

GLOBALIZATION AND EVOLUTIONARY PROCESSES IN CONTEMPORARY ECONOMY*

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Abstract. *Globalization of the international economy and its relevant aspects will be examined in the paper. It will be suggested that the theoretical framework of the neoclassical economics is insufficient in evaluating the scope and mechanisms of the global economy. Evolutionary economics can provide helpful theoretical basis for the analysis of the multidimensional phenomena related to globalization.*

Key Words: *globalization, evolution, institutions, selection processes.*

INTRODUCTION

Globalization is indisputably a mega-trend that shapes modern economic developments to a large degree. This paper gives the general outline of the mentioned process basic characteristics that endorse the argumentation related to the unquestionable creation of a global economy, which should function in terms of neoclassical equilibristic hypotheses. This is supported by a registered unprecedented intensification of production factors progress, a radical elimination of information barriers, a dispersion of the liberal and utilitarian behavioral model onto economic and non-economic segments of the contemporary society functioning. Presented in the paper are the assessments of heterogeneous mechanisms functioning in the contemporary economy, which in many ways relativize the mentioned unifying impacts of globalization. Such alternative analysis of the actual global economic processes has in large part been articulated within the evolutionary line of modern economic thought. For this reason, the paper shall first deal with the essential moments of evolutionary economic reflection and point out its dominant representatives in the economic theory, as well as the dominating concepts derived from the evolutionary methodology. The aim is to reveal that a distinct and subtle analysis of the globalization manifestations offers significant scope for the employment of evolutionary economy achievements. If the world economy is regarded as a multilevel structure, then it is affected by different kinds of evolutionary selection mechanisms, which sometimes challenge the ultimacy of globalization homogenizing effects to a great extent.

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UNIFYING IMPACTS OF GLOBALIZATION

The global economy has actually been experiencing the integrating processes of unprecedented dimensions. The empirically registered fluctuations of relevant economic constituent elements of the economic progress surely demonstrate the functioning of global markets with substantially altered performances and fields of activity. Namely, if the market efficiency is measured with the level of reducing barriers to the flows of work, capital and information, the conclusion that hindrances in providing allocating efficiency of production factors have been eliminated seems to be more than convincing. The empirical indicators of the international intensification of global trade and investment fluctuations may serve well for the mentioned globalization effects identification. Without any intention to elaborate on the comprehensive empirical material, well-known to scientific circles, on the abrupt expansion of global economic transactions, it is sufficient for further analysis to state that two major levers of globalization, the internationalization of production and finances, have reached unprecedented levels, which exceed all previously registered degrees of economic integration (Hirst, Thompson, 1999). Direct investments and international trade are the central channels of globalization. During the last two decades, direct foreign investments have recorded faster annual growth as compared to the global trade, while the global trade was growing faster than the world GDP. The role of international portfolio investments in global capital movements is of equal importance, as their sudden reversible fluctuations undoubtedly influenced the great disturbances in East Asian financial markets by the end of the last century. The Labor movement is a process with the least intensive production internationalization, although it is not applicable to highly qualified personnel, of course. The development of information technologies, as well as the possibility of fast information transfer at low costs, creates an image of global knowledge of economic protagonists about all relevant aspects of business environment. Pivotal exponents of all the mentioned globalization generators are transnational companies, which economically dominate in many ways over the sovereignty of many countries whose financial systems have increasingly been becoming parts of the transnational financial structures.

The mentioned processes could be characterized in the following manner, as well: "... international economy is no longer vertically divided into separate national economies, but it implies numerous levels or types of market activities that horizontally spread over a virtual area - replacing the physical geography of national borders by quasi-geography of market structures, transactional costs and information cyber-space. Finances represent a central mechanism that binds these diversified structures into an integral network - a structure in which relative prices of all goods, services and equities are established." (Jakšić, 1997).

The economic internationalization trends undoubtedly reflected in an increasing optimism related to the market omnipotence, which affected the domination of market imperialism as an influential global ideological pattern, are particularly favored by international financial institutions, the IMF and the World Bank. In accordance with this, the standard of a functioning market system implies a model based on the pronounced individualism of protagonists, on marketing resolutions of as many social conflicts as possible and on marginalizing the role of the state in economic transactions.

On the economic-theoretical level, the impression is that the above described processes bring the economy closer to a completely determined theoretical framework, incorporated in a neoclassical economic model. Its well-known premises on the atemporal, universal equilibrium in the markets without any factorial barriers, with maximizing individuals unburdened of other irrelevant socio-psychological contents, have seemingly been supported by global economic flows. The removal of barriers to the movements of production factors, reduction of information gaps and domination of a liberal and utilitarian behavior model of protagonists fully fit into the neoclassical methodological and doctrinal scheme, which should indicate the ultimate triumph of the mentioned manner of evaluating the economic actuality.

