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BARRIERS AND WAYS TO ACHIEVE BUSINESS GROWTH OF THE EXPORTS FOR SMEs

Nicoleta Isac, Waqar Badshah*

Abstract

SMEs are drivers of economic growth and are situated of many years in the top European policy of sustainable development. SMEs are considered a key factor for employment and economic competitiveness. The 20 million SMEs in the EU represent 99% of businesses, and are a key driver for innovation, employment and social integration). In contrast to their contribution, SMEs are confronted with significant obstacles which impede their development. This paper aims at sorting out the perceived external vs internal barriers to SME exports and ways to achieve business growth.

Keywords: *SMEs, sustainable exports, barriers, business development, competitiveness*

JEL Classification: *F20, L10, O19*

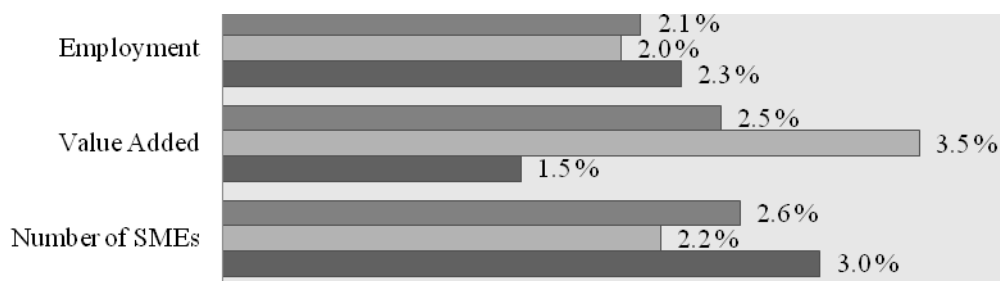
I. INTRODUCTION

The globalization process has determined the world economy to become increasingly integrated, beyond national and regional environment (Daniels, J.D. et al 2015). The liberalization of markets opened new horizons and created the proper framework for new business opportunities, not only for multinational companies operating globally but also for SMEs (Țarțavulea R.I &Belu M.G., 2016). SMEs represent the most numerous and important category of enterprises, with multiple economic, technical and social functions (Isachi, S.E., 2015). SMEs are the main generator of economic performance and substance in any country and have a significant impacts on supply chain performance because can serve the role of suppliers, distributors, producers and customers (Hong P. & Jeong J., 2006). Statistical definition of SMEs varies by country and is usually based on the number of employees, and value of sales and/or value of assets. Due to its ease of collection, the most commonly used variable is the number of employees.

As we see I the Figure 1, the SME sector in the EU-28 continued to grow at a moderate pace in 2017. Value added generated by SMEs in the non-financial business sector increased by 3.5%, following growth of 1.5% in 2016, and SME employment grew by 2.0% in 2017 after an increase of 2.3% in 2016 (Muller P., et al, 2017).

SMEs generate the most of Gross Domestic Product (GDP) in every country - usually 55% – 95%, provide employment for most of population, and *generate a major part of the technical innovation applicable in the economy* (White Charter of Romanian SMEs, 2009, p. 15).

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■ 2017 and 2016 compound annual growth rate ■ 2017 annual growth rate
 ■ 2016 annual growth rate

Figure 1- Growth in EU-28 SME employment and value added and EU-28 number of SMEs in the non-financial business sector in 2016 and 2017 (Source: Eurostat National Statistical Offices, DIW Econ)

According with (Sanchez A.G. et al, 2011) the elements that explain higher performance of the SME sector are:

- The higher flexibility of SMEs,
- the permanent contact of the entrepreneur with the organization,
- the capacity of producing goods and services to satisfy different needs and demands,
- the organizational environment favorable to change and innovation Small Business Act.

The “Small Business Act” for Europe (SBA), adopted in June 2008, has served as the framework for guiding SME policy-making, based on a set of voluntary policy recommendations centered on 10 principles (Figure 2). The overall objective of the SBA is to reduce administrative burdens, foster entrepreneurship, improve access to finance and markets, and overall, to improve the conditions for SMEs to develop and grow.

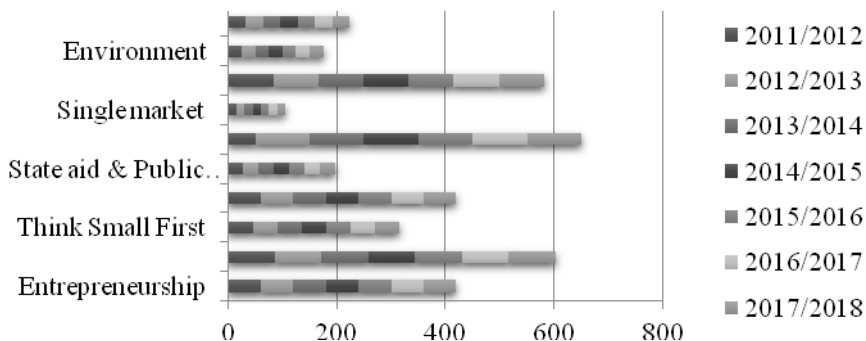


Figure 2 – SBA policy implementation EU-28(2011-2018) (Source: CARSA and PWC)

Since 2011, the principles ‘access to finance’, ‘entrepreneurship’, ‘skills & innovation’, and to a lesser extent ‘responsive administration’ have enjoyed the greatest policy progress, with around two-thirds of the identified policy measures adopted/implemented. ‘Second chance’ and ‘single market’ are the principles with the least policy activity observed, followed by ‘environment’ and ‘state aid & public procurement’ (Muller P. et al, 2018).

(Metcalf S., Ramlogan R., and Uyarra E., 2003) argue that competitiveness is embodied in the characteristics of the firm; namely:

- The current efficiency and effectiveness of the use of resources,
- The willingness and the ability to relate profitability to growth of capacity (i.e. the willingness to invest),
- The ability to innovate to improve technology and organization and thus improve efficiency and effectiveness.

HOWEVER, IN ORDER TO TAP INTO THE POTENTIAL OF SMEs FOR DEVELOPMENT AND POVERTY REDUCTION, TRANSITION AND DEVELOPING COUNTRY GOVERNMENTS, DEVELOPMENT PARTNERS AND SMEs THEMSELVES NEED TO ADDRESS A NUMBER OF CHALLENGES (2ND OECD CONFERENCE, 2004):

- The domestic SME/private sector has to expand, through:
 - The creation of new and innovative firms
 - The graduation of as many informal enterprises as possible into the formal sector.
- SMEs have to become more competitive and productive at their home base.
- At least a proportion of these nationally competitive SMEs have to achieve a level of competitiveness that will enable them to integrate into the global value chains through trade (exports and internationalization) and investment, including linkages with FDI.

SME internationalization has contributed to growth. EU-28 SME exports of goods have increased by 20% since 2012. According with the annual report on European SMEs of the Consulting Company of DIW Berlin, in the following table are presented the comparative indicators between 2014 and 2015. Exports by SMEs to the represented FTA partners showed overall higher growth than SME exports to non-FTA countries (New Annual Report on European SMEs 2017 / 2018).

Table 1 - Involvement of European SMEs in exports - comparative indicators

Region	Share of the region in total extra-EU exports, % in 2015	Share of SMEs in exports with the region, % in 2015	Total exports, % change 2015/2014	Exports by large enterprises % change 2015/2014	Exports by SME, % change 2015/2014	Number of exporting SMEs, % change 2015/2014
Iceland, Norway, Switzerland	8,77%	34%	6%	5%	8%	3%
Turkey	3.28%	30%	7%	5%	11%	3%
Other European non-EU countries	17.11%	36%	-4%	-6%	-1%	0%
Algeria, Egypt, Morocco, Tunisia	2,33%	45%	7%	1%	15%	4%
Other African Countries	4,89%	42%	-1%	-7%	11%	-2%
Mexico	1.60%	32%	17%	15%	20%	7%
Central America and Caribbean	2,27%	37%	21%	18%	25%	5%
Chile	0,39%	35%	16%	11%	25%	6%
Other countries of South America	2,87%	33%	-4%	-10%	12%	-4%
Israel	0,65%	31%	8%	3%	15%	5%
All extra-EU trade, except the FTAs named above	80,71%	24%	5%	3%	13%	n.a.

Source: DIW Econ

II. REASONS RELATED TO ACTUAL OR PERCEIVED EXTERNAL BARRIERS TO SME EXPORTS

SMEs are confronted with significant obstacles which impede their development (Wang Y., 2014). According with Le Europe, the leading specialist policy and economic consultancies, the following reasons are viewed as important or very important by the majority of stakeholders in explaining why some SMEs do not export. Reasons related to actual or perceived external barriers to SME export:

- Have a broad understanding of the rules to be followed in foreign markets but find that the administrative procedures are too complicated
- Do not know the rules which have to be followed
- Dealing with foreign taxation issues is too complicated

- Resolving cross-border disputes and complaints are too expensive
- Identifying business partners abroad is too difficult
- Delivery costs are too high
- Lack of rule of law
- Corruption

Reasons related to knowledge about foreign markets:

- Do not know where to find information about foreign markets
- Not aware of the potential opportunities offered by foreign markets
- Do not have a good understanding of economic development
- Not interested in foreign markets because the home market offers sufficient opportunities.

III. REASONS RELATED TO BARRIERS WHICH ARE INTERNAL TO THE SME

There are numerous factors that can affect firm growth (Şeker M. and Correa P.G., 2010). The majority of stakeholders believe that ‘not having specialized staff to deal with exports’, ‘large investment required to serve foreign markets’ and ‘lack of language skills to deal with foreign countries’ are important or very important factors explaining why many SMEs do not export said Le Europe.

Reasons related to internal barriers:

- Do not have specialized staff to deal with exports
- Investments required to serve foreign markets is too high
- Lack the language skills to deal with foreign countries
- Product or services would not be competitive in foreign markets
- Do not see the need to export as their domestic market offers sufficient opportunities
- Not interested in expanding their business activities
- Product or service is specific to home country and is not exportable

IV. WAYS TO ACHIEVE BUSINESS GROWTH

New product growth -This approach enables a close collaboration with customers in all development process steps including common R&D activities. The most frequent idea sources for new product development are: buyers, competitors and fairs and exhibitions.

Strategies recommended:

- 1) Open innovation (universities and innovation centers), through collaboration at national, regional and international level;
- 2) Creation of network with collaborators to increase of internal innovation in the enterprise and effective involvement of SMEs in an open network of innovators (Vorkapic M., Cockalo D., and Dordevic D., 2016).

Market diversification - expanding companies’ operation by adding markets, products, services, or stages of production to the existing business activities.

Strategy recommended:

- Brainstorming session - a group of experts (universities, marketing companies and other professionals in different fields) who will estimate the technical and economic viability of the idea (Grozeva R., 2017).

Accessing export markets - The recent and ongoing wave of global industrial restructuring, combined with technological advances have been the major driving force for the rapid development of cross-border strategic alliances, mergers and acquisitions and inter-firm networking. Opportunities have emerged for SMEs to become:

- 1) Partners in international strategic alliances;
- 2) Participants or targets in cross-border mergers and acquisitions;
- 3) Specialized suppliers to multinational enterprises;
- 4) Members of globalized informal networks; and/or
- 5) Participants in electronic networks (Sakai K., 2002).

For SMEs such arrangements can confer benefits including access to financial resources, pooled research efforts, product development, wider distribution channels, etc.

Large firms are motivated to form alliances with SMEs, as when faced with rapid changes in technologies and customer preferences, and shorter product life cycles, such alliances can help to fulfil specific needs (2nd OECD Conference, 2004). To be competitive, SME exporters need a coherent, forward-looking business strategy and must improve efficiency, reduce costs and enhance the reputation of their products. This can be done by:

- Practicing sound export management principles
- Creating a competitive, market-oriented strategy
- Effectively marketing and branding products
- Building reliable supply networks
- Designing and producing quality products and services adapted to markets

To be competitive, SMEs also need to embracing information and communication technologies, investing in research and development, and acquiring appropriate technologies (Charbonneau J., 2013).

