

Processes of globalization, economic policy and the role of state in raw materials and energy complex

Vladimír Vodzinský¹ a Vladimíra Vodzinská²

„Knowledge is a power. That we may be able to shape a successful model of society's future requires an in-depth knowledge of causes influencing the society's past and determine its present conditions.“

Authors dedicate this article to impacts of constraints in paradigm of potentials forming our society.

As entire societies are assembled in certain pattern, this article is dedicated to reasoning why economical growth built on influence and a use of knowledge of the reasons would accelerate consumer orientation of reproduction cycle on the level of ownership.

Both of these, causes and reasons, result in aggravation of social order and ecological crises.

End products of globalization and concomitant state economic policies do not lead to crisis solution nor do they lead to effective disappearance of their consequences.

Key words: *Process of globalization, information technologies, reproduction cycles, economic policies, civilization process.*

Introduction

There are many factors influencing development of human relations in various social systems and individual societies. One of the most prominent of them is a prevalence of individual and special groups interests.

Historically, evolution of social system is related to changes in human relations leading to a creation of a decision making fraction of society and establishment of societal hierarchy. Process of reproduction of the special interests group took place in the past, and it is presently integrated as a part of gradual yet universal reproduction in the society as a whole.

The social differentiation gave a space to these special interests. It was designed in such a fashion that results of production and division of commodities and resources, that were otherwise to serve to the needs of entire society, were consequently influencing allotment of the end results according to the interests, social order and ranking in the hierarchy.

Alas, the social differentiation became a tool, an instrument, for modification and realization of reproduction process on the all-society level by affluent individuals and special interest groups thus creating conditions for their own political, economical and other decision making.

These particular segments of society have also control of the individual states economy and politics which gives access to a decision making in the interest of, or, in some cases even against, the entire society.

Impact of globalization on the sustainable development of society

Development of human society was – and still is – distinctly signified by increased and deepened crises stemming mainly from:

- Social differentiation of accelerated development;
- Social diversification, and deepened negative factors in every aspect of daily life extending their influence on the regenerative cycles in general, and, in specific instances, even to the point of acceptance of limits of these dilemmas.

¹ *prof. Ing. Vladimír Vodzinský, CSc.*, Technical University of Košice, Berg Faculty, Department of Logistics, Industry and Transport, Park Komenského 14, 040 000 Košice, Slovakia, vladimir.vodzinsky@tuke.sk

² *Mgr. Vladimíra Vodzinská, PhD.* Oracle, s.r.o., Škretová 12, 120 000 Praha, Czech Republic, vladimira.vodzinska@oracle.com
(Recenzovaná a revidovaná verzia dodaná 22. 4. 2009)

These new phenomena are widely connected with the implementation and application of globalization. The evolution law of new objective reality suggests that these values and their influence may have a destructive character in some instances notwithstanding the fact that a restrictive character of these negative factors were already developed in the neolithic period during the process of transformation of the primordial man into a social creature. The application of the new reality became a common denominator in determining the evolution of human society in subsequent phases.

The new reality reached its zenith in the present period as it is, in the essence, oriented to consumption and the consequences of this trend.

Some 40,000 years ago, during the so-called “primitive tool revolution”, from the accidental acquisition of knowledge, the prehistoric man proceeded to its conscious utilization with his newly acquired ability. It was a definite step towards purposeful and productive activities. This formed conditions for creation and development of natural productive habits and, later, for a division of the man’s working and productive endeavour and distribution of results of his work. It was this work that contributed to changed and improved quality and standard of life that enabled the human beings to satiate their basic needs such as survival and ability to reproduce at first, and later, to acquire new, relatively modern, necessities of life. The man depended less on nature but more upon his efforts and skills while changing nature’s usefulness in such a manner that it met, and provided for, a growing demands of growing society.

From the ownership perspective, the most influential factor determining the formation of paradigm of man’s development as a member of social order, and underscoring his social standing was the change of tools inserted in between the man and the nature. This tool enabled him not only to increase productivity by division of labour but possession of this tool became also an absolute form of ownership in creating conditions for establishment of social hierarchy. The process also determined ownership of the basic production means within the society. Subsequently, the process also influenced:

- A broad inter-social relations between the members of developing society.
- A development of relations between the society and the environment of which humans are fully developed integral part.

Ownership formation and changes in relation to a possession of basic means became a target-oriented in production department subsequently determining rate of product exchange, division of production results and that of consumption. As a principle of mutual competition between the individual owners, marketing came into existence, and a profit developed as a criterion of success thereby designing a character of inter-human relations in reproduction cycles according to ownership on the level of entire economic subsystem of a new society in its entirety.

Process of product distribution also influenced the modern present level of capital concentration. It created conditions for capital centralization and its management with a result that the present controlling interest of world’s capital is in hands of 200 to 300 transnational conglomerates.

These conglomerates establish the nature and character of globalization process in order to pursue their own targets and their own interests!

This process and its social implications were intensively studied and formulated in the 1980’s and 1990’s by numerous futurologists and sociologist, among others A. Toffler, H. Toffler, F. Fukuyama, S. Hantington [1, 2, 3]. Prior to these two periods, working group of Prognostication Department of Czechoslovak Academy of Science in Prague led by R. Rychta published analyses of problems of globalization in 1967 [4].

