

International Political Economy Through the Lens of Globalization: A Critical Review

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Abstract: *Emergence of the International Political Economy as a platform for a complex interface between economy and politics coincides with a strong momentum of the last phase of globalization. The interdependence is explained through the prism of three classical theories, liberalism-as a pro-globalist theory, mercantilism, and Marxism, both skeptical of globalization. Shrouded in numerous controversies globalization has indeed achieved limited results. Paradoxically, actors in the borderless, neoliberal world are exclusively driven by capital. Governments often allow transnational companies to dictate market developments with direct influence on employment, gross domestic product, and power distribution. The aim of this paper is to show whether the neoliberal order is on the wane, an order in which non-liberal measures such as trade protectionism and border closure are increasingly being resorted to pushing back the processes of world economy liberalization. The basic liberal, democratic pillars of equality and justice have collapsed before the interest-driven economy.*

Keywords: *globalization, international political economy, liberalism, mercantilism, Marxism*

JEL classification: *F0, F5, F6*

Introduction - Global Developments and the Rise of the International Political Economy

Throughout history, the global environment has constantly changed under the influence of myriad forces, causing an occurrence of various developments, even turbulences within the international system. These developments, on their side, have had a decisive impact on the direction of the functioning of this complex global system. One of the most important characteristics of modern international relations is the immense influence of the economic factor. All key global political, security, and military issues contain an important economic component, that simply cannot be ignored. Globalization has caused such a strong interaction and interconnectedness between the latter making it impossible to consider separately international political and international economic issues. Nowadays, it is clearly evident to what extent political decisions, both domestic and international, affect global economic trends, international trade and financial flows, and vice versa, how much economy impacts socio-political developments. (Bennet and Johnson, 2021) The scientific platform for understanding this complex interdependence between international politics and international economics is provided by the International Political Economy (IPE) or Global Political Economy (GPE), an academic discipline that exists within the political sciences.

According to author Benjamin J. Cohen (2016), political dimension of IPE is shaped by the power and strength of all actors on the international scene, as public and private institutions that, through their decisions and actions, produce processes and strive to achieve certain goals. Economic dimension, on the other hand, consists of the daily distribution of resources to maximize profits, ultimately defining social behavior. (Cohen, 2016, 8-9). Through the interaction of these discourses, the notion of economic globalization was created. As author Nicholas van de Walle emphasizes, economic globalization is most often defined as a “continuous process of international economic integration and increased economic interdependence. Economic globalization is measurable through certain indicators that address the participation of national economies in international economic flows of trade, capital, and labor” (Van de Walle, 1998, 9).

In addition to globalization, the focus of international political economy is economic growth and development with special emphasis on developing countries, multinational corporations, international economic institutions, the problem of hegemony and the emergence of new

centers of economic power, the North-South relationship, and the overall functioning of the international financial system. In other words, international political economy seeks to remove the artificial division between politics and economics, i.e., the state and the world market, and the division between domestic and international levels of politics, economics, as well as security. However, this has not been always the case. These divisions had dominated domestic and international political and economic activities until the 1970s. (Phillips, 2017) What caused these radical changes in the theoretical and empirical approach to international relations? There are two events, the crises of 1971 and 1973 that radically changed the global thinking of international politics and the international economy. The first is the end of the Bretton Woods system or the so-called Nixon shock, and the second is the oil embargo of OPEC countries, which are usually cited in the literature as events that marked the beginning of international political economy as an academic field within international relations. (Paul and Amawi, 2013)

In response to rising inflation and unemployment, which threatened economic prosperity of the USA, and in order to protect and stabilize the US dollar as a "pillar of monetary stability around the world", President Nixon suspended the convertibility of the dollar into gold, in August 1971. Two years later, in October 1973, OPEC members, led by Saudi Arabia, imposed oil embargo on Western countries that provided assistance to Israel during the Yom Kippur War. The act of retaliation which caused a 300 percent increase in oil prices resulted in serious economic repercussions. (Cohen, 2016). These two events had far-reaching consequences, the most significant of which was that they brought to the surface all the problems of one-sided observation of politics and economics and imposed the need for joint consideration of these two academic areas, from the aspect of both theory and practice. Furthermore, the oil embargo has displayed all the power and influence of the economy, i.e., energy as an instrument for achieving political / foreign policy goals, strongly emphasizing their complex interdependence. Finally, the question of the role of multinational corporations not only in the international economy, but also in international politics, has been given a special place in every consideration of these two areas. Strengthening of OPEC, expansion of the European Union, the rise of Asia's industrialized countries, along with simultaneous weakening of American hegemony and the financial crisis in South America and East Asia, are all events that have further blurred the dividing line between politics and economics as an academic discipline. One of the pioneers of international political economy, Susan Strange in her famous 1970 text

lamented the fact that the two academic disciplines of international economics and international politics existed in a state of “mutual neglect” (Strange, 1970, 304-315).

