaucracy, diplomacy, many needed and unnecessary laws, regulatory system, etc.

What are the differences between society organization in Montenegro and USA; or between Montenegro and Germany? Does a country with 650.000 people need as same bodies and as same bureaucratic apparatus as a country with population of more than 50 millions?

Is the state organization similar to organization of McDonald's restaurants – very same everywhere around the globe? Is Mc Donald's fast food restaurants chain the only one that operates today?

In other words, is it true that only chance of small countries is to put on global uniform and become global "soldier"? This raises a question: what can be a benefit of global processes for a small country if it is as same as all other countries?

What can bring prosperity to a small country today?

A small country will progress only if it is being different; if it's being special, unique; if it creates its own brand. A small country will succeed only if it has entrepreneurial approach and it is unique!

The chance for a small country lies in being different from the others and being recognizes by its uniqueness!

⁷ See: Colin Durier: *Anno Domini 33 – the Year That Has Changed the World*, translation, Naklada Ljevak, Zagreb, 2007

Is it possible that a small country can implement this policy of being different and unique - or big countries and big systems will endanger it?

In my opinion the real power in today's world lies in the hands of the great powers and small or very countries! The great powers (if we use old terminology) have the power and strength of the great! Being small becomes an advantage if we understand the size as the power that comes from a speed of adapting to new circumstances!

Why is this happening? Where global flows will take us? Should we adapt to flows from the past or to the future flows? Should we "conquer" the past which has ended or the future which has just started?

LESSONS AND MESSAGES OF THE HISTORY OF DEVELOPMENT

Could our economic development in the past bring a new light in observing transition – can it give some kind of context to analysis of transition? If each transition country is aiming to achieve the same goal – to improve quality of life of all citizens, i.e. to increase wealth of every individual and a society as a whole, it necessarily raises a question: **Why are some nations wealthy, while other are poor?**

Progress and development ask for **initiatives** – initiatives don't fall from the sky! Initiatives require innovation in technology, devoted people and new knowledge! But initiatives always face obstacles! Countries that have reduced those barriers to new initiatives are highly developed today! These initiatives lead societies to **private property** and **strengthening institutions based on private property**. Private property is a tool to limit the power of the rulers and their despotism. Developed countries in today's world are there where the success has been celebrated. On the other side, undeveloped countries are there where failure and defeat have been glorified. Has the transition **established this kind of approach, this way of understanding life? Has the transition promoted economic freedom, i.e. freedom of an individual to enter business activities and earn money; has it developed a belief that business is the key in developing society and increasing individual wealth?**

LESSONS OF FUTURE DEVELOPMENT

There are four important mega-changes happening in today's world, which are important in understanding the idea of economic freedom, i.e. in understanding the essence of transition:

- 1) Global economy development;
- 2) Weakening of the nation-state,
- 3) New economic theory;
- 4) New view on world

1. Global economy

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- 3) New economic theory;
- 4) New view on world.

1. Global economy

Can the fact that the West has been created and has become the most developed part of the world thanks to innovations and technology, investments into knowledge and broadening market be used as a lesson for some countries at present?

Isn't this confirmed by experience of Ireland and Finland? Both countries followed the path of investing into technology and knowledge, i.e. they largely invested into human resources. That encouraged entrepreneurial spirit in the country and entrepreneurial activities emerged, while people at the same time got free from the fear of foreigners and foreign capital. Both countries got free from the myth on the importance of national market. They created development strategy for their companies which implied entering foreign markets and selling products and services there. Besides, Finland even introduced English as official business language.

Both countries, Ireland and Finland changed strategic vision of development! The starting point of their new vision is that regardless the fact they are small countries, they can become strong players on global market. In other words, both countries had understood themselves as **business platform** in relations with the rest of the world, not as the fortress in the ocean of global economy.

That's how these two countries have become the active part of global economy and important constituent of global economic flows.

Two elements of global economy are important here:

1. Global economy is happening and becoming reality through mechanism of global market, which ties the world economy into one unique, well connected and complete totality!
2. Global economy abolishes borders, and creates borderless world. There are no limits to communication, companies, capital and consumers in today's world.