Their study demonstrates an evident existence of inter-human relations and a shift to a higher degree of social development which carries and provides for objective conditions for further development and diversification of societal basis of knowledge.

Bearing in mind the conclusions made by R. Rychta et al, we cannot but agree with the conclusions stating that the process led to a third, post-industrialized wave of civilization. The new wave, unlike the first agrarian and the second industrialized waves, will not be represented by a hoe and/or by a rigger, that is to say, by a manual labour. Nor will it be symbolized by assembly line.

Computer, and its expanding impact on results of production, is a new entity in the new wave. Products produced by computers, or by their help, not only carry functional benefits but they also diffuse information and communication technologies.

It should also be emphasized that introduction of computers intensifies and also deepens effects of computerization on an un-balanced social development. Presently, and as results of the abovementioned factors, there are parallel, still existing, societies that have signs resembling those of antecedent civilization waves.

The un-balanced social expansion is often considered only as a consequence of the so-called “natural development” due to different natural, climatic and geographically settings and cultural and ideological dissimilarities etc. And in some instances, it is considered even as consequence of racial difference!

Analyses of social structure and that of character of human societies show that:

1. In time of transition from natural productive labour to communal services of menial labour, part of agrarian society was forcibly connected to a production process thereby creating conditions for formation of slavery within feudal society/state. This was exactly what provided conditions for formation and development of hierarchy within social structure as a whole. This process also opened a space for origination and growth of emancipated part of society on the way to a social independence within the society.

The well known process, evolved through numerous phases, has yet to be considered final!

2. Colonization process used by industrial societies to obtain access to the most important natural and human resources was the way to divide a sphere of influence. It permitted a creation and preservation of new marketing opportunities for export of stockpiled product in industrialized parts of the world. Export as a process presented the best conditions for capital concentration increase in new industrial corporations within their national states.

This forcible world division also served to achieve the most effective realization and utilization of ownership. Division into the spheres of influence had, at this point of societal development, occurred in various forms of physical capital. Materialized contribution to the understanding of production fundamentals through investment and innovation is the best example. It should be noted that the purposeful division of spheres of influence became a source of funds and its conversion into financial capital. Money became a mean of expression of affluence of owners, individuals, social groups and nations of industrialized world.

Rest of the population settled into conditions that were intentionally maintained in the frame of the first agrarian stratum as a “social development”. This development was oriented to a mono-cultural economy using exploitation of natural and human resources as befitting the needs of the industrial world.

This trend continued even after the end of decolonization in 1960’s by using the so-called “cheap labour” principle and by application of policies as implemented by newly emerging international organizations – the World Bank (WB) and the International Monetary Fund (IMF) - whose primary interests were intended to support national states within their functioning economies. Both, WB and IMF were transformed into global organizations with the management belonging to the financially most powerful sponsor-states. Using revenues from the taxpayers, the sponsor-states are capable to secure operation of the most profitable projects in the developing countries.

Oriented utilization of generally available and accepted level of scientific and technical development as a product, selected use and changes in weight and status of production components as non- material data, offer a new substance to the term “ownership”. It could be enlarged and expanded to include the ownership or possession of information and informative and communication technologies and knowledge as an intellectual ownership.

Intellectual ownership supports a reduction and substitution of human resources and those of traditional natural resources and energy by acquired knowledge. This allows for not only shortening of production process but it allows also exchange, division and consumption of the production. Therefore, the entire reproduction cycle on the ownership level, or on the level of enterprise, gets shorter in time of its recurrence within the area of production and consumption of the product. The same can be said about amortization of long term products.

This phenomenon, reinforced by a demographic explosion in developing countries, causes that, the global consumption of these sources, rather than diminishing, grows.

At the same time, accelerated expansion of acquired knowledge is also becoming a production component. Financial capital is a driving force of accelerated reproduction which makes feasible not only acquisition of resources but also their utilization.

Let us search for explanation of this state of affairs.

In their article “Creation of new civilization”, A. Toffler et al. assume that the present use of traditional production sources is limited but access to the intellectual and acquired knowledge is limitless. Any producer/manufacturer can use them. Yet, this assumption is not accurate. Experience proves that even if the acquired knowledge/intellectual property were generally accessible, its application as a production factor directly depends on a degree of its disposition. Moreover, it also depends on its ability and power to obtain financing!

The existence of the reality that the representatives of the so-called third, information wave, civilization are becoming exactly those supranational rather than industrial-financial, financially healthy industrial conglomerates, cannot be denied. Their capacity, in many instances, exceeds budgets of the states of developing countries by a huge margin. Majority of these states can often obtain financing only from the financial conglomerates and at the conglomerates' stipulated rates.

We must agree that the transformation of production factors really achieves a transformation of substance of the capital. It also leads to a new, unlimited concept of wealth creation, yet, this concept does not have a limited, generally accepted, universal application!

At stake is the fact that the main requirement of the financial corporations, represented by WB and IMF, is a removal of "protection barriers" when considering financial assistance to the development world, i.e. to the agrarian part as protection barriers prevent a free movement of finances, products and of information.

Removal of the protection barriers provides for fast growth of profits and transfer of wealth from the public sector into hands of corporations, banks and money funds residing out of territories of states in need of the financial assistance. It is to be noted that removal of protection barriers grants also access to the natural and human resources.