Improved marketing to increase sales volumes

1. Building customer relationships;
2. Modern-day technology - Internet helps you reach a larger customer base and communicate in unique ways. You build customer relationships by creating an easy-to-use website, presenting clear contact information, and providing excellent customer service;
3. Website - offer benefits to keep customers coming (Cappel M., 2017).

Changes in business strategy etc. - The concept of performance is reflected in the literature with different meanings, for instance: successful result of an activity, action, and in economic field, with the meaning of profitability, productivity, efficiency (Vâlceanu Gh, Robu V., and Georgescu N, 2005). Effective strategies for managing change require the culture to change, along with the more tangible changes. Successfully managing change means you must ensure that you are communicating regularly and effectively during periods of change.

To enable successful change, you must recognize that:

1. Effective leaders in your organization are needed to help in managing change.
2. Communicate with employees early on and engage them in the change management work.
3. Use problem solving techniques and/or decision making tips.

V. CONCLUSIONS

Obstacles to trade are particularly burdensome for SMEs and further reforms and steps need to be taken towards achieving a sustainable economic growth. Evidence suggests that a lack of information about foreign distribution networks, border regulations and standards represent the main obstacles to trade for SMEs (World Trade Organization).

(Melitz M.J., 2003) work had the role of scale and economies of scale in differentiating exporting firms, consisting in essence that only the most productive firms (generally the largest ones) are able to exceed fixed / outbound costs. (Albornoz et al., 2012) notes that firms find out how profitable exporters can only be after they actually start exporting to a particular foreign market. They suggest that trade liberalization (both multilateral and bilateral) has an external effect: seeing that exports to a market are profitable will increase the likelihood of serving other markets. Similarly, (Alvarez R., 2006) notes that past export experience and multinational expansion have increased the likelihood of a firm being a permanent exporter.

Based on a review of the literature we can conclude that:

1. SMEs need to develop products based on global requirements that contribute to the standardization of production processes reducing adaptation costs. Formation of strategic alliances would also help reduce distribution and logistics costs (Vijay N., 2015).
2. E-commerce is a way where SMEs can partially overcome these barriers and improve their participation in global trade but SMEs must to solve the obstacles related to the logistics of shipping or delivering a service, data protection and payment (World Trade Organization).
3. To overcome both governmental and external environmental barriers, SMEs would need both support and guidance from governmental organizations and policy-makers.

The benefits of the SMEs to increase export opportunities according with (Bloodgood L., et all), are:

- reduced costs through tariff reduction, standards harmonization, mutual recognition of certification, easier information access;
- reduced time to deliver products or services to markets or reduced delivery time to customers through customs facilitation and cross-country certification standardization;
- reduced risks through greater IPR protection and enforcement, the institution of dispute settlement procedures, increased regulatory transparency, and more predictable regulatory and legal regimes;
- access to more and diverse markets.

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IS CIRCULAR ECONOMY COMPATIBLE WITH CAPITALISM?

*Florin Bonciu**

Abstract

In the context of climate change and increase of environmental challenges determined by human activity circular economy and other eco-friendly approaches are more and more promoted as possible solutions. The research analyzes if these approaches can be implemented in a capitalist, market based system, and proposes several possible scenarios. The conclusion is that circular economy and other eco-friendly approaches may represent viable solutions but their large scale implementation on the exclusive basis of market signals is rather improbable. The adoption and enforcement of strict regulations that might direct economic and social activities towards a sustainable development is possible (through European Green Deal, circular economy, Paris Agreement, etc.), but these are not market solutions, being enforced in an administrative way.

Key words: circular economy, linear economy, re-use economy, climate changes, infinite growth approach, capitalism

JEL classification: F01, F43, F64

1. Introductory remarks

The first two decades of the 20th century have proved once again that history is not unfolding in a linear way and that humankind as a whole may record significant progress (while jeopardizing sustainability) but at the level of its components (countries/economies, regions, environment related aspects, etc.) numerous disequilibria point to the need of structural changes, even to the need of a new paradigm.

Inequality issues, particularly in developed countries, **climate changes** that are beyond any doubt (irrespective of the causes that generate them), **extreme polarization of political attitudes** (for instance in the US presidential elections of 2016 and 2020), **manifestations related to the demise of the post war world order** (the US – China trade war, the World Trade Organization appellate body crisis induced by the US, the questions and doubts related to NATO, etc.), all point to the fact that **something is to be done by collective action, at a global scale, as soon as possible**. The alternative is that the tensions and disequilibria will continue to aggravate to the point where actions will no longer be an option (as they are still today) but a necessity. That alternative is not at all desirable because later actions, determined by necessity, are usually much more costly than preventive or timely ones.

In this context numerous voices from the academia and research, from the civil society and even from some parts of the political spectrum have stated the imperative of

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immediate action in different areas, related to the environment or to other social and economic issues.

Some of these voices are preoccupied by **the environment and climate changes** and propose solutions, many of them focusing on the need for immediate action, in the sense of dramatically reducing pollution by closing in a short time fossil fuel based energy plants or nuclear power stations as well as industrial activities, without completely taking into account the economic and social consequences, such as the resulting unemployment or the risk of the shifting of production from developed countries to other areas of the globe. The key objective aspects here are **the time table** (meaning how fast we give up polluting activities) and **the plans** for what Kristalina Georgieva, the head of IMF (IMF, 2019), called “**the age of adaptation**” (meaning how we manage the transition to a non-polluting and sustainable economy and society).

Others approaches focus on the **economic and social aspects** and point to the mechanisms that funnel most of the generated wealth to the 0.01 % of the population. These approaches propose increases of the taxes for the rich (one can include here many of the 2020 US Democratic presidential candidates (Pressman, S., 2020) or famous authors, such as Thomas Piketty with his books of 2013 (*Capital in the 21st century*) and 2019 (*Capital and Ideology*)).

Still others look for **technological solutions**, among which a notable one is the shift to a hydrogen based economy that is both possible, compatible with a large part of the existing infrastructure and equipment and totally non-polluting (Silverstein, K., 2019) while others, more inclined to **theoretical approaches based on political science** put into question the continuation of the market based capitalist system (Mason, P., 2015; Ahmed, N., 2018; Alexander, S., Gleeson, B., 2019).

A systemic approach, based on rethinking the whole economic paradigm, is represented by the concept of **circular economy** which is supported officially by the European Union and endorsed by various foundations (among which notably the Ellen MacArthur Foundation), research centers and representatives of the civil society. The concept has known very diverse approaches and there are even several schools of thought related to it (Wautelet, T. 2018).

In essence the circular economy concept represents the most comprehensive approach to the environmental issues and to the climate change phenomena, but it is also a concept that may solve many of the other disequilibria and tensions. In the following parts of this article we address three topics: 1) how capitalism based on market economy mechanisms intrinsically contributed to many of the current disequilibria issues manifested in the world economy; 2) why circular economy may solve or at least alleviate to a large extent these problems; 3) to which extent capitalism is compatible with a large scale implementation of circular economy.

2. Why capitalism is a problem and why the circular economy may be a solution

2.1. Why capitalism is a problem for many of the current disequilibria

As this paper is not analyzing capitalism from an ideological, social or moral perspective, the focus is on the relation between the capitalist, market based system, and the environment and the finite resources of the planet Earth. The main contradiction between these two elements emerged after the Second World War, but especially after

year 2000, and refers to **the impossibility to match** the linear approach based on infinite economic growth to the limited resources of the environment that are accessible at any given technological level.

During the last 4 decades the globalization process as well as technological and scientific discoveries allowed for reaching dimensions of economic activity at a scale that never happened before. In this context, **economic growth has become a sort of mantra** and from the small entrepreneur that owns a single person company to the graduate of a management school or an MBA program and to the CEO of the largest multinational company **“more is better”** became the rule, by “more” understanding more profit, more shareholder value, more market share, etc. In support of this approach, in 1970 a reputed economist and Nobel laureate, Milton Friedman launched a theory that stated: “The social responsibility of business is to increase its profits” and that the responsibility of the management of the firm is only to the shareholders of that firm (Friedman, M., 1970). Almost 50 years later the consequences of the large scale adoption of this approach can be seen around us, practically everywhere.

The “more is better” approach is intrinsically related to capitalism and market economy system due to two essential elements that define capitalism: 1) the capital and 2) the human action based on the free will to choose. These two aspects are illustrated by the following definitions: a) “The essence of capitalism is not free markets or free enterprise. **The essence of capitalism is capital**, the use of existing wealth to create new wealth and thereby increase the amount of wealth in the world” (Ebersole, P., 2013). b) **“The basic idea of capitalism is that if we are left free to choose what we want most, we’ll get the most of what we want”** (Buck, H., 1955).

The problem resulting from these two essential elements that constitute capitalism is that no one can guarantee that each and every individual, be it ordinary people or geniuses, will automatically take into account, besides their own immediate goals and interests, all the long term implications, on a global scale, of their options. It is not that the individuals do not want to take these implications into account, the problem is that they cannot in case of each and every one of them. Moreover, from the first definition results the infinite growth approach, the idea to create new wealth from existing wealth, no matter what. This idea is not good, is not bad, it is just the rule of the game in capitalism.

In a capitalist, market based system, the markets provide feedback and in case of goods and services this feedback is rather fast. But in case of global issues, such as pollution with plastics or climate change, the feedback may arrive late (or too late) to the individual and the warnings from United Nations, European Commission, World Economic Forum or Greenpeace will remain just warnings until the individual or the entrepreneur will be directly confronted with costs that will make him/her change its decisions.

In the context of the idea to create new wealth from existing wealth, globalization allowed the creation of global markets and the majority of the population of the planet became a **global sized consumer** with almost infinite needs albeit finite purchasing power. Globalization also allowed for the relocation of production units, not only in search of lower costs but also in search of more permissive environment regulations.

Various signals referring to the dangers that may appear in relation with the environment and the global ecosystem due to the infinite growth approach could be found

in the first report to the Club of Rome from 1972 – Limits to Growth (Meadows, et.al., 1972), in the Brundtland Report of 1987 – Our Common Future (WCED, 1987), as well as in the Davos 2020 where the Global Risks Report listed environment issues as the top 5 risks for the next 10 years (WEF, 2020).

Among the most illustrative measurement of this impact of the ever growing human activities on the finite Earth resources is the one done by Global Footprint Network that measures since 2006 the so called Earth Overshoot Day, the day on which global economy uses all the resources that can be regenerated in the respective year and continue till the end of that year by using the finite reserves of the planet accumulated in previous eras (Global Footprint Network, 2020). It is alarming that in 1970, the oldest date for which the Earth Overshoot Day was calculated, that day fell on **December 29**, while in 2019 the date fell on **July 29** (Global Footprint Network, 2020).

The impact of human activity on the environment proved to be so significant that geologists proposed in 2016 a new geological era named “**Anthropocene**” starting around 1950s which means that different Earth systems such as atmosphere, geology, hydrology and ecosystems have been influenced to such a degree by human activity that they differ substantially from those of the previous geological era, the Holocene (Carrington, D., 2016) or even from those of the period before 1780, the time of the beginning of the first industrial revolution (Arenschiel, L., 2020).

In this context, in our opinion, the essential contradiction between capitalism and environment/global ecosystem is that capitalism is based on the individual, the private property, profit as the motivating purpose of the economic activity, market signals and short term horizon while a number of phenomena in the global ecosystem are based on long term approaches, collective interests of stakeholders, common heritage of humankind related to breathing air, water, food and sustainability.

The differences between capitalist, market based approach, and sustainable global ecosystem approach are presented in Table 1.

Table 1. Differences between capitalist, market based, approach and sustainable global ecosystem approach

Indicator	Capitalist, market based, approach	Sustainable, global ecosystem approach
Key actor	Individual	Humankind
Ownership	Individual	Collective interest of stakeholders
Motivating purpose	Profit	Sustainability, wellbeing of Earth inhabitants
Feedback signals coming from	Market	Environment, global ecosystem
Time horizon	Short term	Long term

Source: table made by author.

