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## OBSERVATION OF THE NEOLIBERAL INFLUENCE OF THE LEADING COUNTRIES OF THE WEST AND THE DECLINE OF SUCH A CONCEPT, ESPECIALLY FROM THE POINT OF VIEW OF REAL BUSINESS

*Abstract:* The neoliberal interpretation in the terminological sense arose after the mention of the German economist Alexander Ristov in a meeting that took place in 1938 in Paris as part of a gathering of European intellectuals of that era. However, the rapid rise of this concept happened after the establishment of the power of Margaret Thatcher in Britain, essentially after 1979, and then the coming to power of Ronald Reagan in 1981 in the USA. The application of the thesis of neo-liberalism is linked to the formation of the economic policy that was mainly implemented by Great Britain and the USA. With the formation and adoption of Mont Pelerin's ideas, an international society of economic theorists was created, which evidently had an impact on economic theory and the formation of attitudes related to the liberal concept of influence on other countries. Neo-liberalism at the time of its emergence represented basically the ideas of the transnational bourgeoisie. However, the application of this concept has a drawback, which is manifested in the existence of insufficient connection with social structures within national societies.

*Key words:* neoliberalism, IMF, World Bank, credit approval, economy.

### INTRODUCTION

The neo-liberal concept of influence on economic and political action in countries that willingly or less willingly accept such a concept represents the possibility and desire to form a special supranational society, which would move in the direction of the emergence and formation of the so-called world oligarchy (of leading influence especially towards small countries) and the imposition of its values in countries that, as a rule, do not have the same level of development as the countries that emphasize and impose such attitudes as leading and the only correct ones.

The formation of a group by 36 scientists at a conference held in Switzerland in 1947, headed by the Austrian liberal economist Friedrich von Hayek, was the impetus for spreading the general influence on other countries to accept such an attitude as a basis for future actions in the concept of economic development. Perhaps the greatest

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resonance in the media over time arose because the “club of eight Nobel laureates” for economics was formed from the circle of those economists, such as: Friedrich von Hayek, Milton Friedman, George Stigler, Maurice Ale, James Buchanan, Ronald Coase, Gary Becker and Venon Smith (Dušanić 2021: 57).

This whole concept is based on economic efficiency and is indifferent to justice, dignity, social responsibility and the like. In addition, this concept is aimed primarily at satisfying the interests of dominant entities that can be observed at the global level, where the key role is played by trans-national corporations, which increasingly want to dominate international markets without taking into account small countries, developing countries, etc.

Neoliberal theory is guided by an individual who possesses reason, that is, many authors say that it is about rational beings who strive to satisfy their primarily existential needs. This means that other human motives such as: love, faith, sensitivity, charity, responsibility and the like are put on the back burner.

The theorists of neoliberalism have certain reservations about democracy, since they see the majority principle as a threat to individual freedoms. In addition, they are inclined to the opinion that it is necessary to manage the state, that is, the management of the overall political and state power should be left to experts or elite that was elected according to their principles, and that essentially accepts the model of neoliberalism.

This is how we arrive at attitudes that go back to the past, i.e. those that are like utopians, for example Francis Bacon (creator of the work “New Atlantis” from 1626) who essentially advocated that all important decisions in the state should be made by the Council of the Wise elder, and to transfer many functions of the state to international institutions. Both liberal and neoliberal theories have in common that they believed in the “invisible hand” of the market, and that both of them led to major economic crises, which very often resulted in major military conflicts. Globalization is nothing but the universalization of the American way of life and, therefore, the material and immaterial westernization of the planet.

Then, globalization is American-centric, because its American military power serves as its own vector of expansion where it meets resistance. It is known from the literature what constitutes the essential difference between organic and mechanistic theories about the role of public finances of the state, i.e. for what purposes and for whose benefit are the huge budget funds of the state being spent.

Views of the model approach to the organization of society.

There are numerous approaches, among which the following models of organizing society are the most important. Within the organic approach, society is seen as a living organism, within which each individual is a part of that organism, and the state can be imagined as its heart. Yang Changchi, Mao Zedong’s teacher of ethics from Beijing, believed that “the state is an organic entity, just as the human organism is. It is not a machine that can be taken apart and then put back together again.”

According to the mechanistic understanding, the state is not an organic part of society. It is a tool that individuals have created to better achieve their individual goals. A typical example of the application of this theory is the USA (Harvey and Geyer 2011: 5).