Such process signifies not only the differences but also common aims in development of national states that still have all three civilization segments. The process creates conditions for unequal possibilities for realization of economic policies thus heading towards weakened decisive functions of national states mainly, but not exclusively, of those in agrarian part of the world.

Intention was that execution of functioning of national states be taken over, in a global context, by institutions whose aim was to create conditions for continually growing contradictions in the development of human society. It did not materialize simply due to the un-democratic fashion in which the global institutions were formed and managed but it is a basis to smooth the progress of the influence of the global most powerful financial and industrial conglomerates of the economically most powerful states.

Instead of protection barriers, originally formed by politicians of national states, there are new, more sophisticated ones; instead of elimination of distressing factors jeopardizing the nature's generative capacity, there are new and opposite trends. Social disparity grows: instead of an unbiased distribution and consumption of newly produced common wealth, poor people are becoming poorer whilst rich are getting richer.

The standard of living of the middle class, a crucial element of the society when it comes to social stability without any crisis in the societal development, was declining so much so that the majority of middle class is poverty stricken, and only its negligible fraction benefits and is transferred into a richer part of the society.

This is also one of the reasons for Lisbon's Treaty, as proposed by European Union, is hindered by many obstacles in meeting its objectives of guaranteed social development.

Within the context of previous analysis, let us return to the problem of paradigm that determines the evolution of relation between the processes taking place in natural environment and to those of taking place in the society. The analysis is adequate if applied within the context of interdependence between the social reproduction and the current reproduction in its economic subsystem, i.e. product oriented production cycle, exchange, distribution of goods and their consumption only but paying no attention to the processes taking place in the social system and in the nature without sufficient evaluation of interaction between these two milieus. The analysis is also sufficient if its principles are based on acceptance of its application on the basis of ownership level without taking into a consideration quantitative criterions of economic effectiveness as a magnitude of increase in economic realization of private ownership.

According to J. Lisý et al, P. A. Samuelson and W.D. Nordhaus, this approach serves as generally accepted application to [5, 6]:

- Minimize production cost per unit of product and services;
- Maximize the volume of production and services.

Accordingly, minimizing production cost, minimizing cost of goods exchange, product distribution and consumption within reproduction cycles on the ownership level, i.e. on the level of individual enterprises with present conditions of market competition, should provide guarantee for owners ability or power to withstand competition and create affluence and lasting prosperity for the entire society.

As P. J. Buchanan in his "Death of West" pointed out, this is a fiction! According to Buchanan, these processes are not only a source of wealth but they are also a source of "illnesses" hidden by a method of expression, an idiom in which the results are shown in the system of economic growth. The first criticized subject is the Gross Domestic Product (GDP) as being the most outstanding, synthetic example of economic growth. GDP is considered to be a universal measure of market activities and money exchange. Yet, there is no distinction between the demanded and non-demanded activities or, for that matter, distinction between production costs and profit or yield. The GDP relates only to those of its parts selected by economists

as a part worth of attention, i.e. the parts pertaining to financial transactions. Household economy, economy of non-profitable organizations etc. are the factors that are not attended to by the GDP.

The above stated is a common denominator for connecting all four already-analyzed waves of social development – agrarian, industrial, informative and that of acquired knowledge; an element stimulating society's consuming character!

Realization of this approach – GDP as the most important indicator – at the present level of societal development meets, as in the past, the same restrictions that were, and still are, causes social and ecological crises such as Bhopal in India, genocide of native groups in Latin America, Darfur in Sudan etc. Historically, these crises had a local character in the past whereas now, they have already global, therefore, a general character.

It is this fact that gave a rise to these crises; it is not only the basis for formation of their new quality but also a cause and evidence of depletion of the paradigm for societal development as used up until now!

This reality is also a reason for which a value, as defined and expanded on the basis of its usefulness of sustaining demands for consumption and growth, cannot be used as a measure for societal value.

It does not mean that growth of GDP of a state or increased profits of a global corporation will, proportionally to the profits, fulfil the increased needs of employees of the corporation or that it will impede pollution of working place and/or that of the general natural environment.

The most useful instrument for economic growth to reach its targets often involves work of children aged 8 to 10 years old and plundering of natural resources in developing parts of the world. This situation in connection with a tendency for unrestricted exploitation of available natural and social resources consequently serves as evaluation of rate of economic growth of the society. In other words, a complete use of stated criteria for economic effectiveness is one of the factors jeopardizing:

1. Reproductive capacity of society's natural environment;
2. Society's reproductive capacity as it causes:
 - Disintegration of family structures which contributes to a demographic crisis in the industrial and newly formed informative society, - and, furthermore,
 - Deepens social differentiation in the society as a whole in the global context.

I applaud to the statement made by W. C. Denis that "The man's best environment is his freedom". But the term "freedom" is interpreted differently by the board members of individual corporations and conglomerates and by their unions members and by the employees themselves. Interpretation of this term differs also when voiced by the state administration or when announced by the state bureaucracy, and it is viewed differently when uttered by those whose intentions are to utilize a scientific inventions for new and more effective arms production etc.