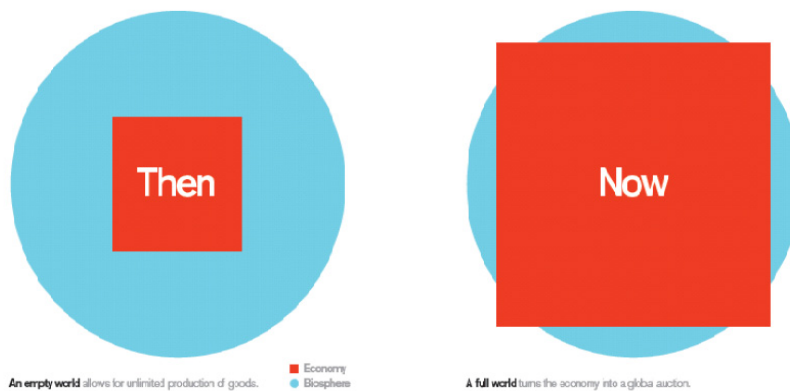
Based on the above table we can say that **the emergence of a contradiction** between capitalism/market based approach and the global ecosystem in late 20th century is explained by the global scale of economic activities that became possible due to technological advances, international economic relations framework and the globalization process itself that is characterized by an ever increasing interdependence and interconnectedness. In a

way, from the point of view of its relation to the global ecosystem, capitalism was the victim of its own success: the economic results of capitalism which may be regarded as a success, generated secondary effects (among other things waste and climate changes) that cannot be solved in the context of the market economy system that created them. In this context Einstein stated that: “We cannot solve our problems with the same thinking we used when we created them” (Albert Einstein Quotes).

The market economy and capitalism allowed for an ever more intense participation of all economic actors from all over the world; this generated more and more economic activity and more wealth; this in turn raised the economic status of millions and millions of people which led to increased demand; and the increased demand led to even more supply and economic growth.

In a way it was the perfect virtuous circle. Except that the global ecosystem has finite resources and a finite capacity to regenerate. If we look above to the Earth Overshoot Day, the day on which global economy uses all the resources that can be regenerated in the respective year, that day was December 29 (almost the end of the year) in 1970. In that year there was still almost a balance between human activities and the capacity of Earth to regenerate. That balance degraded every year since then and the sustainability issue became more and more acute (see Figure 1).

Figure 1. The relation between economy and society at a global level and the environment at the beginning of the first industrial revolution and at present



Source: Global Footprint, Annual Report 2012, p.21

Despite the signals from the environment capitalism seems to be unable to limit the quest for profit and economic growth by itself and to change its characteristics using existing technologies for a more sustainable economic and social model.

2.1.1. Some examples to justify why capitalism is a problem for many of the current disequilibria

From the perspective of the beginning of 2020 some examples from the real world economy may illustrate this divergence between the capitalist spirit focused on profit and shareholder value and the environment and sustainable development purposes. Some of

the examples go even further to show that in some cases companies compare financial costs for providing safe products with financial losses for damages paid for human lives that are lost or badly damaged.

a) A historical case study is that of Ford Pinto, a car sold in the 1970s that had a bad design which created the risk of fire and heavy injuries and/or death of passengers in case of a rear collision that could break the gas tank and ignite a fire. After some accidents with human victims Ford made a risk/benefit analysis and determined that the replacement of the bad design with a safe one would cost about 137 million US dollars while the cost on non-action would cost only 49.5 million US dollars as result of about 180 potential deaths that would had to be compensated (Leggett, C., 1999).

b) Planned obsolescence. In 1925 the main producers of light bulbs (among them Osram, Philips and General Electric) not only illegally coordinated their sales but also established a standard and lower than technically possible life for their products (set at 1000 hours). As the light bulbs lasted less than technically possible they could sell more (Krajewski, M., 2014). The phenomenon is not limited to the distant past because planned obsolescence has been used in recent years by Apple, by computer and printer cartridge manufacturers and many others (Slade, G., 2006).

c) In January 2020 Airbus agreed with prosecutors from Britain, France and United States to pay 3.61 billion Euros (2.1 billion to France, 984 million to Britain and 526 million to United States) in fines for ending investigations related to bribery and corruption practices related to sales that took place for over 15 years in 16 countries (Hepher, T., Frost, L., 2020; Alderman, L., 2020)

d) Boeing has manifested an irresponsible behavior in order to maximize profit and its chances in the competition with Airbus in case of 737 Max plane. Despite several internal warnings, the company obtained in an irregular way certification from the US Federal Aviation Administration (FAA) and sold the unsafe plane, actions that led to 346 people killed in 2 crashes. (German, K., 2020). The total cost of this irresponsible behavior was estimated by Boeing at 19 billion US dollars while the company recorded in 2019 its first loss in 20 years (Rushe, D., 2020).

e) One of the most trusted companies in US for almost a century, Johnson & Johnson has been confronted in the past years with numberless trials for accusations related to its role in the opioids crisis and other serious or even lethal secondary effects (such as internal bleeding, ovarian cancer, infections, etc.). These unfortunate events were determined by products that the company promoted and event paid doctors for prescribing them despite information regarding their negative and dangerous effects. The US courts have already awarded damages of more than 10 billion US dollars and the potential liabilities are in excess of 15 billion US dollars (Helmre, E., 2019). As result, from 2014 onwards the reputation of Johnson & Johnson fall from the 9th place to the 57th place out of 58 pharmaceutical companies. The case of Johnson & Johnson is particularly important as the company states in its mission statement that it puts customers before shareholders (Johnson & Johnson, 2020), a promise they failed in an impressive way.

f) The banking sector had to pay large amounts in the past decade for various infringements of business regulations which were done for a higher profit and shareholder value. Some examples may illustrate this situation. In 2013 J.P. Morgan Chase and Co. paid

13 billion US dollars for settling investigations regarding the irregular sale of bonds before the financial crisis. In 2013 Bank of America paid 11.6 billion US dollars for misconduct in selling mortgages to Fannie Mae. In 2014 BNP Paris Bas paid 9 billion US dollars for settling a trial for violations of US sanctions against Sudan, Iran and other countries. In 2014 Credit Suisse paid 2.6 billion US dollars for conspiracy to aid tax evasion (Wall Street Journal, 2014). Deutsche Bank has been fined repeatedly for misconduct, as follows: in 2015 with 2.5 billion US dollars for interest rate manipulation; in 2016 with 7.2 billion US dollars for toxic mortgage assets; in 2017 with 630 million US dollars for a 10 billion US dollars Russian money laundering scheme (Mullen, J., 2017)

g) Various reports from 2019 and previous years reflected the fact that 33 major global banks, pension funds and insurance agencies financed with about 1.9 billion US dollars the fossil fuels industries between the signing of the Paris Climate Agreement in 2015 and the end of 2018. To put things in perspective, this amount was equivalent to the wealth of the poorest 3.8 billion people in 2018 while 1 trillion US dollars represent the losses of the 215 largest global companies in the next 5 years due to climate change. Of these 33 major financial institutions, 24 which financed the fossil fuel industries with 1.4 billion US dollars attend the Davos meetings and support actions for the mitigation of climate change (Greenpeace International, 2020).

The above examples are not the only ones but they illustrate the way in which the profit and shareholder value objectives influence and determine entrepreneurial decisions. It is true that all significant companies accept Corporate Social Responsibility and they may event support different programs in this respect. But in the hierarchy of priorities profit and shareholder value are at the top while any other objectives are regarded as ethical, socially acceptable, praised and supported but on a lower level.

2.1.2. From “Think locally, act globally” to “Think globally, act globally”

At this point of analysis one question arises: over the past two centuries capitalism proved to be flexible, resilient, innovative and therefore able to adapt to new circumstances. Why this time would be different?

The short answer would be this: the emergence of globalization or the global scale of human activities. In previous periods capitalism could find solutions by expanding to new territories, by implementing new technologies, by overcoming social tensions through the adoption in various forms and degrees welfare state programs. But now the limits of planet Earth are tangible and “more of the same” is no longer a solution.

If in the 1970s and 1980s a slogan used in the early days of globalization was “**Think locally, act globally**”, with a reference to the interdependence and interaction at a global scale, at present this slogan has to change maybe into “**Think globally, act globally**”, with a reference to the global economy but also to the global consequences of human activities. The problem is that such a change require coordinated action from all or at least the majority of actors in the world economy, with a long term perspective and with a sustainable, eco-friendly approach. Some notable attempts in this respect could be mentioned although all of them have manifested till now serious limitations in their application.

The Paris Agreement signed in 2016 within the framework of the United Nations Framework Convention on Climate Change (UNFCCC) by representatives of 196 states. Unfortunately, none of the developed countries fully implementing the policies required to reach the goals of the agreement while in July 2017 US president announced the intention to withdraw from the agreement.

In January 2020 the European Commission announced a **European Green Deal** that aims to reduce European greenhouse gas emission by at least 50% compared to 1990 in 10 years and to make Europe carbon neutral until 2050. The budget envisaged for the next 10 years is estimated at 1 trillion Euros (Hurst, L., 2020). It is worth mentioning that the European Green Deal includes explicit references to a new circular economy action plan. The European Green Deal is at its very beginning but some divergences have already manifested: Poland refused the proposed timetable as it produces 80% of its energy from coal which is one of the fossil fuels to be eliminated; in early February 2020 a clash manifested between Sweden on one side and Germany, the Netherlands, Hungary, Poland and the Czech Republic on the other side on the use of mercury in fluorescent lighting. In this case Sweden is against the continuation of use of mercury while the other countries require an exemption as otherwise a significant number of jobs will be affected (Boffey, D., 2020).

In United States there is support in the Congress for a **New Green Deal** that aims at giving up the use of fossil fuels, both as a general political and social debate and also in the context of the 2020 presidential elections. Although the term was used initially by Thomas Friedman in 2007 and was used afterwards by various politicians, it gained substantial popularity in 2019, particularly once with the presentation of a non-binding resolution in the Congress by Democratic Representative Alexandria Ocasio-Cortez (Dsouza, D., 2019). The main criticism to the proposed New Green Deal refers to its objective of achieving zero greenhouse gas emissions and 100% energy production from renewables until 2030 which is too short a time for reaching such ambitious objectives.

2.3. Why the circular economy may be a solution

The circularity of natural processes is represented by the succession of seasons and by the circuit of matter in nature where biological substances are passing through different stages and are permanently reinserted into the life cycle.

Until the first industrial revolution the human activities had little or negligible impact on the environment and therefore sustainability of ecosystems was not put into question. The industrial era opened the way for the idea of perpetual progress of humankind and infinite growth appeared possible. **The linear economy** emerged and its relation with environment was defined by 3 steps (see Figure 2 below): **take** (resources and energy from environment) – **make** (manufacture goods and services) – **use** (for both essential and non-essential human needs) - **waste** (throw waste into the environment).

In the 1970s people became first preoccupied by the limits of available resources and much later by the impact of the waste on environment. Climate change phenomena after 1990s and especially after 2000 have finally succeeded to be enough visible and enough threatening as to determine both high level reactions and more pragmatic approaches. Among them we highlight the circular economy which is **more than a concept, being also an action plan for the European Commission** (European Commission, 2012; 2014).

Circular economy is defined as a type of socio-economic system based on the continual use of resources and on the elimination/minimization of waste. The circular economy is “restorative and regenerative by design” and it is based on 3 principles (Ellen MacArthur Foundation, 2020):

- Elimination or decreasing to a minimum waste and pollution by design;
- Maintaining products and resources in a closed loop use;
- Regenerate natural systems.

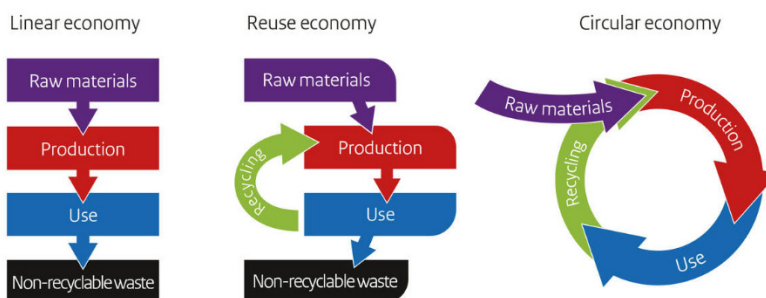
An important aspect is that the concept of circular economy does not envisage a lowering of the living standards or of the profitability of companies, being based on a re-design of socio-economic processes. The difficulty consists in the fact that in a market economy system, characterized by competition, it would be necessary that all economic actors change their mode of operation at the same time. Otherwise, the ones that will change first will be at a disadvantage in comparison with the ones that will keep the existing linear economy paradigm. The failure of the first economic actors will demobilize the rest of the actors and the whole change process will halt.