History of International Trade and the Development of the Idea of Liberal Capitalism

Trade is defined as the concept of exchange of goods and services between peoples, entities, states and as such has existed for thousands of years. The first traces of trade activities can be found in the ancient Mesopotamian city of Uruk, which, thanks to rich economic activity, the first trade intermediaries, and a wide trade network, set the trading pattern that will last until today, almost 6000 years. It is important to note that trade, from prehistoric times to the present day, has had an international, i.e., global character. The most obvious proof of this claim is the ancient Silk Road, the first global network of land and sea trade routes that connected East and West. Thus, what is the relationship, historically speaking, between trade and globalization? Many scholars believe that the discovery of America and the passage along the Cape of Good Hope for India, the world voyages of Columbus and Magellan are considered to be a new historical chapter in globalization. The new discoveries resulted in immense global trade flows that set up the stage for stronger interdependence between globalization and the economy (Vries, 2018, 4-5).

Although some authors consider globalization to be a phenomenon of the modern age, Thomas Friedman in his bestseller *The World is Flat* (2005) considers that globalization has gone through three phases in its development. According to Friedman, the first and longest phase of globalization, which he calls ‘Globalization 1.0’, began with Columbus’ discovery of the New World in 1492 and lasted until 1800. In this first phase, nations dominated global expansion of trade, which was driven by religion and nationalism. The second phase of globalization, ‘Globalization 2.0’, lasted for a full two centuries, from 1800 until the beginning of the new millennium in 2000. The driving force of this phase of globalization was multinational corporations, which broke down all boundaries in search of raw materials, new markets and cheap labor. In the last few decades, the development of information and communication technology has given a new impetus and a dimension to globalization, shaping ‘Globalization 3.0’, a phase that lasts from the beginning of the new millennium to the present day. Today, the Internet, numerous communication technologies and software solutions have enabled

communication, networking and connecting people, both privately and in business, unprecedented in human history (Friedman, 2005).

For the purpose of this paper, we will focus on the end of the second and third phase of globalization according to Friedman. A brief overview of the history of international trade and the development of the global economic market will begin with the end of World War II and the phase when the tie between globalization and the economy takes on a political context. The idea of forming a platform to regulate international trade emerged during the Bretton Woods conference in 1944. The era of international trade integration began in 1947 with the creation of the General Agreement on Tariffs and Trade (GATT). The GATT has enabled the removal of protectionist measures in trade in goods and enabled trade liberalization. The GATT agreement, however challenged, has made huge strides: “Tariffs have been reduced from a level of almost 40% to less than 4%. Clear rules have been developed for the application of certain foreign trade policy measures (such as subsidies, anti - dumping procedures and customs duties, technical barriers to trade, self - defense, etc.), and to some extent procedures have been developed for resolving disputes between members.” (Matić & Lazibat, 2001, 695). The three basic principles were the principles of reciprocity, liberalization, and non-discrimination. The GATT was renamed the World Trade Organization (WTO) in 1994, and some authors associate this transformation with the beginning of the third stage of globalization. (Paul and Amawi, 2013)

A significant point in time that marked the field of international economic policy was the adoption of the European Recovery Program - known as the Marshall Plan (George Catlett Marshall) by the U.S. and Canada, which envisioned the reconstruction of Europe after World War II. It was adopted in 1947 at the Economic Conference in Paris and was conducted until 1952. The goal of the Marshall plan was threefold: economic, political, and security. In addition to the economic recovery of the European countries, the goal of the monetary aid was to prevent any future military conflict on the European soil and suppress spreading of socialism and communism. "Liberalism in economics traditionally advocates the principle of laissez-faire, i.e., unhindered action of the free market and market laws and reduction of the prerogatives of the socialist state." (Galović, 2017, 87). It was believed that the establishment of a liberal economic order, which was reflected in the prevention of economic nationalism, the promotion

of free trade and the strengthening of international economic cooperation, would lay the foundations for lasting peace—a goal that has been successfully achieved. The states needed to implement political and economic reforms and accept the concept of international cooperation as a condition for assistance. On one hand, critics saw the expansion of U.S. power and U.S. control and influence over Europe in this plan. On the other, almost all Western European states, thanks to 13 billion US dollars in subsidies, recorded serious economic growth and development, especially in the field of agricultural and industrial production. Eastern European states did not accept the program due to strong political pressure from the Soviet Union. (Miller, 2018)

In addition to the already mentioned GATTs, i.e., the WTO, the most important international economic institutions are the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (World Bank or Bank), which were established at the Bretton Woods conference, and the Organization for Economic Cooperation and Development (OECD), which was formed in September 1961 from the OEEC. The World Bank consists of two institutions, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), and it was established to provide cash loans to the governments of less developed and developing states to support implementation of the capital state projects. Opinions vary from those who see activities of these institutions as a path to development and prosperity to those who see in these international institutions a modern form of slavery and an extended hand of hegemony in exercising uncontrolled power and interests.