From the previous statement, it is obvious that differences in the concept of man's freedom are, by all means, determined by individual interests. These differences are subject to the individual's standing in the social hierarchy, and only after, they are subjects to their cultural and religious affiliations, to their upbringing, education and to the depth of their knowledge.

As can be seen and demonstrated from the societal evolution, search for, and finding compromises is not a straightforward process.

Using previous conclusions, it is necessary that problems connected with gained knowledge be analyzed!

It is accepted axiom that knowledge is gained through its acquiring process. The present level of achieved knowledge is such that it is impossible to expand the societal basis on the same principle within the existing universal milieu as in the earlier periods. The process requires not only erudite scholars but it also entails a cultural and behavioural preparation of the entire society. It also requires a new development of scientific research basis of the states and their alliances.

One of the most important factors determining the future of educational process, i.e. that of the science and research, is its general support. It should be a permanent attribute of the educational process regardless of government's political orientation. Yet, the opposite trends can be seen in many cases.

It stems from the fact that officials use their positions in government and governing bodies to pursue their own, basically business, interest along with those of their sponsors in order to accomplish satisfying results from their financially viable activities. The societal interests become secondary to those of the individual and collective business interests. This tendency to maximize the share in produced goods by the entire society results in modification of income tax structure and formation of budgets as well as in a division of resources contained in the budget. Of course, by doing so, the amount of funds which

could be used to provide for necessities general public is diminished and reduced under the umbrella of the so-called non-marketable societal requirements – educational process and its didactic achievement, to name just two of them.

This approach was formulated and applied by Henry Ford as instrument of minimization of production costs when he stated “There is no need to cope with preparation of workers. I generate conditions for mass employment for anybody from the street.”

Ford’s application of maximizing economic results is presently used by supranational conglomerates in a fashion where the “street” is replaced by sources of cheap labour from the agrarian society (outsourcing) and also from the most parts of industrialized world. The latter, represented by the post-communist of middle and eastern Europe also offers a cheap but highly qualified labour!

One explicit example is expression of A. Ondrej, production manager of Samsung in Trnava when he said, “To train and educate one employee costs from 10,000 crowns to 100,000 crowns while to hire a qualified worker – in this case from Ukraine – will help in saving this kind of money (Pravda, October 22, 2007) [7].

It is not the only result of the above mentioned approach or of the industrial philosophy.

More fundamental outcome can be observed when professional orientation, structure, content and organization of human resources come into effect during the educational process. These are more frequently oriented, and also respond to the requirements of individual business subjects and business groups which are intent on acquiring a qualified professional knowledge for its immediate utilization.

The new organization of university studies is the best example. Introduction of bachelor degree produces a mass of graduates on a level suitable to the needs of industrial and financial corporations. Part of the new university studies is also a new way of financing that is excluded from the state budget, we may say, it unburdens the national budget. This means a radical reduction of financing of the basics in natural sciences and social scientific studies. Consequently, the level of education of well educated individual declines just because the new system of education excludes areas that provide for studies of societal interrelations and conditions determining the overall development. This results in inability of the alumni to influence the societal development. In other words, individual’s intellectual capacity to understand the formation of achieving the aims and means necessary to form a well educated society is decreased and diminished.

The existence of basic differences in the contents of categories such as acquired-knowledge oriented society, acquired-oriented economy and economy of acquired knowledge must be emphasized. Process of gaining expertise and scientific and technical development are, in this field of target-oriented utilization of knowledge, two different categories.

Business circles are trying to influence even the organization of behavioural educational system in order to achieve their goals. The very best example is a pressure on Slovak Ministry of Education to introduce a flexible system of summer holidays: some schools would start holidays on June 15 while some others were to finish the summer holidays only on September 15.

The State Secretary D. Muňko justified it by saying that „It is better to spread the holidays in such a way that hotels will have no occupancy“. It is also to be noted that D. Muňko was the co-owner of the largest tourist agency. Presently, the agency is owned by his spouse and daughter (Pravda, October 19, 2007) [8].

The same pattern, even if not so pronounced, can be seen in proposal of the Slovak Bank Association. It suggests that the third degree of education, i.e. a bachelor degree, should have „Finance“ as a subject.

Similar results are brought in by the so-called „residual“ financing of science and research (S&R). This typical for many national states where, for the same reasons, the financial sources for S&R and research and development (R&D) are allocated on a basis of „priorities“. Financing of R&D and S&R is determined through financed projects using so-called risk capital in the interest of entrepreneurs using their discretion in allotting it. This is a basic dilemma of S&R and R&D. Ability or power to create philosophy of S&R and R&D depends on a will of industrial corporations and supranational conglomerates with both, S&R and R&D losing their independence due to inability to find money and time.

Results of research which will find its application in only a few years later on the market, quoting K. Schätzing in the book “Quiet” (Published by Ikar, a.s. Bratislava 2007 as “Nehlučné”) has no chance and according to German physicist A. Wixforth, to find support from this type of investors.

Therefore, finances determine, by a high margin, a usefulness of knowledge and the negligible accumulation of its content contained by a scientific R&D.

The education should not have, as its priority, a knowledge based on consumption-oriented skill which suits to demands of business subjects of any parts of society, nor should it be a subject to conditions determined by a bureaucratic apparatus of any type. The education should be driven,

and oriented to, with the aims to bring up educated persons of multifarious interests who are able to create and guarantee a free society.