2. Global economy and the nation-state

Global economy is the economy which abolishes state borders. How do we understand this change having in mind the fact that our understanding of reality, especially economic reality, is based on notion of classical nation-state? Economics as a science has been closely related to the concept of nation-state. It was even named **political economy**.

What makes the economic essence of nation-state?

- Protection of domestic economy. First of all, development depends on national market not on global market. Import-export flows, as well as all other relations with foreign and global markets are under state control. Economy of the nation-state is closed economy, i.e. closed economy has been created before Keynes. Nation-states have national symbols, national territory, national currency and central bank to protect it and it has the army.

- Protectionism is the key economic philosophy of nation-state concept!

What happens with these key elements of nation-state when borders are being opened? Are border controls pointless in the world of internet? Can the state keep strong political function if we know that a part of its political sovereignty is transferred out of its borders, to supra-national levels? Should the state become economic unit instead of political, no matter whether it'll become **region-state**, as Ohmae calls it, or **cosmopolitan**, as said by Ulrich Bech?

However, one global trend is evident: global economy requires replacement of the role, which political state has had in the past, by economic state in future! This trend will have tremendous implications in this century. The question being raised here is whether transition will lead us to political or economic state?

3. Global economy and new economic theory

Can the understanding of economy and economic policy measures remain the same in new global environment and weakening of the nation-state concept?

As economists, are we aware of these facts? Have we realized it? Do we, as economists, put the focus of our attention to the core of economy, to phenomena and activities that are taking place around us, or are we much more oriented to the well known theories from the past and trying to analyze and explain contemporary economic phenomena by them? Can old theories be used in explaining today's economic reality? Have we, as economists ever wondered: **Why did these great economists explain economic relations on the way they explained them?**

Are they being great minds in economics as science and philosophy because they discovered natural laws in economics, or because their thought and their ideas resulted from historical circumstances of the time they lived in? If this is true, then I ask whether a theory which properly explains economic and other relations in a society of a certain period of history can still be used in analysis of today's world without any mistakes? Isn't it true that Smith has only spoke about factories and industry, but not about sector of services? David Ricardo put comparative advantage into focus of his research attention at the time when his home country England had been a super-power; Keynes developed his general theory of economics as a response to Big Economic Crisis from 1929; Hayek and Misses reacted on the power of welfare state!

This is why I think that is extremely important to understand that as circumstances in economic environment changes, theory which explains economic relations must also change!

If economic thought and economic theory is more evolutionary (adaptive to circumstances), then theories that explain physical relations (natural laws), would the solutions for old economic problems be as successful in solving today's economic problems?

If we agree that our reality today can described by a word - globalization, are the postulates of traditional Keynes macroeconomic still valid today? Should we keep macroeconomic stability, i.e. relation between employment and inflation in the economy, as key goal of economic policy? Isn't it true that economic policies in transition process also lean on the myth of macroeconomic stability?

Roughly said, we can choose one of the two following approaches: (a) **either to keep on living in the dreams of great economic minds from the past;** (b) **or to widely open our eyes and look for the heart of economy which is taking place around us.**

Technology has changed the world! Technology improvements have changed perception of the world we are living in! Technology also brings changes into economy! And economy and economic environment is as steady and stable as meteorology.

4. Global economy and new view on the world

We are still captivated by mechanistic paradigm which had been scientifically structured round 400 years ago! It has been founded by Francis Bacon, Rene Descartes and Isaac Newton.

Mechanistic world in the world of cause-consequence, determinism and linearity; it is the world of visible and material.

However, researchers who explored atomic and subatomic world in 20th century revealed unexpected limits of classical physics and thus imposed to need to revise many, until then, basic notions.

The world has much more complexity then postulates of classical physics demonstrated. Quantum physics revealed that complexity (Heisenberg, Bohr).

What have happened after the birth quantum physics? Did we get to the understanding of the indeterminacy? Did we get to the understanding of the world of chaos; world of anarchy? Is there any resemblance between quantum physics and global economy? Some well-known researchers of global economy claim yes!

Similarity of global economy to quantum mechanics raises a question whether we can give a new name to global economy and call it “quantum economy”?