At present in the global economy there are some large scale implementations of an intermediate stage, the so-called **re-use economy** in which a significant part of the materials are re-inserted into the technological cycle after the use of finite goods. While this stage represents an improvement over the linear economy, it is not a complete solution because it only decreases the consumption of new raw materials and energy and does not significantly reduce the quantity of waste eliminated in the environment. Also, the re-use economy is present on a large scale only in some developed countries.

The circular economy, which is a much more complete solution, has been applied by various companies (such as Renault, Philips) and is officially supported and translated into an Action Plan by the European Union. Anyway, even in the European Union there is no systematic effort to include circular economy in the education curricula, in the mass-media and the public debate so that a new set of values and behaviors are adopted by the majority of population.

The main differences among **linear economy**, **reuse economy** and **circular economy** are reflected in Figure 2.

Figure 2. Main differences among linear economy, reuse economy and circular economy



Source: Government of the Netherlands, From a linear to a circular economy, <https://www.government.nl/topics/circular-economy>

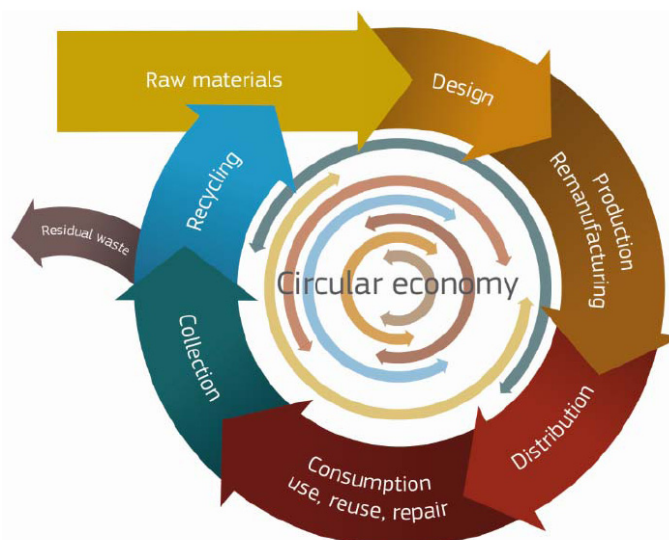
Figure 2 is useful for making a distinction between a **linear economy** with some recycling component (the **re-use economy**) and a **true circular economy** where the products are designed for a much longer life and for reutilization and remanufacturing of components.

If one wants to distinguish between the two enough is to look at the list of targets and actions provided by authorities. If there are only targets associated with recovery of waste and using them as raw materials then such an approach is still a linear one with a re-use component. It is true that recycling waste determines lower consumption of energy than using virgin raw materials but that is still a linear economy which is not environmentally friendly or sustainable in the long term.

In order to clarify **the essence of the circular economy** the European Commission mentioned in 2014: "Transition to a more circular economy requires changes throughout value chains, from product design to new business and market models, from new ways of turning waste into a resource to new modes of consumer behavior. **This implies full systemic change, and innovation not only in technologies, but also in organizations, society, finance methods and policies**" (European Commission. 2014). This approach is reflected in Figure 3. It is to be appreciated that quite early, in 2014, the European Commission highlighted the importance of a systemic approach that needs to include all parts of economy and society. For the first time this statement made clear that partial solutions are not enough given the implications of the climate change and pollution risks.

One key aspect of the circular economy as it is supported and promoted by the European Commission is that reducing the quantity of materials and energy used for producing goods and services, as well as reusing them need to be given priority as compared to the recycling of materials and energy.

Figure 3. Circular economy conceptual diagram according to the European Commission



Source: European Commission, Towards a circular economy: A zero waste programme for Europe, 2014, p.5

The previous approaches of the European Commission have been included into a comprehensive strategy, **the European Green Deal**, of which the circular economy is an integral part (European Commission, 2019). We appreciate that this strategy, which is also consonant with the United Nations Sustainable Development Agenda 2030, has a fair chance to succeed because of 2 reasons: 1) the European Green Deal is a comprehensive, scientifically based, realistic strategy, which includes circular economy as an important tool for achieving the its goals (no net emissions of greenhouse gases in 2050 and decoupling economic growth from increase of resource use); 2) European Union has the legal and enforcement mechanisms for translating into reality the strategy.

The European Green Deal strategy is rather ambitious as it includes a number of objectives that are in collision with the capitalist approach based on profit and shareholder value increase. One can mention here: the support for reusable, durable and repairable products, the “right to repair” for the consumers and the interdiction of planned obsolescence.

Conclusions

As a conclusion, based on the arguments presented above, the answer to the question asked in the title would be that **it is possible that capitalism become compatible with the circular economy, but such an outcome is rather improbable, except the case of reinventing capitalism with 21st century technologies.**

Capitalism is intrinsically defined by the action of the individual, by competition and by the purpose of the maximization of profit. At the same time, globalization has generated a global market where competition takes place among economic actors from all over the world and therefore local actions cannot be effective if not all economic actors act in a coordinated way. To illustrate this enough is to mention that European Union may achieve carbon neutrality by 2050 according to European Green Deal but European Union generates only 10% of the global emissions (Valatsas, D., 2019).

On the other hand, circular economy is not in itself incompatible with the market economy and capitalism, but requires a different set of purposes and rules of the game related to sustainability, preservation of the environment and responsibility for the future generations. While one can imagine in a thought experiment that all economic actors in the world would accept and implement at the same time such generous and responsible purposes, in reality it is difficult if not impossible to actually carry out such a global change of perspective overnight.

An important clarification here is that this text is not a critique of capitalism but a call to realism for taking into account the benefits but also the costs of this economic and social model from the perspective of the environmental sustainability.

By putting together the capitalist, market economy approach, and circular economy as envisaged in the European Green Deal a number of scenarios emerge from 2020 until 2050:

The Business as usual scenario. While almost all economic and political actors recognize the negative effects of climate change and pollution little is done as long as the profits and shareholder values are not affected significantly and in the long term. In this

scenario the implementation of circular economy and sustainable development measures are done on a relatively limited scale as compared to the global economy and therefore the negative effects of climate change and pollution will continue to accumulate. At one point these negative effects may become so important that the market signals will determine economic actors to search for solutions, but at that moment the cost of transition will be much higher.

The Diversity scenario. In this scenario the players in the global economy, states and corporations, are taking different approaches, but a significant part of them implement measures for reducing the negative effects of climate change and pollution. As such measures can be implemented in a short period of time only by administrative decisions, the implication is that only authoritarian states and deep integrated organizations (European Union) have the capacity to make a paradigm shift in a short time. In this scenario, if the first results of the implementation of the European Green Deal are positive, European Union may emerge as a “success story” and its model may exert attraction for many other countries.

The Revolutionary scenario. In case the 4th Industrial Revolution, robots and artificial intelligence will be implemented on a large scale until 2030, this may create the possibility for a large part if not all of the global economy to an entirely new level of operation. The emergence of completely new sources of energy (like fusion energy which in 2020 seems to be only 5 years away), to new discoveries in physics, chemistry and biology may create a new economy and society that is mostly digital and virtual and that little impact on the environment. In this scenario most activities become carbon negative by 2030-2035. It is this scenario that finds a middle of the road solution that harmonize capitalism and the circular economy. Despite its science fiction appearance, this scenario is rather possible from a scientific and technological point of view. The only skepticism comes from the human decisions and human inter-actions at a state, corporate and global level that seem to be oriented more towards confrontation than towards cooperation.

The Black Swan scenario. The political, trade and military confrontations taking place at the beginning of 2020 give some substance to Black swan events, be they virus pandemic, military confrontations or trade wars. Under such circumstances national and individual interests will prevail and the costs of operation for economies and societies will be much higher than now or than in case of the other scenarios.

The scenarios mentioned above are in no way the only ones and reality has the habit of evading forecasts. But asking the questions, exploring the outcomes and listing the “what ifs” may be much more preferable than just letting things happen. And, as we mentioned at the beginning of conclusions, maybe capitalism will be flexible and innovative once again and it will reinvent itself based on 21st century technologies.

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LIGHTS AND SHADOWS AT THE LEVEL OF RUSSIA'S NEO-COLONIAL TEMPTATIONS

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Abstract

The subject of colonialism, which is linked to a rather long stage in the evolution of modern, but also pre-modern civilization, continues to arouse the interest of the entire scientific spectrum, manifesting the more the concept has become enriched with the neo- and post- prefixes, being approached by a great variety of theorists and historians of the theory of international relations (be they economists or political scientists, sociologists and anthropologists, moral or cultural philosophers). There are some analysts who believe that at the end of the Second World War, as a result of the radical change in the balance of power, "the former metropolises (Great Britain, France, Spain, Belgium) have left the place of neo-colonialist entities. Such as the United States of America and the Soviet Union." During this paper, an attempt will be made to explain the extent to which the characteristics of the Russia's current international relations can be applied to partnership with the former components of the Soviet Union (USSR), which have declared their autonomy and are developing as independently as possible. Emphasis is placed on the ways in which such political and military powers influence the flow of things in neighbor states, either directly or indirectly, using both traditional and new practices. This Central Asia region has been centuries of confluence of geopolitical and geo-economic disputes between the great powers. Things are no different at present, and what is different is the balance between soft and hard diplomacy. The events that took place in the past few years reopened the dilemmas of a new type of neo-colonialism. What differ are the forms in which this inclination is manifested for each of the great powers. In this paper the author seeks to answer some questions about Russia's neo-colonial orientation, these being: Does Central Asia fit within contemporary Russian foreign policy? Is there a coherent game plan of Moscow with clear-cut objectives? How is Moscow going about its business? What are the main outcomes of Russian behavior? What does the future hold for Russia in Central Asia? The main assumption of author is that Central Asia is significant mainly as is it a pivot area to Russian self-perception as a still relevant global actor. In order to respond to these questions, there was a call for dynamic series of economic, technological, cultural and political data and information, aggregated on the basis of phenomenological research. The main conclusions reached by the author are: Russia lost its hegemonic position while these countries become assertive actors; prioritization of geopolitical aims over security objectives; there is no clear strategy but an entropic package of ad hoc arrangements; it is ambiguous the dynamic balance between authoritarianism and sovereignty. The entirely process depend on the new variables: turbulences in the Russian domestic politics and economy; succession outcomes in few countries; the future of relations of Russia with other global political and economic actors.

Keywords: *Geoeconomics; geopolitics; colonialism; imperialism; neo-colonialism; societal challenges*

JEL Classification : *A13; C12; C43; C55; E47*

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Introduction

The subject of colonialism, which is linked to a rather long stage in the evolution of modern, but also pre-modern civilization, continues to arouse the interest of the entire scientific spectrum, manifesting the more the concept has become enriched with the neo- and post- prefixes, being approached by a great variety of theorists and historians of the theory of international relations (be they economists or political scientists, sociologists and anthropologists, moral or cultural philosophers). Moreover, followers of all doctrines and ideologies in the sphere of international relations have identified typologies of the phenomenon or observed the cohabitation of polemical approaches: deontological vs. utilitarian (speaking in terms of individual natural rights or collective costs and benefits), vindictive vs. justifications (demanding historical reparations for otherwise indelible sins or excusing sacrifices in the name of progress).