However, where the influence of globally functioning corporations is prevailing, there is hardly any real interest in this quality of education! This is also a reason for a frequently used term “overqualification”, a term used by some business enterprise when turning down candidates with full academic education such as Dipl. Ing., Mgr., not to mention those holding a PhD. degree.

It appears that this level of acquired knowledge is not as valued by the corporation’s objectives!

Some American businesses prefer candidates with bachelor degree. This predisposition has, of course, more complex implications.

Who else, if not a national state, should be concerned with the societal interests that are vital to responsible organization, target oriented direction, financing of educational system and with establishment of a proper basis for R&D. Especially when the national economic subsystem consists of supranational enterprises. For example, only two (2) from 235 enterprises in Slovak Republic have Slovak controlling interest.

Jeffrey D. Sachs, former managing director of WB, sees the reason for this situation. His statement that “As far as defence, security and finances are concerned, the governments are created in the frame of the 19th and/or 20th centuries but the effects of the 21st century’s development have yet to be seen”, correctly assesses the situation.

In spite of all this, organization of the national government will not be possible until the upper echelons of governments are still able to:

- Influence the state’s formation of legislative norms, rules governing budgeting and financial policies, and to create conditions for manipulation with taxpayers money in such a way that satisfying “the societal command” is and will be in harmony with business interests of enterprises which sponsor the political parties, and
- Select personnel for the government positions who have no elementary moral and technical abilities to defend the overall interests of entire society!

These were the main reasons for F. Fukuyama disaffection when distancing himself from his original conclusions stipulated by a hypothesis that the new, globally functioning organization will guarantee enforcement of all societal interests which will undo all the above mentioned forms of crises!

F. Fukuyama presented his position at the occasion of Economic Forum in St. Petersburg where he also paid a considerable attention to the roles of national states in the process of globalization (www.gazeta.ru)

It is obvious that in spite of many declarations and resolutions made on the global level by global institutions, congresses and forums as well as on the level of national states, accommodation to the interests of the most powerful financial and industrial conglomerates is paramount to these affirmations.

It arises from the fact that the process of globalization:

1. was established by supranational corporations by creating marketing conditions for a free movement of money, goods, information and movement of labour;
2. encountered restrictions owing to exhaustion of the potential offered by exactly the same concept which served to the establishment of globalization.

This will only intensify the results of the globalization’s own, segregated move towards utilization of economic sets of laws under the given conditions of integration and globalization. These sets of laws will be used without regard to the limits of the general laws of progress!

The system of laws of economy should be understood as a sub-system of valid reproduction processes in the social systems. Human society has to react to it objectively, and without regard to the changes in this environment as well as to the changes originated by the impact of these laws. Process of emancipation from our dependence on nature has its limits because we are an undivided part of natural environment, only. Our future depends on it and its growth, the fact which we cannot terminate. Similarly, the emancipation processes in the society have to be taken into account as well.

Sustained progress in globalization process and the state economic policy

It is a duty of the individual national states that they will use instruments of economic policies in responsible manners.

Let us analyze the development in this area.

In a long term, the USA, as national state, is the best example of how to fulfill political objectives and economic interests of industrial and financial conglomerates in the globalizing world. Regardless to the liberal orientation of the United States and to which political party is at power, it is a reality. It is shown in the ways in which the US government and FED conduct their economic policies.

The foundation allowing a conduct of the US economic policy is as follows:

1. The USA has the largest economic potential of approximately \$16.6 trillions when compared globally. It is double of the second largest world economy, Japan, which has at its disposition some \$6.3 trillions. The US economic potential is more than ten times larger than that of Russian Federation of \$1.2 trillions and that of India's of \$1.1 trillions.
2. Share of the US GDP in the world funds in comparison with competing states stands as follows:

Tab. 1. Rates of the GDP of some national states on the world sum.

| State: | % rate of Gross Domestic product on the world sum in 2006 (calculated with regard to the parity of purchase power): |
|--------------------------|--|
| USA | 20 |
| China | 14,7 |
| Japan | 6,2 |
| India | 6,0 |
| Germany | 4,1 |
| Great Britain and France | 3,1 |
| Italy | 2,7 |
| Russian and Brazil | 2,5 |

Source: IMF

In spite of drop in value of American dollar, it is still overvalued by 10 % to 30 % according to the IMF experts based on the 2006 data.

This position allows USA to use this as a tool of their economic policy in order to achieve their political dominance of the world; that is to say, the USA manage the rate of exchange and rate of interest in American dollar even though it means a devaluation of the US dollar!

The tendency leads to a decreased buying power of population and, consequently, to a decreased domestic consumption. But it also permits equal decrease of discount rate to allow:

Commercial banks to gain better interest rates from the central bank and to increase their liquidity as a result.

Decrease interest rates due to the allowing lower interest rates on investment and lower consumption credit rates.

These measures favourably influence consumer behaviour while supporting investment activities of American companies while the loans from foreign banks are being used to improve the US concurrent fiscal and trade deficit.

For example, the Britain's banks provided \$ 201.4 milliards for this purpose during the period of 2005 and 2006 according to M. Whitney in "Bush Chernobyl economy and hard times ahead of us" [9]. This fact is not to be underestimated since it is one of the most characteristic signs of the instrumental mixture.