Author Matthew Watson (Watson, 2003; Watson & Hay, 2005) points out that the IMF and the World Bank have the power to create state policies by setting guidelines by which states must behave. In this way, they control developing states and deprive the governments of their constitutional power. Some critics see these institutions as “an extension of Western transnational companies and policies that are destroying traditional local lifestyles by introducing Western capitalism” (Baylis, Smith & Owens, 2014, 427). This is due to the fact that poor and less developed states do not have export opportunities for they can only offer natural resources or agricultural products. Additionally, imports from developed states are creating growing differences that can pose huge problems in the future (Awdel, Odel & Saadi,

2020, 998-1000). There are also views according to which the WTO does not have a clearly defined set of rules that stipulates behavior of governments, so various abuses are possible. The lack of rules of conduct allows state governments to introduce protectionist measures under the guise of consumer health or environmental protection that protect domestic producers from competition from other states. States skillfully camouflage their true intentions, and through covert protectionist measures, artificially influence the global market (Oatley, 2012, 35; Steans, Pettiford, Diez, & El-Anis, 2013, 66 – 67).

International Political Economy from Classical Theoretical Perspectives

International political economy, along with international security, diplomacy and international law, as authors Baylis, Smith and Owens claim, is “the main feature of the world politics” (Baylis, Smith, Owens, 2014, 243). The reason for this lies in the fact that despite the social or temporal context, political economy is particularly stable in the context of relations among states and nations, reflecting both their cooperation and/or antagonism. Generally understood as a theory of reciprocity between economics and politics, the discipline came into focus of the study of international relations in the 1970’s, the decade marked with the Nixon's shock and the collapse of the Breton-Woods economic order that ultimately challenged the traditional concepts of power, reflected in classical economic theories. In this way, understanding economic relations in an interdependent world required a strong theoretical background, offered by three classical theories of international political economy, liberalism, mercantilism, and Marxism, each corresponding to the dominant approaches to the international relations. (Paul and Amawi, 2013)

Relying on freedom as a normative principle and its base, particularly in an economic context, the theory of liberalism had been primarily encouraged by the teachings of Scottish philosopher Adam Smith and his famous work *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776/2010). The theory emerged as a paradigm of economic independence through the principle of non-interference of the state in the economic flows of private property, thus being deeply rooted in contemporary international relations. Even though economic theory in its essence, the given paradigm affected world politics in many ways, thus showing the eternal coherency of economics and politics. Moreover, explaining the relationship between economics and politics the theory of liberalism inaugurates the thesis that the economy drives politics.

That is why one may claim that liberalism with its contemporary variations intensified the globalized world order, fostering the emergence of international institutions as the most significant feature of this world order. With its focus on individuals and groups, i.e., enterprises and private business, liberalism abolishes economic nationalism, expanding economic relations beyond the borders of the nation-state. In this way, open international markets foster international economic exchange, reconciling different economic and ultimately political interests for mutual gain. That is why this theory stands at the core of global institutions, created as an expression of consent on cooperation reconciling individual interests and promoting peace in a multitude of different aspirations and fragmented political interests in the world system. In this regard, scholar Andrew Moravcsik in his paper “Taking Preferences Seriously: A Liberal Theory of International Politics” emphasizes: “Liberal institutions and norms may be particularly conducive to the promotion of peace and cooperation.” (Moravcsik, 1997, 540). It is commonplace that the liberal orientation encourages global cooperation through international institutions, especially economic ones established at the Bretton Woods Conference. The theory, based on the thesis of promoting free international trade, will be challenged by the theory of economic competition, i.e., the theory of mercantilism.

Another theoretical direction of the international political economy, mercantilism, emerges in a complete contrast to the previous theory. It can be argued that mercantilism shares the views of realism, as a theory of international relations and in the context of international political economy applies these views to economic relations. For the realists, the basic actor in international relations is the state. Starting from the premise of human egoistic nature and relations in an anarchic environment, the theory finds the basis for the behavior of states in these two elements, advocating the thesis that the self-help and the survival are the basic goals that states strive for in the global arena. Following this position, mercantilism, as a theoretical direction of international political economy, advocates the thesis that the world system is nothing but a wilderness in which every state tends to survive and self preserve. In order to achieve this goal, it is necessary for a state to maximize its wealth and independence from other states using different policies (Dimitrijević & Stojanović, 1996; Vukadinović 2004; Duraković, 2009). Unlike liberalism, for mercantilism, politics is the main driving force behind the economy. In this way, mercantilism, as a theory, is directly opposed to liberalism, considering individual policymakers and their policy choices irrelevant in the context of the international

economy. The nature of economic relations, according to mercantilism, is conflictual and therefore this theory is skeptical in the context of globalized cooperation and relations among states.