In support of one of the perspectives on this phenomena, one can claim that we have to deal with an atypical combination of political, military, economic and cultural phenomena and processes, the most relevant being: *a unique combination of relationships between discoverers of new territories and those who inhabit them; a more or less scientific analysis of geography, natural resources, the human factor, traditions and customs to substantiate the monopolization of resources and to justify the unequal trade exchange; a process of canceling existing forms of economic development to enable the transformation of these regions into captive markets for the products and services provided by the metropolises; the promotion of a "commercial triangle" consisting of the supply of European products to the colonies, the sending of slaves there to the American continent and the taking of products, usually less processed, by the areas of Europe and the Americas; starting some modernization projects of the colonies by developing ambitious infrastructure projects, generalizing the private property on the land, implementing specific fiscal schemes and developing an administrative apparatus that would drain most of the resources to the metropolis; stimulating the creation of local collaborative elites, specific education systems and cultural architectures that seek arguments for the superiority of the metropolis and the perpetuation of the relations between the metropolis and the colonies.*

Most of the studies carried out on this topic had as analytical structure the following vectors: *political-economic, social-institutional and representational-symbolic*. Colonialism can be treated as a stage phenomenon that has had quite different determinants and effects in the different stages it has gone through. The concrete reverberations of the geo-political evolutions have materialized in processes such as: massive dislocations of important masses of citizens from certain alignments to new ones but not specific to them; distortion of commercial, technological and even social flows; the imposition of foreign regulatory and institutional architectures on the traditions of these areas, not accepted by citizens and generators of many tensile states that are difficult to control.

The colonial phenomenon has been supported by a variety of means, some of them quite elitist in nature and manner of presentation. Strong doctrinal lines appeared that

aimed to justify the factual states and to accredit the idea that these types of social relations are correct and perpetual, witnessed the breakdown of social sciences from sub-fields that were included in the educational programs of the educational environment, pretentious exhibitions were organized and with great civic impact, books were published and scientific magazines were published with the object of this phenomenon, numerous songs were launched and works of art were created with this theme, created professional and scientific associations of those who worked in the colonies and had experiences considered useful for dissemination.

1. Colonialism, imperialism, neo-colonialism – some theoretical clarifications

The term colonialism comes from the Latin *colonus* meaning „farmer,.. From this perspective, colonization means the transfer of some populations from a certain geographical area and from a certain economic territory to a new geographical space, these preserving and applying in the new location the behaviors with which they left the area of origin. The term imperialism originates in another Latin term, that of *imperium*, which means to command, to rule. From this perspective, imperialism is understood as a form of domination of some nations by more powerful ones by resorting to more or less sophisticated control mechanisms. Starting with the period of the Christian Crusades and continuing with the discovery of the Americas, virtually all branches of science have dealt with these two concepts. The most acute endeavor was aimed at legitimizing the hegemony of some peoples over others, explaining the developments taking place and, only later, clarifying the negative effects of these processes that have become of great importance in geo-political and geo-economic terms. The geographic discoveries, especially the one that put on the modern map of the world the American continent, set the basis for a feverish theoretical, theological, political, economic, but also ethical debate about the effectiveness and, above all, the legitimacy of the use of military means to exercise, the domination over new territories.

Several papers of great relevance on the evolution and effects of colonialism have very accurately described the shadows of this state of affairs, showing the falsity of the belief that Europe had a messianic role, as a civilizer of the other regions of the planet. From reading these works I come to the idea that the system of colonial domination is fundamentally antinomian with the enlightenment principle of the right of individuals and peoples to self-govern. Critics who are argumentative in the direction of the times in which colonialism was fashionable also expressed Immanuel Kant (Flikschuh, K, Ypi, L. 2014) or Denis Diderot (Strugnell, A. 2011). From Kant's works, the need for correct arbitration between two opposites, namely between the universality of fundamental human rights and the realities of cultural pluralism, can be distinguished. From this perspective, any societal actor is obliged to find the manageable balance between the individual and the social interests and to provide them with means to overcome the adversities that are associated with the real social environment. For his part, Diderot demonstrated that the "European civilians" were themselves uncivilized and the populations of most colonies did not benefit significantly from the civilizing efforts of the European nations. According to his arguments, the colonial empires have become, from their coagulation, spaces where maximum brutality was exercised, punishment of the innocent, the imposition of foreign

systems of government by local traditions, rebellions and revolts proliferating. (Muthu, S. 2003) The most commendable of the exaggerations of the thinkers of the eighteenth and nineteenth centuries is that related to the assumption that European legal and institutional structures were obligatorily advanced, while those of the other regions of the globe were obligatory behind and therefore they had to be reformed or replaced. The *trinom* adopted by the supporters of colonialism consisted of culture, history and progress. In fact, the terms civilization, savagery and barbarism (Boia, L. 1995) are found in the works of many scientists, being associated with the studies of political philosophy or political economy and problematized not necessarily convergent. Illuminated minds of those times were different from colonialism (indeed, Edmund Burke, Adam Smith, John Stuart Mill or Alexis de Tocqueville), some criticized the phenomenon, others made concessions (for example, imperialism) for various reasons. On the one hand, Smith was not a supporter of imperialism, invoking economic reasons. A follower of the "*invisible hand of the market*", he stressed that the subordination relations between the colonies and their metropolis significantly distort the mechanisms of the functional market and those of a fair taxation. (Pitts, G. 2005) On the other hand, in Mill's view, imperialism „*is not primarily a form of political domination and economic exploitation, but rather a paternalistic practice of government that exports "civilization" (e.g., modernization) in order to foster the improvement of native peoples,* (Mill, J.S. 1861) That is why, in certain circumstances, he seems to justify the need for autocratic governance systems for "*those who love freedom too much*" and do not know how to self-govern to compel or teach them to do so. (Speaking about the analytical route of the present paper, we can say that the rulers of our times and the great powers inclined to promote neo-colonialism have reason to be inspired.) We find this great thinker, who all his life has was a senior official at the British East India Company, and the reasons why the rulers sent from the metropolises are not able to govern those colonies correctly and effectively.

These include the following: they do not have the proper knowledge of local circumstances that will enable them to effectively solve the challenges of the nature of public policies; given the differences of a cultural, linguistic and often religious nature, the necessary empathy between the colonizers and the colonized is not realized, the former being tempted to behave absolutist; given the cultural asymmetries, in the event of the occurrence of conflicts that are forced to arbitrate, they will favor those who most resemble the arbitrators; the colonizers go to the colonies with the main purpose of accumulating wealth and, therefore, they will impoverish those in the colonies, they will not contribute to their prosperity. It is not difficult to find that these postulates belonging to Mill are fully applied nowadays, regardless of the region in question. Although they did not address the topic of the civilizing role of the colonizers, other analysts (Tocqueville, A. 1837) supported the phenomenon by bringing other categories of arguments in its favor. The argument of this thinker was that of a great power colonization to prevent the same thing from another great power, thus being able to maintain a certain balance of power. We will find, in the next chapters, applied this principle on the example of regaining or obtaining the influence of great powers on the states of the Central Asia region. Interesting to investigate is the case described by one famous analyst (Burke, E. 2000), whose views on colonialism / imperialism are disputed

between those who observe a part of the work as being delimited by the excesses of these phenomena, while others observe an attenuation of criticism, consistent with his criticism, conservative in the face of the French Revolution and its claim to dismantle the balances of the old world. A careful analysis of the doctrinal dimension of the colonialist / imperialist phenomenon requires a dedicated bent on the contribution of Karl Marx to the clarification of this subject. The contributions of this thinker can be found both in relation to imperialism, treated as one of the stages of capitalism, but also to the currents of thought called post-colonialism, respectively anti-colonialism. The basic idea of the Marxists was to highlight the material dimension of the political expansion of the states of Europe and explain the exploitative component of the relations between the metropolis and the colonies. In his reference works (The Communist Manifesto, Grundrisse and, of course, Capital), as well as others dedicated to the subject, Marx explained that, from the desire of those who lead the developed capitalist economies to maximize the relations between demand and supply, they will be forced to expand to new markets, which will lead to expansionist means, including the military. The combination of overproduction crises and under-consumption crises will intensify the contradictions which will cause the political decision makers to come to their own capitalist support to give them access to new foreign markets. This creates the premises for the international mobility of the abundant workforce to more abundant regions in natural resources, for the substitution of indigenous products in those territories with products exported by the great economic powers or it is called for the "tyranny" of the infusion of capital of the metropolitan owners in the economic sectors of some states that thus become true colonies. Marx refers to the term "*oriental despotism*", which in the great thinker's meaning means "*the state could not be easily replaced by a more decentralized system of authority*". For Marx, colonialism is a modernizing force that facilitates the passage of societies from the underdeveloped stage of the feudal type to a more advanced one, thus legitimizing the domination of some peoples over others. While acknowledging the suffering that this process can bring, Marx believes that this transition is both necessary and beneficial. Lenin was rather a critic than a supporter of imperialism. In his pamphlet (Lenin, V.I. 1939) this evil character of modern history associated Western-European colonialism with the concern of the great powers of Europe to export the negative effects of crises specific to the capitalist mode of production to regions outside the continent. Invoking the fact that, at the end of the 19th century, Europe witnessed a fall in the rate of profits, the analyst showed that thus the dominant economic system in this part of the continent entered the crisis and, to overcome it, called for external expansion. Like Marx, Lenin also considers imperialism and colonialism to be based on the same dominant logic, namely to base the development of the center on the exploitation of the periphery. In the nineteenth century, an asymmetry between the economic thinking of a liberal source and the concrete realities existing at the level of the relationship between the metropolis and their colonies became manifest.

As early as 1964, a renowned French philosopher (Sartre., J.P. 1964) published the paper entitled *Colonialism et Neo-Colonialism*, in which a fervent criticism of this component of France's foreign policy was made. One of the ideas of great relevance of this paper is the criticism of the use of violent means to achieve strategic foreign policy

wishes. This work was an important landmark for a whole specialized literature that dealt with this thematic area, among the continuation of the analyzes being found by several French authors (Albert Memmi, François Lyotard and Frantz Fanon). Such a first perspective on an exciting part of international geopolitics places the epistemological approach at the confluence between political and ethical issues, between the concern for individual freedoms and the intellectual and political commitments, between the need for morality and the need for efficiency and responsibility. Those who have been inspired by these ideas have drawn attention to the fact that in order to obtain an undistorted picture of the phenomenon, it is necessary to bypass stereotypes and even advance to a "psychology of colonialism" (Memmi). We may find it useful to analyze Sartre's conviction that *"the anti-colonial movements were not narrowly political campaigns, but developed their own cultural and political positions through the elaboration of a revolutionary 'tricontinental' epistemology."* (Memmi, A. 1965) This author pointed out that, on the way to colonization, the metropolises generated the dehumanization of the colonized ones, offering them a departure from traditions, alienation and much poverty. Interestingly, this analyst argues that, because of the disruptive type of relations between metropolises and their colonies, not only those colonized, but also the colonizers, suffer. For fear of not reaching widespread violence, spontaneous uprisings or subversive actions, colonists feel compelled to promote sophisticated military structures, to carry out aggressive campaigns of ideologization or cultural amalgamation, or to create and maintain oppressively irrationally developed institutions. Some of the contributions of this analyst, even if they did not go further by analyzing the evolution of the former colonies a few decades after they declared or gained independence, can be considered somewhat prophetic. It can be said that, in line with those predicted by Memmi, the economic or social status of former colonies, following the recommendations or development programs, conditionally, of the international economic and financial bodies (International Monetary Fund, World Organization of Trade or the World Bank Group) are in situations of structural macro and microeconomic imbalances that can be assimilated in depth with those of the colonial period. From this perspective, the current model of globalization, which generates many negative effects at the level of the states that are not sufficiently well integrated in the globalized economy, should be analyzed more closely to see if it somehow leads to another kind of interdependence, which addictive relationships are transformed, and they restore the vulnerabilities that were associated with colonialism. We can say that the invitation to reflect in the middle way between the capitalist and socialist doctrines (the third way or *"tricontinentalism"*), which deserves to be studied more carefully, is brought into the analytical landscape. Sartre saw neither colonialism as a problem related to an isolated group of outdated individuals or to some evil historical events, nor as an exception to the essence of liberal democracy, but as a structurally inherent system taking into account of the expansion of European-type capitalism. There are other analysts (Rahaman, S. et. all. 2017) who believe that at the end of the Second World War, as a result of the radical change in the balance of power, *"the former metropolises (Great Britain, France, Spain, Belgium) have left the place of neo-colonialist entities. such as the United States of America and the Soviet Union."* A powerful decolonization movement that led to another international geopolitical and

geo-economic picture thus began and amplified. This de-colonization movement was strongly supported by these new powers, labeled by some analysts as "neo-imperialist". It can be said that, although the term "Iron Curtain" was accredited in international diplomacy by Winston Churchill in relation to the reality that emerged at the end of World War II, it can also be attached to the colonialist realities that they consecrated the neo-colonialist "curtain". Although a growing proportion of the former colonies gained political independence, practically all remained within the economic sphere of the former metropolises, which shows that achieving economic independence is much more difficult than political independence. The former colonies continued many decades after their release to face negative phenomena such as: poverty, hunger, dramatic pandemics, corruption, political instability, civic turmoil, lack of essential financial resources for development, unilateral productive specialization depending on imports of industrial products from metropolises and their open markets for their products. Although it can be considered that some emancipation of the former colonies took place, it was only on the surface, especially at the political or even institutional level, not at the economic level, where the dependence on the former metropolises remained for a very long time. In virtually all regions of the planet where colonial-type relations have been manifested, negative phenomena such as poverty, hunger, political corruption, developmental asymmetries and uncertainty about the strategic directions of sustainable development have persisted.