In spite of lower American dollar and a risk of growing inflation, this allows to:

- Limit the impact of bankruptcies in finance and commodity markets;
- Increase, or maintain a competition level of some industrial departments with increase of productivity in American economy;
- Keep unemployment rate under 5 %;
- Increase export and create limits for imports, i.e. improve the US trade balance.

Development of industrial rate of exchange between America dollar and euro is used as a measure of efficiency, the states of European Union (EU) being the main competitors of the American supranational conglomerates on the world markets. These states are also important sources of import to USA,

Rate of exchange between euro and US dollar:

Tab. 2. Development of yearly average exchange rate of the USD to the EUR till the year 2007.

| Year | Development of average exchange rate per year: |
|------|--|
| 2000 | 0,9232 |
| 2001 | 0,8952 |
| 2002 | 0,9455 |
| 2003 | 1,3218 |
| 2004 | 1,2438 |
| 2005 | 1,2449 |
| 2006 | 1,2563 |
| 2007 | 1,4030 (to 20 th September, 2007) |

Source: National Bank of Slovakia

The trend continued in 2008 with euro passing value of US dollar by 1.5 in value and this tendency, according to some experts, endangers economic growth of states in EU!

It is to be noted that the US GDP was growing during this year, the year of the greatest decrease in value of US dollar. The US GDP increased by 4.9 % between July and October 2007 which was the largest increase in growth for the last five years!

Even though the growth of GDP was achieved by stockpiling the production due to decreased housing demand and anxiety about the population's buying power in the next year, the growth of GDP was related to a growth of export by American companies as a result of these protective measures.

It is obvious that USA is able to use the instruments of national economic policy not only as a tool in hands of its government in reaction to development of economy but also as a direct means to decrease economic deficiency of competing states and their supranational business.

It is to be noted that the institutions responsible for management economic policy, especially FED, are in hands of American financial and industrial corporations which, obviously, prefer their own interests. Acting in a general interest, it appears, is not their priority!

Effectiveness of this strategy is proven by the endeavour of the states affected by these measures: they try to replace US dollar by other currencies in their fund reserves, which is in most cases euro.

The following table shows the structure of the world fund as evidence of this trend.

Tab. 3. Development of the USD to the EUR in the structure of world currency reserves.

| Years | Rate of USD [%] | Rate of UER [%] |
|-------|-----------------|-----------------|
| 1999 | 70,9 | 17,9 |
| 2000 | 70,5 | 18,8 |
| 2001 | 70,7 | 19,8 |
| 2002 | 66,5 | 24,2 |
| 2003 | 65,8 | 25,3 |
| 2004 | 65,9 | 24,9 |
| 2005 | 66,4 | 24,3 |
| 2006 | 65,7 | 25,2 |

Source: World Bank

These figures indicate that the American dollar is still the world's most utilized and sought after currency. The dollar's position was gained mainly because of its strength after the Second World War since there was no competition at that time, and it was maintained even after the "Breton-Wood Fund System" was annulled. These facts still affect the efficacy of the rate of exchange management in the analyzed area of interest if, and only if, American economy is sound.

It is a known fact that growth of American GDP depends on domestic consumption and investment. It was also sustained by a massive import of natural sources, oil being the main article. As the world largest consumer of oil, the USA imports more than 90 % of oil to cover its needs. This, during the times of inexpensive natural resources, created condition for:

Increased ability of American companies to compete on the world's market;

Decreased economic growth of those countries/states whose GDP depended on export of commodities expressed in US dollars in world's trade – these states later formed OPEC.

Situation changed when Saudi Arabia, as the world largest oil producer within the OPEC countries and a political ally of USA, was unable to control the oil price. Reasons for Saudis inability were man: demographic explosion, maintaining standard of living, conflicting interests between OPEC members, just to mention a few. In this context, weakening of the American dollar came primarily as a reaction to the world oil prices. Growing disproportion between production and demand on the world market of oil prices in excess

of \$ 30 to \$ 35 per barrel and potential of growth of oil prices were, according to some experts, the reason for USA to use others than just economic policy resources to reverse this trend.

As pointed out by A. Greenspan in his latest book, invasion of Iraq was influenced by the situation in oil prices on the world market. In spite of invasion, the price of oil exceeded \$ 120/barrel and the US dollar touched historical minimum in relation with euro. There exists a probability that this trend in decline of US dollar may result in a real decline of US economy with a lower domestic consumption being the main reason.

United States, despite of declining faith in American dollar and a loss in dollar fund as the world reserve standard, decided to tolerate the growing oil prices!

The already troubled stability of the world financial system is in jeopardy. Analyses would, however, suggest – and rightfully so – that the US supranational financial and industrial corporations would suffer the least in this situation.

It is, therefore, hard to ignore the opinion of V. Krjučkov, the last head of soviet KGB, that “... maintaining instability and disproportion between economic potential of USA and American dollar is becoming an instrument for pursuing political interests in the global scope.” (www.gazeta.ru) [10].

Natural and energy resources complex within the globalization process

Using the context of this treatise, let us look at development in the sphere of natural and energy complex and its accelerated influence on the states' economic policies.