THE ESSENTIALS OF EVOLUTIONARY ECONOMIC ANALYSIS

Fully recognizing the unifying impacts of globalization, the evolutionary economy offers an alternative insight into the architectonics of contemporary economy. Focusing on the historically unrepeatable times, on the dependent trajectories, as well as on the complex structure of economy, this line of thinking advocates the view of the evolutionary metaphor as a much more acceptable form of analyzing economic phenomena, as compared to the neoclassical deterministic approach based on the mechanistic metaphor. The evolutionary approach implies the existence of variable characteristics in a population (the principle of variability), the intergeneration transfer of variability-bearing characteristics (the principle of heredity) and the fact that random genetic mutations enable greater efficiency in the struggle for survival of some varieties and their domination in a specific population (the principle of natural selection). In this respect, the selection is not a deliberately guided process and its outcome cannot be determined. Various interpretations of the evolution concept differ in the matters of selection unit, selection process certainty or uncertainty, as well as in the matters of selection mechanisms (Hodgson, 1993).

Institutional economy holds the evolutionary approach as its major methodological postulate. Contemporary protagonists of institutionalism articulate the evolutionary metaphor, based on institutions as the selection units, in two different ways. Following Veblen's tradition, institutions represent patterns of behavior that are established, through habits in thinking and process of routinization and in the intergenerational manner, in the awareness of individuals and that exert conservatory effects on the economic progress. However, modern post-Veblenians reconsidered the cited inertial role of institutions and specified them also as social mechanisms for the protection from harmful effects of market and technology (Polanyi, 1944, Dugger, 1995). The representatives of new institutionalism are insisting upon institutions as products of a purposeful, premeditated selection of standards, which proved efficient in overcoming potential conflicts in transactions. The institutional structure of society is the result of its striving to assist the market coordination by means of the implementation of different standards into the decisions of relevant bodies (Vanberg, 1999). Both trends of institutionalism are more or less in agreement with the fact that it is unrealistic to observe an individual isolated from the institutional structure which, bridging information limitations, reduces the uncertainty and substantially shapes the individual's economic decision-making.

From the neo-Shumpeterian point of view, the operation of selection mechanisms is evident in the process of competition by innovations. The differential survival of companies in the market depends on their ability to integrate new avant-garde business routines into their functioning. Routines have all the characteristics of evolutionary selection units, taking into account that they are durable and stable and that they represent in a sense the enterprise organizational memory. A targeted purposeful selection of new routines within the enterprise guarantees its profitability. However, the enterprises that are successful in this process significantly change the market environment, and therefore the set of routines needed for successful business operations gets changed, which initiates a new process of selecting routines within enterprises (Nelson, Winter, 1983).

Hayek's theory of the evolution of economic systems contains the mechanism of group selection (Hayek, 1973). His assessment of the pricing mechanism as the basic means of coordinating knowledge dispersed among economic protagonists is widely known. However, it is associated with the effects of formal and informal rules, which make the environment more certain, thus additionally facilitating decision-making of the economic protagonists. Many formal and informal rules seem to be incomprehensible or even irrational to the group members, but they follow them because these rules provide superiority in the inter-group competition to their groups and associations. These standards are also regarded as specific mechanisms of cooperation, the character of which determines the efficiency of every economic system.

EVOLUTIONARY ECONOMY AND GLOBALIZATION

There are several conclusions on the evolutionary economy which are relevant for the comprehension of contemporary processes in the global economy. First, there is the hypothesis on a value-neutral and maximizing-oriented individual cannot be sufficient for a behavioral model of contemporary economic protagonists. Institutions, which have resulted from a long-lasting evolutionary selection, substantially shape the choice of individuals and their economic calculus (North, 1995). Furthermore, the statements related to the abundance of information transmitted within the global economy as a contribution to the maximization hypothesis, get a completely different interpretation in the evolutionary perspective. Since protagonists have limited cognitive capacities to process enormous quantities of economically relevant information, they most often rely on routinized behavior patterns, institutions, which represent interpersonal repositories of knowledge and which considerably reduce the dimensions of knowledge needed for reactions in an uncertain environment. The abilities of protagonists to utilize the information relevant for the maximizing behavior depend on their institutional environment to a large extent (Langlois, 1986).

The impact of institutional fluctuations is also strongly correlated with innovations and technical progress, which still have inadequate treatment within the neoclassical theoretical framework (Bianchi, Henrekson, 2005). Different innovative capacities of protagonists in particular economies and the existence of entrepreneurial spirit and competitive environment are the outcomes of a long-lasting, historically conditioned, evolutionary selection of institutions that stimulate the mentioned behavioral patterns (Castellacci, Grodal, Mendonca, Wibe, 2005). The advancement of technology as a pivotal element of

globalization may be regarded as a process of institutionalizing new patterns of behavior, associated with a specific technological paradigm. The acceptance of a particular innovation by the economic protagonists represents a process of evolutionary selection, in which specific routines, oriented toward innovative behavior, are gradually becoming institutionalized.