Marxism, as an economic theory starts from the assumption of man as a homo faber - one who produces and thus creates goods. The basis of this theory is economic interrelationship between production, exchange, and distribution of goods. Economy is the basic principle of every society, and, as Marx emphasized in his works, economic relations determine all other social relations. The basic determinant of capitalist society, according to Marx, is the constant conflict of two classes — the class of wage workers and the class of capitalists, that is, the owners of the means of production. This conflict directs all social relations. Therefore, in line with this, it can be argued that economic structure is the basis of the entire social structure. Namely, the development of the structure of class society increases the power of economic factors so that in the capitalist formulation this power rises to the level of world domination of capital over wage labor, to economic coercion that rules people and their relations. Consequently, Marxist theory, along with the realism, is skeptical of globalization in the context of the rule of liberal institutions and the power of capital, which, with globalization, is taking up global proportions. The result of these processes is economic alienation, which with increasing interdependence, takes on the expression of ideological, political, and social alienation. Despite its limitations and failure in practice, Marxism gave a huge theoretical contribution to the critique of liberal capitalism, neocolonialism, and neoimperialism. As the author Nijaz Duraković (2009) points out, "today only the modern Marxist approach critically considers the theories of globalization and the universal Americanization of the world." (Duraković, 2009, 34).

Based on the above, one could claim that the explanation of globalization through the lens of the given theories expands and deepens this process, including almost all aspects of society, economy, and politics in understanding the increasing interdependence. In doing so, these theories reflect the impact of globalization in two ways: as pro-globalists and sceptics. While liberalism, by its nature, is a pro-globalist theory, mercantilism and Marxism remain skeptical and hence critical of this process and its effects. Using such an approach, international political economy, expanded the explanation of globalization, particularly in a manner which eventually provides the understanding of this phenomenon in terms of liberalization as an aspiration for

reducing the intervention of government policies in economy and internationalization of the in-state economic relations, describing the increase of inter-state transactions reflected in flows of capital, investment, and trade.

International Political Economy and Globalization - Prosperity or Decline

The formal, though not de facto, end of the Bretton Woods system was followed by a period of increased economic interdependence and a transition to a system dominated by market forces rather than the state, which has been the case ever since. This period is also called the Washington Consensus (Williamson, 2009), and is characterized by market liberalization, economic growth and development, stronger international trade, investment, and monetary flows, further strengthened by the development of communication, telecommunications, and computer innovations. In other words, the post-Bretton Woods system is characterized by strong international capital flows and expansion of overall international economic, financial and trade interaction, not only between developed western countries but also between developed and developing countries, especially those from the southern hemisphere. As a result, national economies became more dependent, but also more sensitive to overall external economic developments, to which they could no longer be immune. Although Western developed countries, led by the United States, dominated the monetary system, less developed countries that experienced significant economic growth, as well as the colonies that gained independence in the 1950s and 1960s, began to question exclusive western right to govern global economic system. The end of the Cold war, the collapse of the Soviet Union and the integration of the former Soviet republics, but also China, into Western market structures, led to a global redistribution of power, both economic and political. (Smith et al. 2017)

With the end of the Cold War division, the neoliberal approach and market economy took over. The 1989 Washington Consensus was a set of economic policy measures adopted to implement economic reforms. Economic policy recommendations shaped neoliberal paradigm promoted by the International Monetary Fund (IMF), the World Bank, and the U.S. Treasury Department. The promotion of the free market and full liberalization of trade implied models of privatization and liberalization. The set of measures included ten concrete actions that would ultimately lead to better tax and fiscal discipline, the competitive status of states and national currencies, reduction of tax rates and creation of preconditions for increased investment, as

more efficient public spending aimed at improving education, health system, and infrastructure. However, the critics have been very vocal in claiming that these measures limit the sovereignty and integrity of states. Poor reforms resulting in population stratification instead of economic development, and even greater poverty and deepened divisions between rich and poor in some regions, such as Latin America, have further promoted critical attitudes towards global economic developments.

True, most developing countries were still not ready for this type of integration and were inconsistent in the implementation of the undertaken agreements. Unfortunately, Latin American and Middle Eastern states have accepted macroeconomic policy reforms but have not implemented deeper reforms of state institutions. It has been proven that the unwillingness, unpreparedness, and weakness of domestic institutions was the main reason why these states have not adequately responded to the reform processes (Rodrik, 1997). At the same time, with the rise of neoliberal dogma, the world was hit by technological revolution that triggered the new wave of globalization, accompanied by new forms of production, exchange, distribution, and consumption. One of the most important and concrete results of these processes was increased interdependence between states, which in turn affected development of certain circumstances over which the states did not have excessive influence. The increase in population and the emergence of new opportunities for the transport of people and goods have led to greater circulation of the population.