2. *Neo-colonialism between continuity and discontinuity*

The term neo-colonialism is attributed to the well-known Pan-Africanist leader Kwame Nkrumah, who, in a Marxist sense, considered it to be the last stage of imperialism, in its acceptance meaning "*the exercise of power, but not of responsibility by the powerful and exploitative, without alternatives for the dominated ones*". (Northrop, D. 2012) An x-ray of the specialized literature allows to find that there are very many definitions of this concept, being able to speak even of a series of regional versions of the term (African, Asian or Latin American). In the British Encyclopedia, Sandra Halperin defines neo-colonialism as "*the control of less-developed countries by developed countries through indirect means*". (Halperin, S. n.y.) During this paper, an attempt will be made to explain the extent to which this characteristic can be attached to Russia's current relations with the former components of the Soviet Union (USSR), which have declared their autonomy and are developing as independently as possible. Emphasis is placed on the ways in which influential powers influence the flow of things in less developed states, either directly or indirectly, using both traditional and new practices. Africa was a continent in which the interests of almost all European powers that had colonial-type ambitions intersected. The landscape where the roots of colonialism were most deeply felt is the economic one. The appeal to the economic means allowed the colonial powers to obtain most of the expected gains from expansionist adventures. The decolonization process has not changed too much the institutional, relational, social and economic realities of these states. In addition to the dependence configured over time on the former metropolises, these new states have gradually become the targets of the interests of the new powers, which are called by analysts *the neo-colonialist power*.

Using predominantly economic means, the new powers at regional or even international level proposed to the newly released states a new type of partnership based on which, instead of the dominance relations that had just been broken down, another type of domination was installed, something more slightly visible, but no less pressing. The new type of exploitation is more discreet, it is exercised for longer periods of time, it is sprinkled with numerous signs of correct behavior, but it feeds the dependence on the big economic powers, it deprives the poorer states of their traditional sources of comparative advantages, it contains the feeling that these countries are helped to emancipate themselves economically, but it makes them realize at a certain point that underdevelopment and poverty do not diminish, but amplify. Whether they are located in Africa, Asia, Oceania or South America, states that have escaped some of the dramatic colonialist legacy find that they do not accumulate capital, although it is vital for any economic and social development program, they do not make progress in the plan of reforming their education and health care systems, they do not achieve the level of technological intensity required by a modern and dense interdependence economy, they do not capitalize on performance management systems that generate economic efficiency and ecological resilience. In keeping these states beyond the "*neo-colonialist curtain*", international economic and financial institutions also contribute fully, although they have in their own statutes and in their object of activity precisely the economic emancipation of the less developed states and the provision of financial resources at some costs borne by these. Having as a suggestive example Central Asian states, one can say that they cannot speak of complete independence if "*most of their resources are in further used in the interest and for the development of those in the vicinity of the region or at greater distances from it*". Research on this thematic area has revealed that neo-colonial vulnerabilities can take various forms, such as:

- ✚ The great difficulties encountered during the processes of capital accumulation, endowment with modern technologies and the approximation of the most sustainable managerial practices. Some narrow places should also look for the generous programs of international economic institutions (IMF, World Bank Group, etc.), which did not mitigate these gaps, but even tolerated them and helped to amplify them.
- ✚ The full repatriation of the profits obtained by the foreign investors in these regions, which deprives these states of important own sources of financing, determining them to remain dependent on the foreign investors and vulnerable to the symmetrical or asymmetric economic shocks.
- ✚ External debt vector - very sensitive and used with great ability by both international financial institutions and the commercial banking system in developed countries to radically influence macroeconomic and sectoral policy decisions.
- ✚ The continued use of these states as a field of confrontation between the great powers. If during the so-called Cold War period, the confrontation was between the US and USSR, after 1990 in the geopolitical and geo-economic equation a new global player, namely China, changed, substantially changing the rules of the game.

The most acute challenge faced by the least developed states in the last decades is considered to be the almost complete transfer of the profits obtained by the foreign investors outside the economies of these states, depriving them of important financial resources absolutely necessary for the operationalization of programs articulated by general and sectoral economic development, for the acquisition of modern technology that will allow them to reduce the gaps that separate them from the most advanced institutional actors, to improve the standard of living and reposition at the level of international integration processes. The use of the instrument "*granting loans in very onerous conditions*", either by the international financial institutions or by the commercial banks of the industrialized states, has led to the consecration of another malignant form of neo-colonialism, namely the external debt of these states. Despite the constant demands of the group of developing states and the numerous attempts to identify negotiated solutions to the thorny problem of the truly burdensome external debt for the less developed countries, progress has been almost non-existent. Faced with the unbearable burden of their external debt, developing countries barely manage (most do not, however) to pay for their external debt service, being forced to export virtually everything they seek on foreign markets, to make ends meet. It compromises the programs of economic emancipation, to face the dramatic erosion of the quality of life and to delay any strategy aimed at improving their state of affairs.

As the overwhelming majority of thinkers in these states point out, without economic freedom, political freedom is an illusion. Using the schemes experienced in Central Asia they were constituted by the former metropolises, and politically recognized by the international community, a series of state-type structures that did not take into account ethnic homogeneity and historical heritage, which permanently feeds intra-national or international conflict and makes external intervention necessary and thus legitimizes neo-colonialist behavior. During the Cold War, some regions of the planet, became the field of confrontation between the two major poles of international power, the United States and the USSR. From the point of view of the followers of the modern institutionalist theory, the exploitation of the less developed regions by the most developed ones does not require the operationalization of the military means. The economic domination can be achieved without resorting directly to the strategic-military hegemony. The theory regarding the post-colonial realities gains relevance if one uses more doctrinal perspectives, being necessary to approach the problem in both the standard register for the political or economic sciences, as well as in the relevant one for the social and humanities sciences. The entire complexity of post-colonialist realities cannot be understood unless one uses post structuralism, realism, institutionalism, neo-functionalism. The key terms that more and more analysts invite us to consider are: *hybridity, diaspora, representation, narrative, alterity, multiplicity and knowledge/power*.

Specialized literature has devoted many analyzes to terms such as: *colonialism / imperialism, neo-colonialism / neo-imperialism* or *new international economic order*. Less interest was given to the term post-colonialism. In order to understand it, it is necessary to approach it from several perspectives, the most relevant being the geographical, historical or institutional ones. The term post-colonialism induces an aroma

of modernity which makes us place it in the same terminological bundle with other "post - / - isms" such as: post-structuralism (Appiah, K.A. 1991), postmodernism (Young, R. 1982), post-Marxism, post-feminism, post-deconstructionism.(Radhakrishnan, R. 1983) The acceptance that we will confer on this term during our work will not only take into account the temporality vector on the basis of which it would mean, "after the stage of colonialism", but one more elaborated and closer to modernity, in the sense of a new stage, even new, which does not follow something but is a new way of relating to the challenges of the present time.

3. Russian neocolonialism in Central Asia

To discuss about "Russian neo-colonialism" it is necessary to place it in the logic of a term closer to these realities, namely that of "post-Soviet neo-colonialism". This conceptual delimitation is necessary to make it possible to harmonize the position of officials, but also those of the Russian academic environment, and the Western perspective, which accredits the vision that the Russian Federation is not only continuing the colonialist policy of the former Tsarist Empire, but also of the former Soviet Union. The complex and unpredictable transformations that took place in a relatively short period of time in the former Soviet space made it very difficult to anticipate the level at which political and economic stability could be placed. One of the analysts of these realities (Halle, H. 2005) claims that these transformations are not linear ones, but cyclical, and the rivalries that can be identified in all the states of the region are not related to the maturation of a local civil society, but to autocratic structures. The same author considers that "*... we should study the post-Soviet developments and classify them not as democratization/authoritarianism, but as institutionalization/a-institutionalization, competitiveness/non-competitiveness, and stabilization/destabilization.*" It became compulsory for all state-owned entities resulting from the dismantling of the USSR, that it had to enter a race at the end of which a new national identity project was to be. In order to achieve the proposed goals, these new countries are obliged to develop and operationalize a set of strategies, the most important being: the national development strategy; strategic positioning or repositioning strategy; national security strategy. The use of mass media and virtual space was firmly opted to change the reality and obtain significant geopolitical and geoeconomic gains, with the Russian authorities making it a true profession of faith and a set of effective means of promoting its new foreign policy. It is debatable how new the current foreign policy of this great power is, given that its strategic lines do not differ too much from the traditional ones. The online space is flooded with favorable news and success stories about governance, subtle schemes are used to distract public attention from negative developments in society and economy, confusion is created and uncertainty is spread along the way of disseminating parallel realities.

Some researchers have shown that the longer an illiberal regime stays in power, the more time and resources it has to enhance all these tools. It cannot be said that this condition is not fully fulfilled by the dominant regime in Moscow, which has been in power for more than 20 years and there are signs that the period will continue to extend, without an acceptable prospect as to what is possible change. The measures that can be taken are aimed at limiting the commercial flows, having as an objective Artificial

Intelligence (AI) elements that allow biometric identification - the faces, the voice, the allure; imposing restrictions on public companies and authorities providing monitoring technologies, training programs, complex equipment to authoritarian regimes that practice human rights violations. State-of-the-art technologies, such as *micro targeting* or *deep fakes*, can enhance the ability of regimes that are not very friendly to the democratic values to manipulate their citizens by inducing actionable directions that are convenient for the rulers. Demonstrations are already being made of autocratic governments that targeted individuals with cosmetic information that made them become supporters of certain political or diplomatic lines.

By spreading deep fakes, authorities can discredit opposition leaders or merge messages, making it very difficult to identify true intentions of internal public or foreign policy. Along these lines, political regimes proven to be xenophobic, populist, extremist or strongly repressive, may seem more friendly, well-intentioned or even concerned with democratic reforms. Many of these states have been assumed by Russian decision-makers, have been repeatedly tested in the former Soviet republics and have become valuable components of the manipulation arsenal. Russia's concern is to maintain its imperial vocation by trying to reunify the former Soviet space in a specific way to the new geopolitical and geo-economic circumstances, but in accordance with the rules dictated by it. The problem is that most analysts mentioned the existence of this state of affairs but did not even explain it convincingly. In this approach the emphasis is placed on the strength lines of the identity of these republics as being extracted from the inheritance of their belonging to the Tsarist Empire and to the USSR, which does not go well in these former republics as the main cause of the evil influence of the West. It is an unquestionable reality that, although they have gained independence, the new states resulting from the dismantling of the "Soviet empire" have not gained "real sovereignty" as some still depend heavily on economically and politically and even culturally by the former center of political power. To this state of affairs also contributes the international political and economic system which remained in Westphalian logic (organizations in which sovereign states are represented) and has not advanced to that of global governance.