Montenegro between the shock of globalization and global economy

In following part of the paper I will go back to its beginning part.

If we take into consideration the context, implied by already described megatrends that feature today’s world, which way of development should Montenegro choose? What should be taken as essence of its transition?

Should Montenegro continue to go along the **path of economic freedom** that leads to global economy, or should we accept **protectionists’ logic, which is** recovered in Montenegro lately. Should we go along the way of strengthening businesses and belief that money is created nowhere but in business, or should we believe into donations, foreign aid, external funds, and foreign loans? **An African proverb says that a hand that bags is always below a hand that gives.** What is more important for our development – to sell high quality domestic products and services not only in the country, but even more on international markets; or to sell Montenegrin political concepts to the world?

Should we invest into knowledge, research and transfer of technology that is valorized on global market, or should we invest into politicians and bureaucracy? Should we finish privatization process (remaining 15% of total capital is still in hands of state) and protect private property or should we keep domination state – party property?

Should we develop open economy or as proposed by neo-protectionists closed and controlled economy? How should we respond to the challenges of globalization: to open the market or to, as protectionist propose, close the market and develop - I will call it - **hedgheg-economy**? Are protectionists in shock because they have no possibility to control import-export flows in borderless global economy, or they fear that they don't have products and services good enough to be sold at global market? Global economy threw protectionist economic thought out of saddle!

All of these questions should be considered in context of global economy! People who understand the fact that global economy is our reality, and who realize that rejecting it would be as useless as plowing the sea, promote one development concept in Montenegro. Others who don't admit existence of global economy; who oppose globalization have their concept, or at least they say so.

Here we come to the point that the role of state and its organization is important. According to our concept, state should be more economic, then political element of the society. What's essential role of diplomacy, if not the role in area of economics? Global economy revokes national borders. The model of nation-state i.e. political state assumes existence of national borders. National state is losing power! A new force, new power is being created: the power of global economy,⁸ i.e. the power of (capital) market! It is the invisible power! It is the power without coercion! If you want investments into economy, open the borders and create conditions - capital will come and stay in the country! If you don't want to do so, capital will go somewhere else! If investors bypass the country, the country will be condemned to lack behind development! This raises the question whether growth of budget consumption in Montenegro is a force which attracts capital? Does Montenegro really need more than 40.000 people who get salaries from state budget?

We proposed the concept of microstate - economically efficient and pro-development oriented organization of the state, which would encourage development of open and knowledge based society. We also offered an alternative to present political system in Montenegro – introduction of presidential system, along with few other changes.⁹

The concept is trying to be in accordance with the vision of involving Montenegro in global economic flows. But, people who have no knowledge and don't feel what are essential principles of global economy can hardly understand the concept of microstate.

Opponents of our concept discuss and analyze it from the perspective of mechanistic paradigm and mechanical view on the world. That's why they see the term micro-state and the notion of micro in general, as something unacceptable for as tall people as Montenegrin people are! But, if the strength had come from **height and weight**, atomic bomb would have been given another name!

⁸ Beck, Ulrich: „Power in Global Age“, Školska knjiga, Zagreb, 2006

⁹ Vukotić, Veselin: „Montenegro – microstate“, International Conference „Policies for Viable Microstates“, ISSP, Podgorica, 2003

However, new economic thought that is being created in Montenegro, will probably influence and change prevailing way of thinking. As soon as we entered transition, we have realized that many problems we are facing are the new problems indeed. These problems cannot be solved using recipes of old economic theories. There are no recipes from past that can be used in today's world of complexity and interdependence; the world of new technology and knowledge. No old solutions can be used in the world where **old paradigm** based **on physics** is being replaced by **the new paradigm** based **on biology**. This transition, from paradigm of determinism implied by laws of physics, into paradigm of uncertainty, indeterminacy and evolution, lays foundation for development of new economic theory. All of this requires new approach to economics, both on theoretical and practical level!

I think that maybe economists are the only profession in Montenegro, which understood and followed this change of dominant paradigm since transition has started. It might be the reason that we are facing the strongest criticism.

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