Virtually all natural resources belong into a category of non-renewable resources. Their consumption is rapidly growing on both, global and entrepreneurial levels in spite of rapid introduction of less demanding material and energy technological processes of reproduction. Industrial mineral reserves are progressively declining even though the new reserves are identified by the most modern methods of geological exploration. Yet, this development only confirms that assumption of their complex exploitation is not rational in the near future.

When it comes to modelling their economic policies, the states are presently concerned with oil, as the source of energy on the world market. This line of reasoning serves as a basis for analyses presented by many experts.

When compared with the present situation, the world oil production will decline by 50 % in 2030 according to German experts. Others contend that the current production is just about a feasible maximum.

H. Fell presumes that the 2006 year was a turning point in this aspect. He presumes the yearly oil production decrease will be in range of 7 %. His assertion would suggest that shortage of oil on the world market may lead to social turmoil, chaos and even to wars.

The similar views are held by some Russian experts although, in their opinions, danger of war conflicts is not as imminent even if the danger of wars will grow.

D. Abzalov, from Central Political Bureau of Russian Federation contends that “... there are additional oil reserves in the arctic shelf and the real oil reserves are still considered as state secrets (e.g. as in Kazakhstan). Furthermore, it is not to be presumed and expected that present oil consumption in China and India will have only a monotonous character. Due to a possibility of global warming and warming of these two fastest growing world economies, it is necessary to allow for decreased oil consumption.”

The shortage of oil and sources of energy will certainly contribute to tensions between the nations in the near future. The essence of this anxiety rests not only in a lower oil production but also in inflexible distribution and direction of flow of oil.

One example: if realization of the East Siberia-Pacific Ocean (ES-PO) project comes to its fruition by redirecting the flow of oil – or at least a major part of its production volume - in the East Siberia to cover consumption increase in Japan, China and India, tension in Europe could be eased by oil supply from western Siberian deposits and those from Turkmenistan and Uzbekistan.

However, increase in tensions to the point of war conflicts may be expected in some parts of Middle East, Arctic Shelf and in Central Asia. According to D. Abzalov, a possibility of conflicts are high in these regions in around the years of 2025 to 2030. (www.gazeta.ru – October 22, 2007) [10].

Even though oil as basic natural source of energy is the main topic of the above discourse, a consideration should be given to consumption and demand for other natural resources and their categorization into the complex of natural and energy resources in the global environment of social, yet strategically important, categories.

The reason for their classification is not only their non-renewability but also their ties to their place of occurrence and their availability. When taking into consideration the already analyzed development of individual societies belonging to particular “social layers/waves” influencing the character of the societal

process in the global context as a whole, it is more importantly the the place of occurrence of these resources and NOT their non-renewability which designates their availability, is more important!

Availability of this category of resources is also, to large extent, a *raison d'être* for determination of limits to economic growth of individual states. It also influence the states' formation of economic policies, determination of society's mechanism and behaviour of corporation which provides exploitation and treatment of the natural resources. Availability of non-renewable resources is the driving force of accelerated monopolization, of concentration of capital and that of states' endeavour to intervene in the process of their utilization. Therefore, it is not only expansion of the OPEC cartel by accepting new members who bring into OPEC new and important oil deposits found on their territories.

One of the most important events was a mutual agreement of coordination and cooperation between the world's largest natural gas producers in Doha, capital of Qatar.

Similar tendencies can be registered also in the field of energy production as well as in its distribution. This area is consequently instituted as a strategically important branch of economy. For example, the fusion of French and Belgian energy companies resulted in state owned and managed Gas de France, the world fourth largest producer and distributor of energy. Gas de France ranks right after Russian Gasprom and German companies EDF and E.ON. and the same tendencies can be observed in concentration and centralization of steel and aluminum production etc.

What are the alternatives for Slovak Republic in the field of energy and natural resources under these circumstances?

A new policy of energy and natural resources has to be established taking into consideration the fact that the post-1989 era created: more than 90% of GDP is produced by supranational companies and almost entire production of energy is in the hands of private companies. The new policy will have to be firmly adhered to by taking the new reality into a consideration;

Taking into consideration the general world development in the area where energy and natural resources are of utmost importance, this new policy will have to have a long term implication as far as the availability and safety of natural resources are concerned. This does not always conform to the producers' interests;

When instituting the policy and guidelines for the energy and natural resources, the government of Slovak Republic has to cooperate with the European Union in such a manner that the production targets will be achieved within the context of the society's well being while providing for the generally sustainable development in its entirety.

This treatise is just a frame, a starting point but it introduces reasons for the state's intervention into the creation of economic policy as a counterweight to attempts of supranational corporations maximize their profits to the societal detriment in the local and global spheres. This was the crux of F. Fukuyama's presentation in St. Petersburg.

A model of sustainable development of society at large was already presented as a correct model some 100 years ago by G. B. Lamarck, later in 1932, explicitly approved by academic Vernadskij and further elaborated by V. Vodzinsky in "Analysis of relationships between societal, economical and technological effectiveness in the mining industry."

Conclusion

Let us presume that natural development of human society as presented by theories of economy – to a certain point of its development even the Marxist's one – is based on market oriented economical subsystems of individual states.