At the geopolitical level, the dollar monarchy as Leviathan is seen as a new planetary order that functions in the same direction as the globalized capitalist market. That would be the shortest definition of the Americanization of a world in which everything is subordinated to the market, which knows no borders or state regulations around the world, with the use of military force that is involved if on the way to the expansion of the neoliberal market they encounter an obstacle from any state.

The original creator of the neoliberal economy is the Washington Consensus, which entered the scene in 1989, after the fall of the Berlin Wall and the collapse of the Soviet Union. Since then, only one country, the USA, has become the sole hegemon of the world with the aim of destroying everything that, on a symbolic and real level, is not in favor of the new globalized class order (from the family to the world of work, from rights to culture), which is visible in the work (Fuzaro 2019: 21).

Attitudes where the focus is on the Cold War - the strategic enterprise of the USA is the dominant view of American researchers and politicians who wanted to impose primarily American strategic interests on others (in many cases everyone) as a generally accepted model of action. Such an understanding is seen as a process, that is, an undertaking aimed at securing the unity of the Western center (USA, Western Europe, Japan, Canada, Australia), but under the leadership of the USA. Such a point of view is represented in the views of the first secretary of the NATO pact, Lord Ismay, back in 1949.

Namely, the action policy of this alliance at that time was defined from the aspect of meeting the goals of that military alliance in the position that: the NATO pact was founded to keep the Americans in, the Russians out, and the Germans down." That is why the NATO pact did not fall apart even after the collapse of the "Soviet enemy" and the dissolution of the Warsaw Pact", which is evident in the work (Konstantin 2013: 195).

In addition, the author Fuzaro notes that the West, led by the USA, over calculated a little in its assessment, which is indicated by well-known world economists such as Prof. Stiglic and Prof. Pickets. The result of that neoliberal globalization, deregulation and privatization is known to everyone: the world is going deeper and deeper into crises and recession, because the theory of self-regulation of the market without anyone's control and supervision has proven to be negative.

Among the goals of neoliberalism, the one aimed at the capitalist destruction of schools by removing culture, the corporatization of schools, the programmed "idiotization" of students transformed into "consumers of education", and the devastation of the teaching process is already being realized. And the list can be extended at will, from one imbecility to another (Fuzaro 2019: 154).

That is why it is not surprising that after the end of the Cold War, new wars started in order to prove that there is only one military and one economic power that no one can oppose. However, the reality is somewhat different.

We are witnessing the armed conflict that began in February 2022 between Ukraine and Russia, as well as conflicts on the international economic and financial front, which are rapidly leading to a multipolar world.

## THE DRIVE TO ESTABLISH THE POWER TO RULE OVER OTHERS AND ESTABLISH ULTIMATE DOMINATION

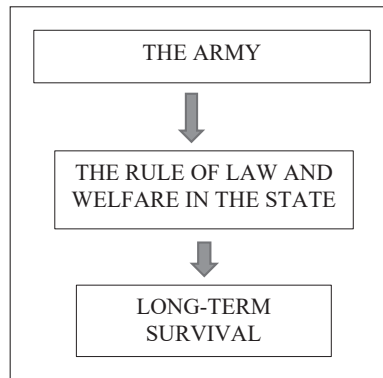
In the author's presentation, the pop of those who dealt with management by the so-called leaders like for example Cesare Borgia, popularly called duke Valentino, it was pointed out that he came to power thanks to the lucky star of his father's rule, and he lost the moment when his father's lucky star set, although he did everything to take root in the power of the state which he obtained with the help of other people's luck and weapons.

They wanted to point out that those who want power, if they do not lay the foundations for the implementation of government, regardless of having a great skill in governing, should lay the foundations for the exercise of power even after the downward trajectory of ruling a certain state, although in that case they are very vulnerable and the founders and those who laid the foundations of the state structure.

Known historical moments are known and we have, for example, a situation from history that would be the following. In order to resist his neighbors, the Byzantine emperor sent 10,000 Turks into Greece, and when the war ended, they did not want to retreat.

That was the beginning of the enslavement of Greece to the infidels. Therefore, without his own army, no ruler is carefree, and he rules fortunately, because in misfortune there are no forces that would rise to his defense (Machiavelli, 2010: 72).

Such a view can be illustrated by the representation of figure 1.



Source: Author (2024).

## FINANCIALIZATION OF CAPITAL AND OUTSOURCING OF THE INDUSTRY

The decline of the American economy in the 70s of the last century led to a decline in profits in domestic production, due to bad policies of the state and private sector. The way out was found in deregulation, which led to a sudden concentration of wealth (it belonged to 0.1% of the population) and thus political power in the direction of corporate management, which led to the amassing of enormous wealth.