During the entire period that followed 1990, this region was at the forefront of the foreign policy of this great political and strategic-military power, although the coefficient of interest was not identical in all the decades that compose this period. During the period in which the Russian leadership was held by the regime that led Boris Eltin, the main interest was directed to the Slavic area (Belarus and Ukraine) and to the Trans-Caucasus region (Georgia, Azerbaijan and Armenia), the concern towards this region being significantly smaller. This state of affairs continued in the first years after Vladimir Putin took power, things changing significantly later. Russia's interest in the eastern space intensified as the country's relations with the western states gradually deteriorated, the American interest in this region became manifest, and China's economic and geo-political strength increased (Lo, B. 2014)

One of the most important axes of the new partnership proposed by the decision makers from Moscow to the ones from the new independent states was that of a specific type of regional cooperation. (Esengul, C. Baktygulov, S. Imanalieva, B. 2015) This type of cooperation, a priority in economic terms, but also with other partnership plans, is

strongly influenced by the interesting mix composed of factors of an intra-national, but also international nature. Based on a representative specialized literature I consider that among the internal factors that put their mark on interstate cooperation, the most relevant ones are the following:

- ✚ Placing in the societal paradigm according to which the threats to which national sovereignty is exposed are accentuated, are closer and can irreversibly vulnerable to any strategy of political evolution or economic development. Often, it is considered that focusing on the elements that define statehood (territoriality, sovereignty, legitimacy and monopoly over governance processes) may, in certain circumstances, affect the possibility of actively participating in regional structures in the area of security and integration. economic.
- ✚ The right balance between moving towards the values of modern democracy and maintaining centralized governing structures. There are analysts who have argued that autocratic systems of government have delayed or even canceled the move to democratization. In the neighboring states of Russia, the speech on the nationalism-regionalism binomial was encouraged, with massive support from this great power. These developments that took place at the political level, but also at the academic level, influenced the key decision-making processes, making it no longer clear that participation in regional integration structures built in good faith and kept in the light of the principles of public international law, does not erode the foundations of statehood but, on the contrary, can contribute to their consolidation. There is still confusion between regional identity and regionalism, although these are two significantly different concepts. Regionalism is reduced, for neo-colonialist reasons, to the agreement of supranational structures to which the states decide to transfer some of their national sovereignty. In reality, supranational bodies (we have the example of the EU) do not assume that states give up some of their sovereignty but agree to exercise it together.
- ✚ Endowment with resources and very different economic potentials at the level of the states participating in the regional integration exercises in this region. Some states in this region (Kazakhstan, Uzbekistan, Turkmenistan) hold more than 90% of the region's energy resources, while others (Kyrgyzstan and Tajikistan) capitalize on the same percentage, but from the region's water and hydropower potential. The placement of Central Asian states in different development paradigms, some focused on mineral and energy resources, others on infrastructure issues, makes it difficult to reach consensus on certain strategic objectives.
- ✚ The type of strategy that was chosen in the process of transition from a centralized social-economic system to the market economy was relatively different in the countries of this region. Some states (primarily Kyrgyzstan) have opted for "shock therapy", promoting macroeconomic policies that are more oriented towards functional market rules, while others (Kazakhstan, Uzbekistan, Turkmenistan) have opted for "gradual therapy", placing reform processes in the old societal paradigm. For these reasons, it was very difficult to harmonize between the respective states the basic economic objectives, but also

the rates of implementation of the commitments undertaken. Numerous opportunities have been missed regarding integration for the benefit of all these states, not just the hegemon, agreeing on an ambitious platform for political dialogue and attracting important foreign investment flows to achieve big industrial objectives of common interest.

- ✚ Rivalry in the plan of governmental leadership, each of the autocratic leaders of the countries of the area expecting, in the framework of the regional integration negotiations, to triumph their proposals to show at national level how respected they are, what their justice programs have development and what chances that country has of being some kind of regional power.
- ✚ The persistence of negative phenomena in the societies of this region such as suffocating government bureaucracy, endemic corruption, pagan authoritarianism, has led to the failure of many attempts to restructure economies, to carry out large investment projects to convince the international community about the registration of these states on a new path of transparency, democracy, the rule of law and economic modernization.

The often negative impact of internal factors has been supplemented and, most of the times, enhanced by that of external factors to the region to which these states belong. These factors negatively interfered with attempts at regional integration, with the intentional groups being oriented towards serving foreign strategic interests in the interests of the respective states or failing to take the steps previously envisaged or already agreed. These include:

- Continue to maintain conflicts between the states in the region regarding the correct delimitation of borders, the use of large watercourses, respect for the rights of minorities. Despite an impressive number of agreements signed between these countries, tensions continued to set their sights on mutual collaboration.
- The different stage of integration of these republics in the international geo-political and geo-economic landscape. The accession of these states to the major international organizations took place at different times and meant assuming commitments that sometimes made their mark on regional cooperation.
- Challenges of a traditional nature but also of a new type in the plan of reporting the development strategies of these states to the sustainable development process. The different stage in which the development processes in these states are, the different endowment with production factors, the opening of their economies, greater or less to the external environment, has made to lose valuable opportunities in the plan of harmonization and the modernization of the education and training systems, professional, of developing coherent networks of infrastructural nature.

Conclusions

Although the phenomenon known as colonialism, post-colonialism or neo-colonialism has persisted for millennia and has shown to the international community

how people-to-people relations should not unfold, the current global geo-political and geo-economic picture contains many resources for it to be it is kept taking other forms and its promoters using other types of arguments, not less attractive and even convincing.

Political and economic actors who want to be global in size and who refuse to accept the idea that they would promote foreign policy strategies that can be placed in the area of neo-colonialism, such as the Russian Federation, are constantly taking measures with which they intend to keep and strengthen the sphere of influence on the states in their vicinity.

The 4th Industrial Revolution endows the diplomats of the great powers with a wider range of means by which the public opinion can be manipulated so that the hostile intentions appear friendly, the attempts at servitude can be confused with the public aid, the mixture in the internal affairs with peacekeeping missions or humanitarian aid missions.

As Russia lost its hegemonic position while countries from Central Asia become assertive actors, reoriented itself towards geopolitical aims over security objectives;

This global power has no a clear and comprehensive strategy but an entropic package of ad hoc arrangement based on a dynamic balance between authoritarianism and sovereignty.

The entirely process depend on the new variables: turbulences in the Russian domestic politics and economy; succession outcomes in few countries; the future of relations of Russia with other global political and economic actors.

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REJOINDER TO NELSON ON NATURE PRESERVES

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Abstract

One of the most difficult challenges facing free market advocates of homesteading as the foundation of private property rights is the nature preserve. Homesteading requires the mixing of labor with land in order to turn it into private property. But pristine nature preserves are lands with which no human labor has ever interacted. It would appear then that in the free society there could be no such thing as a pristine nature preserve. Block and Edelstein (2012) found a way out of this quandary. In the view of Nelson (2019), these two authors failed in this self-appointed task of theirs. The present paper is an attempt to defend the former against the criticisms of the latter

Key words: *Nature preserve; homesteading; private property rights; virgin land*

JEL Classification: Q24

I. Introduction

Private property rights are integral to the entire libertarian edifice. Without private property rights, nothing much remains of the libertarian philosophy. And, equally so, homesteading² is the foundation of private property rights, at least insofar as libertarianism is concerned. Without homesteading, the justification for private property rights becomes a dismal failure, again, at least insofar as libertarianism is concerned. Private property rights are the be-all and end-all of libertarianism. In like manner, homesteading is the firewall built around private property rights.

Thus, homesteading becomes a target for those who oppose libertarianism in general and specifically private property rights. One such criticism is to maintain that homesteading cannot account for, cannot justify, nature preserves, untouched by human beings. Why not? Because unhomesteaded nature is ripe for the plucking for

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² Block, 1990, 2002A, 2002B; Block and Edelstein, 2012; Block and Nelson, 2015; Block and Yeatts, 1999-2000; Block vs Epstein, 2005; Bylund, 2005, 2012; Gordon, 2019A, 2019B; Grotius, 1625; Hoppe, 1993, 2011; Kinsella, 2003, 2006A, 2006B, 2007, 2009A, 2009B, 2009C; Locke, 1948; McMaken, 2016; Paul, 1987; Pufendorf, 1673; Rothbard, 1969, 1973, 32; Rozeff, 2005; Watner, 1982.

homesteaders. Anyone interfering with a person homesteading virgin territory is violating the rights of the would-be homesteader.³

In the overall scheme of things, this is not much of an objection. The libertarian might be tempted to say, “Ok, no big deal. So what that our theory cannot account for pure, untouched, nature preserves. We’ll stick a path into what might be called a semi-pure nature preserve, maybe place a few lights in it so that people don’t get lost at night, and include a few porta potties.

But Block and Edelstein (2012)⁴ were not satisfied with this sort of moderate response. They wanted to have their libertarian cake, and eat it too. That is, they were determined to demonstrate that the libertarian theory of property rights was fully compatible with a pure nature preserve, completely untouched by human beings. How were they able to pull this rabbit out of a hat? They argued that human beings themselves were not required to mix their labor *directly* with virgin territory. This task could be accomplished *indirectly*, via fauna and flora already owned by people, initially via direct contact. For example, ranchers properly homesteaded terrain not only by walking over it, but by riding horses on it and running cattle through it. In the latter two cases, there would have been only indirect homesteading, via property owned by those who were “mixing” their labor with the land. The solution, then? Domesticate some worms, butterflies, mice,⁵ elsewhere, and then toss them onto virgin territory so as to convert it into a privately owned complete nature preserve, untouched by human beings, at least not directly. The purpose of section II is to deal with several claims of Nelson that do not directly impact the thesis of BE. In section III we consider, and reject, Nelson’s (2019) direct attempt at a refutation of Block and Edelstein (2012). We conclude in section IV.

II. Nelson, preliminary

Nelson (2019)⁶ starts out on the wrong foot. He asks: “how can an original explorer homestead a nature preserve? With the current interest of people in organic culture, it is incumbent on libertarians to address how one might accomplish this purpose while honoring the non-aggression principle. Advocates for preservation of the natural environment, who look to the state for salvation, assert they alone demonstrate concern to safeguard the innate ecosystem.”

There is nothing at all wrong with this statement. Were this an ordinary paper, we would agree with it, and think it very important. But Nelson’s is an attempted refutation of Block and Edelstein (2012) and this statement is completely irrelevant to the latter. It was not at all the goal of BE to demonstrate to “demonstrate concern to safeguard the innate ecosystem.” It was not aimed at “the current interest of people in organic culture.” Rather, it was, instead, focused on defending against a *reductio ad absurdum*. Critics of libertarianism claimed we were between a rock and a hard place; they averred that:

³ Block 1998, 2004, 2011A, 2011B, 2013, 2015, 2016A, 2016B, 2017, 2018; Block and Callahan, 2003.

⁴ Henceforth BE.

⁵ These creatures are practiced at mixing their labor with the land and cultivating it according to Milius, 2020.

⁶ All further references to this author will pertain to this one publication of his.

Nature preserves are valuable and important

Nature preserves are impossible to come into being while strictly adhering to libertarian property rights theory based on homesteading

And that therefore libertarianism should be rejected.

It was the thesis of BE that this syllogism was incorrect. One could be excused for thinking that a refutation of BE should focus, narrowly, on this issue.

Nelson's next foray is the following:

"Homesteading must create value ... If a wilderness hiker should light a campfire and then lose control so that it burns down the forest, he does not thereby establish a homestead. Instead he has created a disaster area with no value."

Again, this is not exactly on point re BE. However, it is worth deliberating upon. On the one hand, there is cogency and rationality here. It will not do to burn down all the trees in the forest, let alone all of the flora on the planet. On the other it runs head on against Austrian subjectivism. To summarize this literature, "one man's meat is another man's poison."⁷ Suppose a homesteader engages in a controlled burn, the better to add value to his property. Presumably, Nelson would welcome this sort of a fire. But what about the pyromaniac? He enjoys "burn, baby, burn" and, we may posit, as subjectivists, that there is value for him in this. But there are limits to the acreage over which this may occur, at least according to libertarian theory.