Interrelations in market development were realized by a transition from a general and egalitarian appropriation of basic elements of natural environment to an absolute possession of basic means which provided for and, through reproduction of the means, allowed fulfilment of future individual and societal needs.

The founder of modern economy A. Smith [11], whose work served as guide for many later followers and authors, stated that in a free society the societal character and development of relationships is determined by marketing with the following state's role:

- To protect society against violence and outside threats;
- To protect each individual member of the society against injustice and oppression by others;
- To build and maintain public works, individual work and institutions which would not have been created and maintained in the interests of individuals and/or groups only.

I, contrary to those who consider these points as unwanted attachment to the Smith's founding theory of economy, am convinced that these points are a natural part of the theory! These points as such grew out of his knowledge that, "The basic stimulus determining the development of labour, competition, market

relations, ergo also human relationships in the conditions of absolute form of production means, is the desire to be rich!”

In other words, what Smith had in mind was maximization of economic realization of ownership.

It is exactly this endeavour, under the conditions of state's inability to function as defined by Smith that showed the way, and still leads, to a transition from a possibility to develop societal emancipation process of knowledge dissemination through evolution into its revolution phase with all the consequences.

And it is to be added that the ownership of production means in a free society should not be a cause for owner to have an absolute right to distribute values produced by production instruments to his own benefits, only.

Abraham Lincoln pointed to this fact in 1861 by saying that “Capital was created by a synergy of knowledge and work. The knowledge and work existed before capital and, as such, they do not depend on it.” in other words, the state, by its economic policies, should not only follow a just distribution of newly gained wealth but the state should also insist on the rational use of the wealth taking into a consideration the point of sustainable development.

In conclusion, I would like to stress that this point is in accordance with the statement of N. A. Berdajev when he said, “The state does not exist for the purpose to provide societal life similar to that in heaven but to revert the life's transformation into a real hell.”

I can only add that my analyses and treatise prove that the state, in this role and position, is not very often successful.

References

- [1] Buchanan, P. J.: The Death of the West, How dying populations and immigrant invasions Imperil Our Country and Civilization, *Thomas Dunne Books, 2002, ISBN: 0312302592, 9780312302597, 320 p.*
- [2] Klaus, V.: Blue, not green planet (Modrá, nikoliv zelená planeta), Dokořán s.r.o. , *Prague 2007.*
- [3] Toffler, A., Tofflerová, H.: Utváranie novej civilizácie (Creating a new civilization, The politics of the third wave), *Turner Publishing, Inc. Atlanta, 1995.*
- [4] Richta, R. and company: Civilizace na rozcestí (Civilization on the cross-road), *Publisher Svoboda, Prague, 1967.*
- [5] Lisý, J. and company: Dejiny ekonomických teórií (History of economical theories), *Elita, Bratislava, 1996.*
- [6] Samuelson, P. A. , Nordhaus, W. D. : Economics (Ekonomía), *Elita s.r.o. , Bratislava, 2000.*
- [7] Pravda newspaper, 22nd October, 2007: „
- [8] Pravda newspaper, 19th October, 2007: “Mikolaj má na stole zmenu letných prázdnin“ („Mikolaj has on the table change of summer holiday), pag. 1 – 2
- [9] Whitney, M.: Bushova černobylská ekonomika a těžké časy před name (Bush Czernobyl economy and hard time ahead of us). <http://www.zvedavec.org/clanky1822.htm>
- [10] Gazeta.ru [online]. 1999 [cit 22nd October 2007]. Available on internet: < <http://www.gazeta.ru/> >.
- [11] Smith, A.: An Inquiry into the Nature and Causes of the Wealth of Nations I. a II., *Prague, SNPL, 1958.*
- [12] Němcová, I., Žák, M. : Hospodářská politika (Economical policy), *Grada, Prague, 1997.*
- [13] Urban, L. and company: Hospodářská politika (Economical policy), *Victoria Publishing, Prague, 1994.*
- [14] Cobb, C., Halstead, T., Rowe, J.: If GDP is up why is America down?, *The Atlantic online. Atlantic Monthly, 1995.*
- [15] Baláž P.: Ropa a světové hospodárstvo v období globalizácie (Oil and world economy in period of globalization), *Sprint, Bratislava, 2002.*
- [16] Andrášik, L.: Ekonomía spoločnosti založenej na vedomostiach (Economy of society, based on the knowledges), *Ekonomický časopis (Journal of Economics), 2007, num. 3 p. 267-286.*
- [17] Lisý, J.: Ekonomía v novej ekonomike (Economy in new economics). *IURA EDITION, Bratislava, 2007.*
- [18] Fibírová, J., Šoljaková, L.: Value tools of managing and measurement of company performance (Hodnotové nástroje řízení a měření výkonnosti podniku), *ASPI a. s. , Prague, 2005.*
- [19] Huntington, P. S.: Who we are ? The Challenges to American's national identity, *Simon & Schuster N.Y. 2004.*
- [20] Schätzing, K.: Lautlos (Not loud), *Ikar, a. s. , Bratislava 2007.*
- [21] Vodzinský, V.: The analysis of relations among social, economical and technological effectiveness in the conditions of mining industry, (Analýza vzťahov medzi spoločenskou, ekonomickou a technologickou účinnosťou v podmienkach ťažobného priemyslu), *DP, ES TU Košice 1999.*