America has turned to financialization that means placing financial products (most of them toxic) outside the country, along with the export of production to the markets of cheap labor (outsourcing). Private capital flows from developed industrial countries to newly industrialized countries increased 20 times in the period between 1970 and 1992 (Vitomir 2024: 25).

Perhaps most interestingly, transactions in the foreign exchange markets have reached a staggering \$1.2 trillion per day – over 50 times the value of world trade. About 95% of these transactions are speculative in nature and many use complex new derived (derivative) financial instruments based on forward transactions and options. That virtual financial economy has a tremendous potential to break the real economy. The virtual economy is unknown in the world's economic history so far (Grey 2002: 80).

In the first part of the text, the understanding of Aristotle (Aristotle 1975: 4) is stated that “money does not bring money, because it is barren”, and therefore, states that rely too much on money cannot have a “bright” future.

The same fate awaits America, especially recently when an increasing number of countries renounce the dollar in their business and turn to the currencies of the BRICS countries (yuan, ruble, rupee, real, etc.) Production has been moved to the market of Latin America, North Africa and especially to Asia. This led to high unemployment of the domestic workforce, especially African-Americans, and the consequences were catastrophic when the American “bubble” burst. In developing countries, such as the MENA countries of the Middle East and North Africa, regimes that were sympathetic to America were supported, the so-called. “Arab Spring”, for the exploitation of their natural wealth (oil, metal ores, etc.) and cheap labor, with support in weapons and military force, without the consent of the UN Security Council.

In order to justify its destructive policy, America called certain countries “failed states.” The “lords of money” financed new sophisticated products outside the country, such as solar panels in China, which developed rapidly at the expense of the American economy. Prof. Stiglic believes that “the true wealth of a nation is measured by the state's ability to sustainably provide a high standard of living to its citizens.” It certainly has nothing to do with accumulating financial wealth or gold.

On the contrary, there are authors who present focusing on financial wealth as essential for business that was productive because of financial wealth and which was accumulated to the detriment of the real wealth of the state. In this way, the slowdown of growth in this era of financialization is partially explained, which can be seen in the works of authors such as (Stiglic, 2021: 29).

Manipulation of a large amount of financial derivatives took place in conditions where there is no stable framework for managing the international monetary system. After the collapse of the Bretton Woods arrangements for international monetary cooperation between 1971 and 1973, there are no agreements imposing fixed exchange rates. Thus today the international monetary system is anarchy of floating currencies.

There is frequent overvaluation of individual currencies and occasional spasms of concerted policymaking among the major powers to avoid system collapse. Exchange

rate fluctuations can have such destabilizing effects on economic activity that the current monetary regime has been called “casino capitalism.”

We are witnessing a major shift from industry and service provision as central economic activities to trading in financial assets. Financial engineering, not manufacturing, became the most profitable activity. According to Thomas Gresham (1519-1579), an English author, bad money drives out good money, but good money cannot drive out bad money. In monetary theory, Gresham’s Law tells us that bad money drives out good money.

In the free global market there is a variant of Gresham’s law: bad capitalism drives out good capitalism. In any competition that takes place according to the rules of global *laissez-faire*, which should be maintained by the American free market, the social markets of Europe and Asia are systematically at a disadvantage (Gray 2002: 89).

In this context, let’s mention the epochal event that happened in September 1985, when the finance ministers of five countries: USA, Great Britain, France, West Germany and Japan - met at the Plaza Hotel in New York. Such meetings have taken place in the last ten years. At the beginning of the 1980s, there was concern in the USA about the industrial base of this country, especially in its traditional manufacturing sector, i.e. the automobile industry.

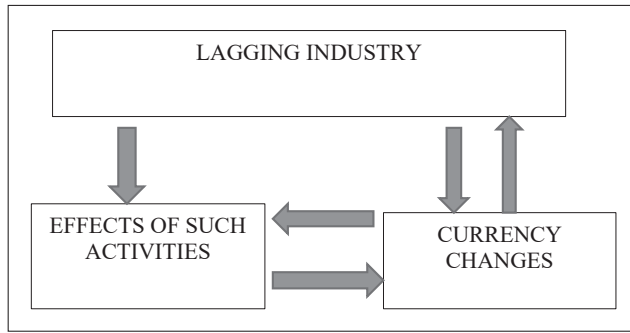
Even then, it was clear that due to the uncompetitiveness of American industry, at the meeting held by the finance ministers of the USA, Japan, France, West Germany and Great Britain in September 1985 at the “Plaza” hotel in New York, there was a conclusive opinion that with the Agreement that signed by Japan, the same committed to strengthening its national currency almost threefold in the next few years.