New transnational actors emerged that faced no obstacles in their activities because capital and power opened all doors, and thus erased boundaries. The most important of these actors are multinational companies. The possibility of efficient dislocation and relocation of the production process has enabled multinational companies to make global economic activities maximizing profits. With this approach, transnational corporations have become the majority owner of capital and the key player in the processes taking place on the international market. In this regard, the author Chakravarth Raghavan (1996) asserts the importance of multinational corporations in terms of their impact, estimating that „MNCs account for around one-third of total world economic output and control around two - thirds of the world economy” (Raghavan, 1996; Maksić, Olovčić & Delalić, 2020).

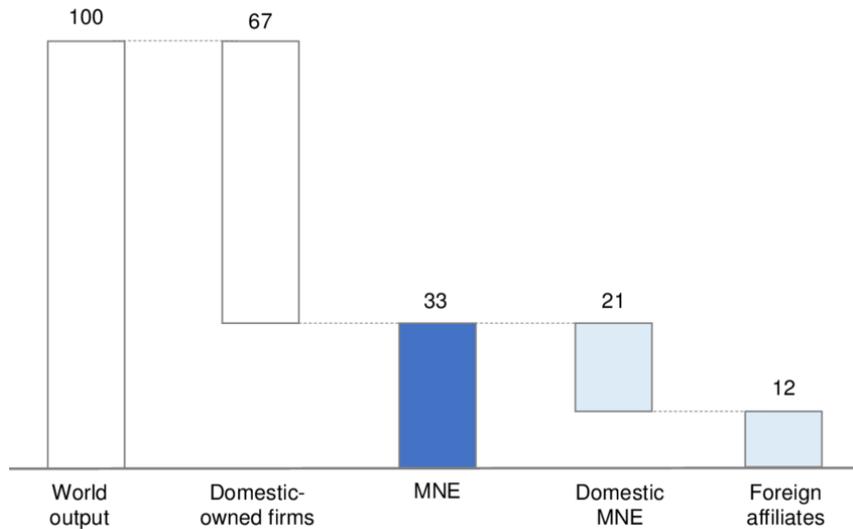


Figure 1: Decomposition of global gross output by ownership status, 2014 (Source: OECD <https://www.oecd.org/industry/ind/MNEs-in-the-global-economy-policy-note.pdf>)

The state is no longer the exclusive owner of information, nor does it have the opportunity to shape behavior of its citizens as before. An individual now has the opportunity to make direct contacts without state monopoly on connections and communications. Rulers and governments often allow transnational companies to dictate market developments with direct influence on issues such as unemployment, gross domestic product, and alike. Such moves by governments and leaders have inevitably led to power limitation, for they fall into the clutches of big capital, which, through transnational actors, allow the dislocation of part of the power and strength of a weak state. As emphasized by Madeley, all this underlines the fact that “globalization is not a policy choice, it is a fact” (Madeley, 2009)

On the other hand, some authoritarian regimes avoid interdependence through certain protectionist measures, restricting international trade and avoiding international cooperation. The root of such a reluctance undoubtedly lies in a fear of losing power. Corruption and kleptocracy, protection of domestic market in the interest of local monopolists, most often backed by representatives of state leadership are additional reasons of rulers making such choices. Unfortunately, these options are more to the detriment of the citizens given the fact that they inevitably lead to the impoverishment of the majority and the impossibility of living a

life worthy of a human being. Thus, a number of masters of life and death emerged gathering around supreme leaders who have completely lost their sense of citizenship, let alone international cooperation.

Unfortunately, there is also the problem of environmental destruction. Myriad harmful projects, illegal constructions, and destruction of nature prevent states from participating in environmental protection. Additionally, state governments, prompted by mere financial interests, made alliances with transnational companies. The generally accepted term "the race of the bottom" implies unconditional economic development and progress. In that race to maximize profits, large corporations completely rule out environmental standards. Even with no self-interest, the leaders and governments, at the cost of increasing their gross domestic product, employment and other benefits, consciously turn a blind eye to the destruction of the environment. Unfortunately, the problem is ever growing. Non-renewable nature of natural resources, disturbance of flora and fauna, biodiversity and balance, climate change (ozone holes, global warming, radiation), as well as the emergence of new diseases are just some of the negative effects of excessive and uncontrolled exploitation of the planet. Global discrepancy in the development of civilization in which unadjusted lead growth of industry, energy, transport, lifestyle, population growth rate, urbanization, etc., leads to disturbance of ecological balance, which is certainly one of the significant problems caused by technological development and the progress of society. (Clapp & Helleiner, 2012)