One theory is that there has to be a reasonableness of how much any given person can homestead. For example, east of the Mississippi, 160 acres would be a judicious amount of land for homesteading. West of there, where land is less fertile, 1600 acres would do.⁸ Thus, the amount of burning would not be zero, but it would have its upper limits, as with any other method of homesteading⁹

⁷ States Hayek (1979, 52): "And it is probably no exaggeration to say that every important advance in economic theory during the last hundred years was a further step in the consistent application of subjectivism." Also, see the following on this issue: Barnett (1989), Block (1988), Buchanan and Thirlby (1981), Buchanan (1969, 1979), Butos and Koppl (1997), Cordato (1989), DiLorenzo (1990), Garrison (1985), Gunning (1990), Hayek, 1979; Kirzner (1986), Mises (1998), Rizzo (1979, 1980), Rothbard (1979, 1997), Stringham (2008) Barnett, 1989; Block, 1988; Buchanan and Thirlby, 1981; Buchanan, 1969, 1979; Butos and Koppl, 1997; Cordato, 1989; DiLorenzo, 1990; Garrison, 1985; Gunning, 1990; Kirzner, 1986; Mises, 1998; Rizzo, 1979, 1980; Rothbard, 1979, 1997; Stringham, 2008.

⁸ States Rothbard (1973) on this matter: "The 'open range' was the failure of the federal government to apply the policy of homesteading to the changed conditions of the drier climate west of the Mississippi. In the East, the 160 acres granted free to homesteading farmers on government land constituted a viable technological unit for farming in a wetter climate. But in the dry climate of the West, no successful cattle or sheep ranch could be organized on a mere 160 acres. But the federal government refused to expand the 160-acre unit to allow the 'homesteading of larger cattle ranches.'" https://cdn.mises.org/For%20a%20New%20Liberty%20The%20Libertarian%20Manifesto_3.pdf.

⁹ Another stems from what has been called the Blockian proviso: it is illicit to preclude other homesteaders from mixing their labor with virgin territory. See on this Block, 2016; Dominiak, 2017, 2019; Hoppe, 1993; Kinsella, 2009; Machan, undated; Mack, 1995; Makovi, 2015; Rothbard, 1998, 244-245.

Then there is the issue of pouring tomato juice into the ocean, in an attempt to homestead this body of water. States our author:

“... consider the answer of Friedman (1983) to Nozick’s question: “Robert Nozick, in *Anarchy, State and Utopia*, asks whether, when he dumps a can of tomato soup in the pacific ocean [sic], he acquires ownership over the ocean (having mixed his tomato soup with it) or merely loses the soup.”¹⁰

“My answer is that he has merely lost his soup. My justification is the assertion that my swimming somewhere off Bali, while it may move molecules of his soup around, does not injure him; the molecules are no more use to him before I move them than afterward. This answer depends on some, in principle objective, measure of injury; Nozick could claim that he attaches enormous subjective value to having the molecules exactly where they were before I went swimming, and that I therefor owe him compensation of a million dollars. My reply would be that I do not believe it.”

Nelson misconstrues the point of the tomato soup example. Nozick was casting doubt on the ownership of bodies of water. As the co author of this book (Block and Nelson, 2015), Nelson should have rejected the Nozick foray instead of supporting it. Unless, that is, Nelson has in the interim changed his mind about ocean ownership. As for homesteading the entire Pacific, there exists a limitation on the expanse of property permitted to be homesteaded, which is made clear in (Block and Nelson, 2015).

In our view, dumping tomato juice (a la Nozick, not soup), does not entitle Nozick to full ownership of the entire ocean, but he does, now, have a teeny, tiny, small, almost infinitesimal claim to it. More, certainly, than a landlocked person, who has never come within 1000 miles of the ocean, and has not mixed anything of his, at all, with it.¹¹

III. Nelson, direct criticism

In the view of Nelson: “A pioneer can create and own a nature preserve. Others have attempted to show methods for doing just that, but they involve intentional alterations to the land (Block and Edelstein, 2012). Herein, no deliberate alterations to the land are proposed; though, restoration is allowed, indeed mandated.” But “restoration”

¹⁰ Here is that famous quote: Nozick (1974, pp. 174-175): “Why does mixing one’s labor with something make one the owner of it? Perhaps because one owns one’s labor, and so one comes to own a previously unowned thing that becomes permeated with what one owns. Ownership seeps over into the rest. But why isn’t mixing what I own with what I don’t own a way of losing what I own rather than a way of gaining what I don’t? If I own a can of tomato juice and spill it in the sea so that its molecules (made radioactive, so I can check this) mingle evenly throughout the sea, do I thereby come to own the sea, or have I foolishly dissipated my tomato juice?”

¹¹ States Rothbard (1973): “It is difficult to see why a newborn Pakistani baby should have a moral claim to a quotal share of ownership of a piece of Iowa land that someone has just transformed into a wheat field—and vice versa of course for an Iowan baby and a Pakistani farm. Land in its original state is unused and unowned.” The point is, in order to lay legitimate claim to something, a person must “mix his labor” with it. The person who has tossed some tomato liquid into the ocean has at least done something along these lines, Nozick (1974, 1999), Nelson (2019) and Freidman (1983) to the contrary notwithstanding. This is in contrast to landlocked people in Iowa or Pakistan, who have not. So, no, Nozick is not a polluter. He is a part owner. See also See also Mancilla, 2015; Mossoff, 2002; Nozick, 1999; Rose, 1985; Schmidt, 2011.

implies “alteration.” It is not clear how one can have the former in the absence of the latter.

Continues our author: “What is a nature preserve? Presumably, it is an area of earth that remains in a pristine unaltered state. However, the earth is constantly mutable. Wind and water erode the earth; tectonics raise mountains; beavers build dams. Well, maybe it would be ‘unaltered by man.’ Then it cannot be so minimal a footprint as to say a man cannot have entered because there is nowhere on earth that is guaranteed to have never been trod upon by Homo sapiens.... Man is driven to explore the mysterious, and he inevitably bequeaths his mar(k) wherever he does. Whatever environment is contemplated, the homesteader must assume that some erstwhile adventurer, possibly during a long bygone era but more likely, recently, has impacted the countryside.”

But it is difficult to see the relevance of this. Of course there can be no such thing as a guarantee that a seeming virgin terrain was not trod upon tens of thousands of years ago, or even more recently. As long as there is no fence around the nature preserve or signs posted, or evidence of prior settlement; this may not satisfy the nature preserve extremists,¹² but that was not the intention of BE. It was only to demonstrate that a nature preserve *could* be attained without violating libertarian principles. Let us suppose that Nelson is correct. There is not as much as a square inch of territory on the surface of the planet that has not been visited by human beings, even in Siberia, the Sahara, Alaska, or the midst of Wyoming in the Rocky Mountains. Then, according to an ultra purist definition of “nature preserve,” something *never* touched by human beings, there can be no such terrain. Fine. But this is hardly the fault of libertarian theory. It only means that the entire issue is moot. But Nelson fails to cite a single advocate of nature preserves who so strictly defines such a desiderata. For virtually all of the tree huggers it matters not one whit that a cave man visited the territory 100,000 years ago, or more recently. If no one has done so since, even the most fervent advocate of this institution would be satisfied with converting such an area into a nature preserve.

There is no need to be as puritanical as the super duper radical environmentalists as is Nelson in his definition of a nature preserve. Remember, these folk are criticizing libertarian theory by use of a *reductio ad absurdum*: nature preserves are impossible in this philosophy. BE say this can indeed be accomplished under libertarian homesteading law. Nelson offers two criticisms. One, using frogs, insects will still constitute an “impact” an “intrusion,” a “perturbation.” Sure it will. That’s what will justify the private property rights in a nature preserve in the first place. But will this satisfy the puritanical radical environmentalists? Yes, it certainly will, abstracting from the cave man scenario, at least if they do not change their stance. For they objected to *human* “impacts,” “intrusions,” and “perturbations” not to those made by frogs, worms, insects, etc., in behalf of humans.

Nelson’s second criticism is in effect that we should not worry about satisfying the puritanical, radical left wing environmentalists. But if we follow his advice, they leave the field unvanquished. They can then demonstrate that there is a good, pure nature

¹² If their criteria is proof that a piece of seemingly virgin territory had never been trodden on by human feet, then, by definition, they can never be satisfied. This would mean that the entire episode is moot, only of theoretical not practical interest.

preserves, that is incompatible with libertarianism. Nelson may wish to leave libertarianism undefended against this criticism, but we do not.

Nelson avers: "To understand why, let us return to the above proposed definition: to establish a nature preserve is 'to preserve the status quo... it would be enough to never again allow a human to enter an apparently pristine reservation.' The first act, 'labor' if you will, would establish a screen or its equivalent together with 'keep out' signs. That would constitute a major mutilation of the surrounding lot if not the lot itself. However, simply fencing and signing is inadequate. For one there is no mixing of the homesteader's labor with the asset itself. But more to the point, such an act would be insufficient to preserve the unaltered milieu."

There are two errors here. First, while there is of course no mixing of *direct* homesteader's labor, there most certainly is an *indirect* mixing, via the creepy crawly species with which the person has homesteaded the land. If Nelson wishes to quarrel with this statement, he must also reject ranch ownership where horses and cattle did the "mixing" with the land, and the owner's feet probably never so much as even touched 99% of it.

Second, of course this milieu will not be "unaltered." Yes, there will be "Birds unable to distinguish property lines," etc.¹³ But no one who is launching an attack on libertarianism for being unable to provide nature preserves can reasonably insist that this terrain remain inviolate forever. They only criticize libertarianism for not being able to provide a nature preserve *untouched, directly, by human beings*. As Nelson himself notes: "the earth is constantly mutable. Wind and water erode the earth; tectonics raise mountains; beavers build dams."

Nelson trenchantly asks: "there is the goal of the nature preserve; what is it for?" The answer depends on each individual homesteader's subjective incentive for creating a pristine natural preserve. The general answer is that they anticipate doing so will make them better off in some subjective way.

It is our understanding of the critics of libertarianism that they have two goals for the nature preserve. One is to embarrass this philosophy. The other goal is solely for contemplation. Many of them are just plain old ordinary anti-human. They don't give a fig whether the flora or the fauna change over time. As long as people are forever banned from these environs, they are as satisfied as they are capable of being. Nelson's concerns to the contrary, that over time the flora and fauna will change, is thus beside the point.

Nelson thinks that the nature preserve would "include such activities as scientific study of the natural environment; or it could be maintenance of scenery for awed admiration or tourism. It might even include scientific one-off intentional alterations for the purpose of understanding how the environment works and what impressions a single defined modification would have. Such study, funded by persons interested in the research results, would involve the entry of people or at least manmade devices for data collection. Other purposes might include recreation: hunting, artistic sculpture, or just hiking."

Nelson blurs the distinction between a pristine nature preserve and the typical nature preserve. We are exclusively addressing the former.

¹³ I readily acknowledge that this scholar has a way with a word.

That Nelson could say this about the nature preserve demonstrates how far apart is his and our understanding of this phenomenon. In our view, “the entry of people” for research purposes, “or just hiking” would be anathema to this entire project.

In the view of our debating partner: “Once again, all of those involve human access plus profit potential. The bottom line is that without his entry into the enclosure, without an objective for the homestead, it would appear to be nothing other than a vicious exercise to stake a claim in an attempt to inhibit the freedom of would-be homesteaders.”

But these nature preserves have already been homesteaded. Any further homesteaders would be “homesteading” already homesteaded land. Namely, they would be guilty of trespass and thus theft. But it is the *first* homesteader,¹⁴ not any Johnny come lately, who is the proper owner of the land in question. For were this not so, there could be no such thing as a private property rights regime. All owned goods would be subject to a new “homesteader” continually “homesteading” already owned property.

IV. Conclusion

All political theoreticians can be grateful to Nelson for his remarks on BE. He challenges the latter in important directions, and compels all those who support BE to think hard about their position. An author could not have a better critic than someone who succeeds in doing just that.

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¹⁴ Abstracting, again, from cave men who may have trod on this acreage eons ago.

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