This is essentially where the view arises that the American industry is irreversibly falling behind the then existing strong economies operating in the world. Places that used to be the heart of American industry, like Detroit, came under increasing pressure from imports, especially from Japan. National currencies have long been recognized as levers used to balance exports with imports, and thus to improve the balance of current payments as well as in terms of competitiveness. Part of the problem was that the US dollar was overvalued.

This was reflected in the fact that Japanese export products were cheaper, more competitive and more desirable in the US. At the aforementioned meeting, it was agreed that the value of the dollar must fall, and the German mark and the Japanese yen must strengthen.

The agreement had two goals: Reduce the total debt of the USA, which consisted of the triple deficit of the current account, the trade balance and the national budget. The dollar would be allowed to fall relatively quickly, in a controlled manner. On the day the Agreement was signed, the dollar exchange rate was 235 yen, and in 1994 it was 84 yen. Thus, the yen strengthened almost threefold (Ohmae 2007: 31).

The presentation of the industry lagging model and the solution of the problem through the currency establishment of a new relationship is presented by the author in Figure 2.



Source: Author (2024).

### THE CONDITIONS OF THE IMF AND THE WORLD BANK WHEN APPROVING CREDITS AND LOANS TO DEVELOPING COUNTRIES

In the period after the Cold War, humanity is going through an unprecedented economic and social crisis, which threatens a large part of the world's population with accelerated impoverishment. National economies are collapsing, and unemployment is flaring up. Local hunger is breaking out in sub-Saharan Africa, South Asia and parts of Latin America.

This “globalization of poverty”, which largely reversed the achievements of decolonization in the years after World War II, began in the Third World and coincided with the outbreak of the debt crisis in the early 1980s, as well as the disastrous reforms imposed by the IMF primarily in the interest of the US. Structural adjustment was used to shake up the economies of former Soviet bloc countries and break up state-owned enterprise systems.

The “economic therapy”, imposed by the IMF and the World Bank on Eastern Europe, Yugoslavia and the former Soviet Union since the end of the 1980s, is showing devastating economic and social consequences. Social allocations are limited and numerous assets of the welfare state are abolished. Government policy encourages the destruction of small and medium-sized enterprises.

The urban poor in rich countries are increasingly affected by low nutrition and malnutrition. According to a recent survey, 30 million people in the US are classified as “hungry”. Since the beginning of the 90s of the last century, that is, since the collapse of the Eastern Bloc, the policy of the IMF and the World Bank has become increasingly reckless and unyielding.

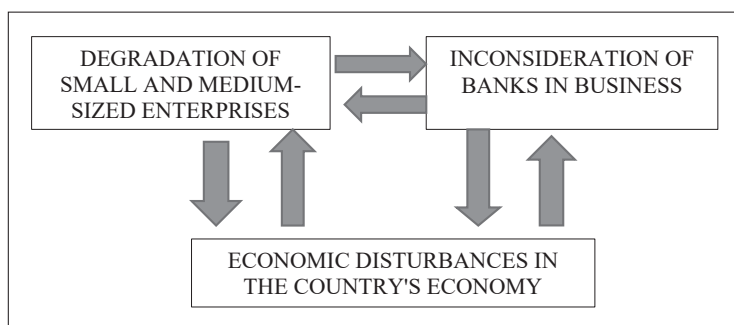
The new world order feeds on the poverty of people and the destruction of the natural environment. It divides social strata, encourages racism and ethnic conflicts, violates women's rights, and often leads to the ruin of individual states through conflicts between peoples and minority groups.

Since the beginning of the 1990s, the new world order has spread to all major areas of the world, including North America, Western Europe, the countries of the former USSR as well as the “newly industrialized countries” in Southeast Asia and the Far East.



This global crisis is far more devastating than the Great Depression of the 1930s. It has far-reaching geopolitical implications. Economic disturbances are also accompanied by the outbreak of regional wars, the splitting of certain societies and in some cases the collapse of entire states. It is undoubtedly the most serious crisis in modern history (Chosudovski 2003: 1).

The author shows the state of such action in figure 3.



Source: Author (2024).

### RESPONSE OF INDIVIDUAL LEGAL ENTITIES TO DIFFICULT BUSINESS CONDITIONS

The observation of such activities at the micro-economic level is primarily reflected in the realistic reporting of management structures in business, which was pointed out by numerous authors in their works, but with the note that the basis for making future valid business decisions is realistic financial reporting (Vitomir et al. 2020: 53).

The mentioned activities are important for the business of both the real economic sector and the public sector, where the importance of real, honest and above all fair financial reporting comes to the fore, as pointed out by authors such as (Vitomir et al. 2020: 469).