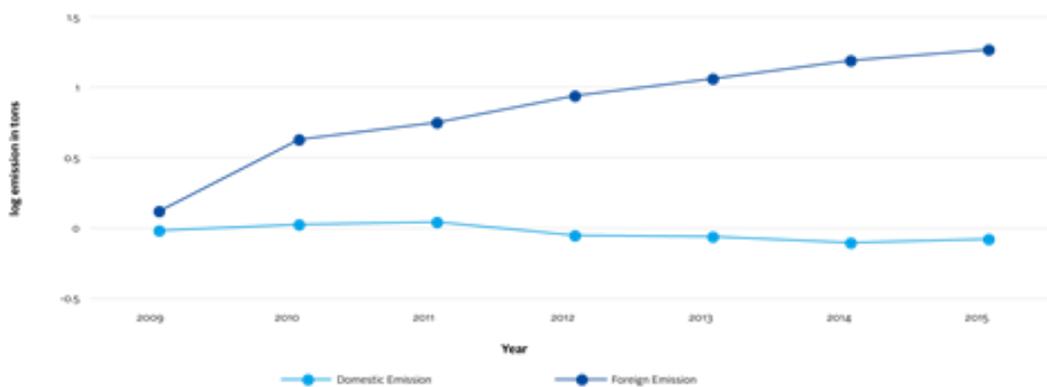


Figure 2: Exporting pollution: where do multinational firms release CO₂? (Source: Ben-David, 2020)

Apart from multinational companies, international non-governmental organizations are gaining exceptional prominence. The role of international economic institutions has been given a broader and more efficient and meaningful role. Regional organizations have become bearers of key political and economic governance changes. When it comes to globalization and international economic interaction, there are different discourses. Anti-globalists or skeptics argue that globalization and market liberalization have only deepened poverty and led to even greater inequality. They further accentuate that emergence of new actors on the international scene in the form of multinational companies has led to labour and resource exploitation in underdeveloped states, with these economic entities simultaneously and seriously limiting the power of the states. The nation - state is on a serious defense and is no longer the main actor in international relations because governments have to give in and compromise under the pressure of big capital. Globalization sceptics point to the alarming conquest strategies towards poor states. Being seriously indebted to global financial institutions such as the IMF, the poor states are kept under economic occupation, inferior and deprived of opportunity to oppose the hegemon's rules.

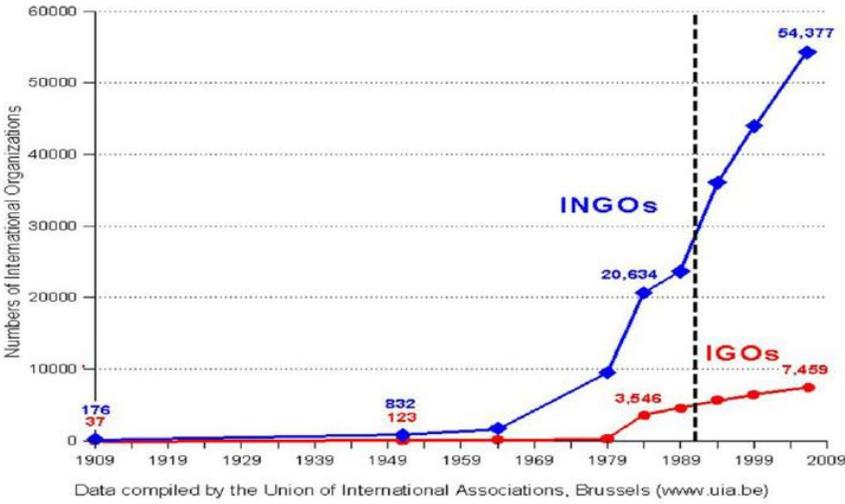


Figure 3: Increase in the numbers of International Governmental Organizations (IGOs) and International Non-Governmental Organizations (INGOs) (Source: UIA)

Pro-globalists, on the other hand, highlight positive effects of globalization in the development and progress of humanity. They believe the inequality and poverty to be decreasing, corroborating it with the statistics related to the global distribution of income. The data show that the share of governments in the national state production has been increasing, as well as the mortality rate and life expectancy. When it comes to inequality between states and the deepening of poverty, the question arises whether inequality is a consequence of the global economy and neoliberalism? Regrettably, there is strong evidence of national inequality and huge differences in the development of certain regions even within the borders of one state, so the answer to the previous question is self-evident. Oftentimes, the most painless thing to do is to shift the responsibility and blame on another state or international system and run away from problems. What is the real situation? Are the conflicting views only of policies that pursue the interests of certain actors in global political processes? In the fight for political interests, the economy has certainly become the strongest weapon. However, it is indisputable fact that only through openness and readiness for international cooperation, states can maintain the dynamics of vital processes.