Apart from definitely dominant market role, evident varieties of existing institutions take an active part in the global economy marketing process: in bridging information asymmetries, in knowledge creation and transfer, in stimulating the cooperation of protagonists (Stiglitz, 2001). Institutional varieties that are present in different aspects of world economy functioning can serve as the grounds for the statement that the processes of evolutionary selection are operating on it.

Notwithstanding the unquestionable unifying processes of globalization, contemporary economy still includes a set of varieties in different stratification levels. In general terms, three actual models of capitalism can be identified, the American, the Japanese and the German one. Each of the mentioned capitalism varieties has a specifically determined purpose of the national economic activity, a relationship towards the state and mechanisms of cooperation. The American capitalism is characterized by the absolute priority of an individual in understanding the economic activity purpose, by the antagonism toward the state economic activities and by legal mechanisms for providing cooperation in the society. The Japanese system is characterized by the preference of cooperative behavior, by long-term commitments of protagonists in transactions, by the cooperation of the state, the corporative sector and banks and by the active role of informal mechanisms reflected in business practices as the instruments of cooperation. The German model represents a combination of the above-mentioned market economy patterns (Gilpin, 2001). Of relevance to the given level is Hayek's concept of group selection, according to which each of the mentioned capitalism models has its own specific formal and informal standards determining the outcome of the inter-group selection among them. It has often been claimed that globalization literally represents a replication of standards of the American model to other economies, pointing out its superiority in the competition against other models of market economy. However, there are also some opinions that the mentioned systems take turns in domination over the global economic order: in the 20th century, during the '70s the German system used to be the replication model, in the '80s it was the Japanese model, while today it is the Anglo-Saxon type of capitalism. The coexistence of the mentioned models of capitalism does not support the thesis on a uniform and guaranteed outcome of globalization developments.

Evolutionary selection processes are operating in other stratification levels, as well. The process of purposeful targeted selection of standards by which economic transactions are regulated is intensive not only on the level of particular national economies, but also in the establishment of large regional integrations. The development of the European Union Communitarian Law is an obvious example of this.

On the corporative sector level, the selection proceeds in two stratification tracks. The first is the spontaneous process of selecting enterprises through competition, or their differential survival in the market, which depends on their success in innovating. The innovative potential of an enterprise, on the other side, is conditioned by the process of purposeful targeted selection of specific business routines.

Transnational companies, as principal globalization protagonists, are also the subject of interest for the evolutionary analysis. It is emphasized that, in spite of the international character of business operations, such companies mainly take along the institutional influences and business practices of the economies of their origin (Gilpin, 2001). Although the sector of transnational companies significantly restricts the economic sovereignty of the state and diminishes the power of the conventional instruments of economic policy, it does not imply the disappearance of competition on this level of economic functioning. By selecting appropriate standards and developing adequate institutional frameworks, states strive at making "their own" transnational companies as competitive as possible, and this is regarded as a specific macro-management. Transnational companies are tied to the processes of evolutionary selection in multiple ways. First, numerous companies of the kind incorporate the institutional influences of the countries of their origin. Then, their business strategies often have to be extremely sensible to the institutional environments of the countries they are doing business with. The realization of technological innovations, for their part, implies the operation of selection processes on the level of business routines, which indicates that transnational companies themselves represent specific evolutionary complexes, too.

These analyses point out that, considered in the evolutionary conceptual context, the global economy represents a multilayered structure in which evolutionary selection processes are operating in different instances. The evolutionary processes in contemporary economy have significant implications for the comprehension of the globalization process trends and effects.

CONCLUSION

Registered unifying impacts of globalization seemingly intensify the optimism related to the globally integrated world market as its ultimate outcome. On the theoretical level, it intensifies the argumentation about the superiority of the neoclassical model and its assumptions on the economic process as a mechanical optimization performed by individuals under static and known restrictions. This is also supported by major channels of economic globalization – the intensive removal of barriers to the production factors fluctuation, the abundance of information owing to the progress of technology, seemingly global domination of the utilitarian ideology. This paper offers a conceptual context of the evolutionary economy, which analyzes contemporary economy by the application of the principles of variability, heredity and selection. In spite of its global homogenizing tendencies, the global economy can be observed as an evolutionary complex, in which the variability, the dependent, often suboptimal economic tracks and the effect of heredity still retain their significant function. Different stratification levels of global economy are affected by different evolutionary selection processes, which largely shape the economic process. Evolutionary processes that are continually developing in the contemporary economy have to be taken into consideration while analyzing the developments and effects of globalization.

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GLOBALIZACIJA I EVOLUTIVNI PROCESI U SAVREMENOJ PRIVREDI

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U radu će biti sagledani relevantni aspekti i dometi procesa globalizacije svetske privrede. Biće sugerisano na ograničenja teorijskog okvira, oslonjenog na neoklasičnu ekonomiju u oceni dometa i mehanizama stvaranja globalne ekonomije. S tim u vezi biće ukazano na značajne analitičke performanse evolucionističke ekonomije u analizi ovog multidimenzionalnog fenomena.

Ključne reči: *globalizacija, evolucija, institucije, procesi selekcije*