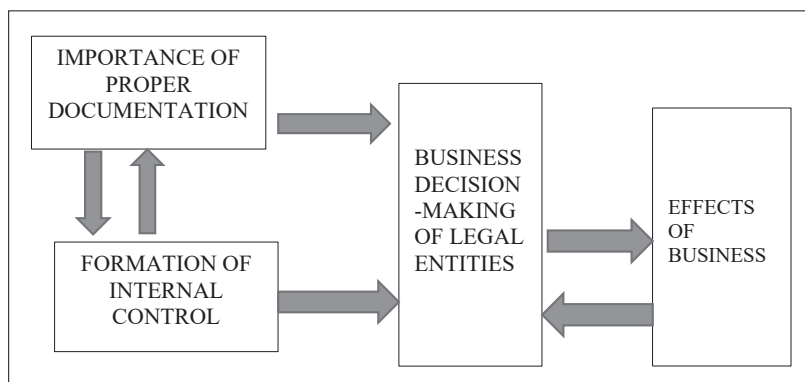
As the third important response of legal entities to the growing problems and difficult business conditions, especially since 2008, the increasing importance of independent response to realistically created situations is observed, and that is from the domain of the subjects themselves, i.e. there is an increasing emphasis on the creation, control and use of documentation that monitors all decision-making processes in the business of heterogeneous entities (Tomas-Miskin et al. 2022: 949).

In addition to the movement of documentation, more and more authors are drawing attention to another important segment of business that can be influenced by legal entities, i.e. it is about emphasizing the importance of introducing internal control and other control mechanisms in regular business processes, which can be seen in the authors' works (Radović et al. 2021: 82).

In addition, the aforementioned business is in the focus of strategic interest of top management both in the public and within the business of the real economic sector (Popović et al. 2015: 160); (Popović 2018: 12).

Therefore, the general schematic presentation of the response of legal entities to the newly created situation would be in the form of the presentation in figure 4.





Source: Author (2024).

## CONCLUSION

The neoliberal understanding has a long history, from the end of the thirties of the last century to its essential application half a century later, with the formation of the key influence of Britain and the USA and attempts to impose the same on all other countries as a standard accepted behavior. This approach had many promising theoretical supporters, whose promoters were seven economists who won the Nobel Prize in Economics. This led to the rise of the liberal concept, noting that there was a strong permanent influence on other countries to accept such behavior. However, the application of this concept has a drawback, which is manifested in the existence of insufficient connection with social structures within national societies. The reality of the functioning of the international monetary system is reflected in the existence of the anarchy of floating currencies. In addition, there is a real frequent overestimation of the value of individual currencies as well as occasional conflicts regarding the coordinated management of policies among the major economic and military powers that are undertaken to avoid the collapse of the world economic system. In the paper, the author points out that in addition to the macro impact on the functioning of the economy, there is also a significant impact on the response of individual legal entities, which is reflected in the fact that through the introduction of internal controls, better and realistic documentation that follows real operations, they try to influence the improvement of the final effects of operations.

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Јелена ЛУТОВАЦ

## ПОСМАТРАЊЕ НЕОЛИБЕРАЛНОГ УТИЦАЈА ВОДЕЋИХ ЗЕМАЉА ЗАПАДА И ПРОПАДАЊЕ ТАКВОГ КОНЦЕПТА ПОГОВО СА СТАНОВИШТА РЕАЛНОГ ПОСЛОВАЊА

### РЕЗИМЕ

Неолиберално тумачење у терминолошком смислу настало је након помињања немачког економисте Александра Ристова у оквиру скупа који се десио још давне 1938. године у Паризу у оквиру скупа европских интелектуалаца тог доба. Међутим, брз успон овог концепта десио се након успостављања власти Маргарет Тачер у Британији, суштински након 1979. године, а потом и доласка на власт Роналда Регана 1981. године у САД. Примена тезе неолиберализма везује се за формирање економске политике коју су доминантно спроводиле управо Велика Британија и САД. Формирањем и усвајањем идеја Монт Пелерина настало је међународно друштво економских теоретичара које је евидентно имало утицаја на економску теорију и формирање ставова који се везују за либерални концепт утицаја на остале земље. Неолиберализам приликом настајања представљао је у основи идеје транс националне буржоазије. Међутим примена овог концепта има недостатак који се манифестује у постојању недовољне везу са социјалним структурама у оквиру националних друштава.

*Кључне речи:* неолиберализам, ММФ, Светска Банка, одобравање кредита, привреда.