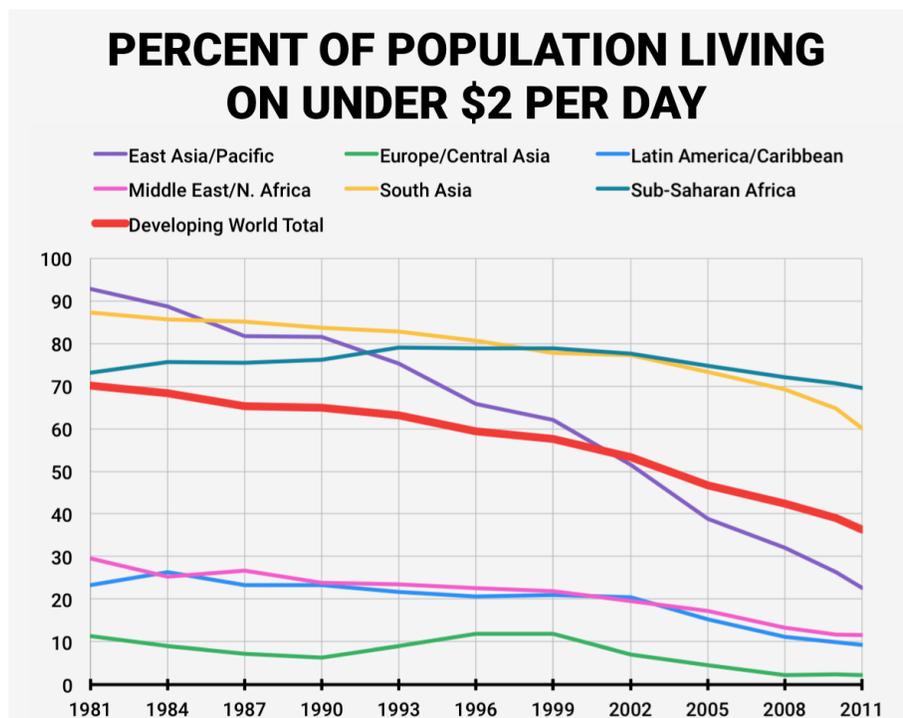


Figure 4: How global poverty rates have halved since 1982 (Source: World Economic Forum <https://www.weforum.org/agenda/2015/07/how-global-poverty-rates-have-halved-since-1981/>)

Sadly, the speed of life and devaluation of science and education have led to the creation of conditions for manipulating citizens through populist stories and tautology. Such a discourse without facts and evidence brings certain political interests and creates a misperception of the circumstances surrounding us, which are very important for creating an objective image and truth. The technological advancements are undoubtedly bringing innovations throughout the world, resulting, *inter alia*, in the production process no longer requiring labor to the extent that it was before. The workers who see these advancements as a direct threat to their jobs will definitely oppose the processes in fear of their perseverance. The time has come for those with education, knowledge, and skills to have employment advantage over physical jobs, where machines have already prioritized. This is one of the contemporary developments to which poor states do not have an adequate response. It is important to emphasize that poverty is not just a concept of a material nature. States that fail to set up appropriate education system keeping pace with the world trends will very soon find themselves in a situation of absolute inferiority. Many authors have investigated the impacts of the global economy on education, and the most common results are that the impacts are individual. (Gift, 2015, 127 – 128)

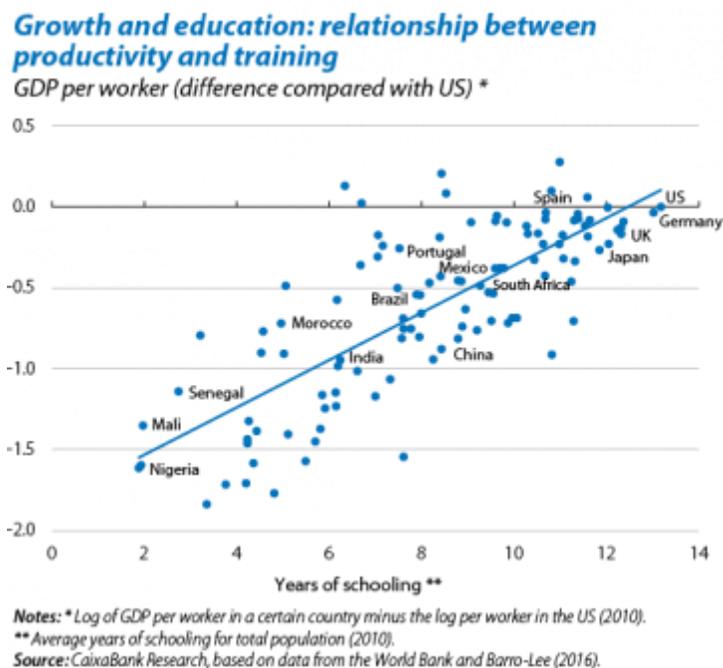


Figure 5: Growth and education: relationship between productivity and training. (Source: taken from: file:///C:/Users/pc/Downloads/IM_1705_32-33_D1_en.pdf).

On one hand, there are states fully aware of the benefits the quality education brings. These states use the possibility of cross - border cooperation to improve their educational processes and raise the level of educated people. Smart strategy and investment in human resources can achieve significant results in creating market competitive labor. On the other hand, poor states most often make savings in this field causing disastrous effects on the state development. Reducing state and local budgets for education, culture, and sports leads to intellectual and physical decline of the population, which in the long-run may result in the collapse of the state, which is losing the capacity to fight with global economic challenges and follow development trends. Finally, people tend to leave places with no adequate state education system, in search for better life opportunities. Globalization has enabled access to information, and the permeability of borders. The state is no longer the absolute master of information and the “brain drain” phenomenon has been spreading through the planet.

Having all this in mind, the question arises whether the new political economy model is equally acceptable to all states of the world or are the "third world states" in unfavourable position? Evidently, the basic liberal - democratic pillars such as equality, justice, and public welfare have completely collapsed before the onslaught of a new economic policy in which interest is put in the foreground (Haque, 2002). The maximization of interest is achieved by improving efficiency, economy, greater competitiveness in the market, and alike. Unfortunately, the mainstream discourse that the “third world states” lack the potential for this type of competition is prevailing. Implementation of economic reforms in states where most employees are in the public sector has proved to be a colossal task. Layoffs and rising unemployment to increase efficiency produce additional poverty. Without serious reconstruction and reform of all state institutions, especially those of public interest and their transformation into operational and efficient mechanisms of action, developing states will find it difficult to catch up with the changes brought about by technological revolution.

Conclusion – the Final Act or a New Beginning

With the above in mind, the question can rightly be asked, what the future holds for society, the state, or humanity. The global economy has undoubtedly fallen into serious crisis. The economic and financial crisis of 2008/09 triggered significant global issues. Globalization sceptics point out that the economic and financial crisis has completely overthrown the neoliberal paradigm and that the capitalist system is on its knees. The recession sent the most severe shockwaves since the Great Depression. International trade cooperation is in decline and the critics of liberalization are gaining solid ground. The events such as Brexit, the U.S. trade war with the People's Republic of China, the Covid - 19 pandemic, and migration pushed back the processes of world economy liberalization and caused protectionist measures and border closures. The question of sovereignty and national integrity of states again takes precedence over transnationalization. Another defining event was the 9/11 terrorist attack in the U.S.A. and the expansion of international terrorism. Following the terrorist attack, the struggle for the position of global hegemon gained additional momentum. Conventional wars and conflicts are the matter of the past, giving way to trade wars. The main roles on the international stage are played by the U.S., the European Union and China.

The liberal international trade system is facing serious threats posed by protectionist measures, such as the introduction of customs duties on exports. There are also various forms of currency wars. We can only hope that the strongest world powers will find a common solution in the interest of all and end the conflicts through dialogue. The dialogue takes place through the organizations such as G7 and G20. The G20 represents "the international forum that brings together the world's major economies. Its members account for more than 80% of world GDP, 75% of global trade and 60% of the planet's population." (G20, n.d.). Recently, the G7 ministers decided on a minimum world tax for transnational companies in the amount of at least 15 percent. This step shows readiness of the most developed states to create global economic policies and define global rules binding on all international actors, regardless of the resistance present both within the G20 group itself and from other states outside the elite system. Once again, this shows that globalization and the economy are dependent on each other, while economy was in progress, globalization was on the same track, showing that economy is a tool for global interconnectedness and a pillar for its stability and development.

In the setting of modern neoliberal capitalism, globalization has undoubtedly paved the way for capitalist imperialism and thus produced the oligarchization of societies. Imperialist practices based on the neoliberal model have accumulated capital and concentrated economic and social power. At a time when the state is losing more and more power, that power becomes the property of a narrow circle of people belonging to the upper classes. These strata assume high-status groups and large amounts of wealth that have a specific lifestyle and their forms of action differentiate them from the rest of the stratum, emphasizing luxury and patterns of behavior as a feature of their superiority - in both rich and poorer societies. In this way, economic power is completely transformed into status, and the latter is in no way separated, neither from corporate nor from political activities. Thus, the globalized order undermined the sovereignty of the nation-state and created a sharp gap between the strata of society, which almost resembles some societies of the past.

Finally, only by guaranteeing equality in global decision - making processes can minimize potential abuses of institutions for the purpose of the individual interests of hegemonic states. It is necessary to build an international legal system that will define universal procedures, respecting all the differences of the states involved. Equality and prosperity of all states individually will be raised and their integration into global economic concept will be easier and more purposeful if pursued through the strengthening of regional cooperation and connectivity of the states. However, this path is difficult and arduous because the global system is full of different interests intertwined and often in conflict with each other. In addition, state policies are overloaded with different identities. The historical context and burdens of the past do not allow states to step out of the zone of fear, release the captured present and embark on building a better future through open and sincere cooperation, in the interest of the well - being of their citizens.

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