Advances in Management & Applied Economics, vol. 5, no.4, 2015, 79-90
ISSN: 1792-7544 (print version), 1792-7552(online)
Scienpress Ltd, 2015

The Way out of the Labyrinth of Misconceptions in Economic Sciences: The Managerial Economics Theory

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Abstract

Contemporary mainstream economists have modeled the economic science as a machine, a *perpetuum mobile,* working perfectly in the interest of both the individual and the society. This brought about the hypothesis of economic imperialism. However, we believe that this machine often tends to break down due to the built-in *faulty circuits* that occasionally block the internal dynamics which are caused by an overlook that, unlike technical systems, all social, and thus economic systems, imply nonlinear dynamics and an integrating philosophy. The contemporary economic crisis, as well as the divergent views of prominent economists on the economic reality, seems to refute, rather than vindicate, economic imperialism. In this paper, the authors outline a new economic theory based on a new concept of capital and entrepreneurship which is adjusted to the current time. The new understanding of capital and entrepreneurship eliminates the dichotomy between labor and capital by differentiating between the roles of real and financial capital in the production and distribution of added economic value, thus creating conditions for a continued sustainable development of the social welfare economy.

JEL classification numbers: A11, P16, P49
Keywords: Theory, virtuality, misconceptions, capital, managerial economics

1 Introduction

Edward P. Lazear, chairman of the Council of Economic Advisers to one of the US presidents, a member of the Hoover Institution and the Graduate School of Business, Stanford University published his research entitled Economic Imperialism in July, 1999. This research was supported by the National Science Foundation. His abstract reads as

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Article Info: *Received* : May 1, 2014. *Revised* : May 28, 2015.
Published online : July 5, 2015

follows: “Economics is not only a social science, it is a genuine science. Like the physical sciences, economics uses a methodology that produces refutable implications and tests these implications using solid statistical techniques. In particular, economics stresses three factors that distinguish it from other social sciences. Economists use the construct of rational individuals who engage in maximizing behavior. Economic models adhere strictly to the importance of equilibrium as part of any theory. Finally, a focus on efficiency leads economists to ask questions that other social sciences ignore. These ingredients have allowed economics to invade intellectual territory that was previously deemed to be outside the discipline’s realm.”

Our insights in the domains of economic theory, economic policy and economic reality (especially today’s world economic crisis) give us the right to cast a cloud of suspicion over Economic Imperialism and economics as an exact science. In the first part of the paper there are several illustrations supporting this view, whereas in the second part, the authors outline a new economic theory based on a new concept of capital and labor-capital relation which could lead to the development of a social welfare economy.

2 In the Labyrinth of Contemporary Economists’ Economic Thought

In his work Why Aren't We All Keynesians Yet?, published in Fortune magazine in August, 1998, Paul Krugman reflects on the roles of Keynes and Marx in the history of economic thought. He states that Keynes greatly contributed to the explanation of the causes of economic crises and recession, and adds that Keynes’s The General Theory is for economics what Darwin's Origin of Species is for biology. For him, Marx's work is just an illogical and dull doctrine (Keynes, 1979).

At one of the meetings of the Political Economy Club in Cambridge, Keynes himself said that he had read Marx as if he had been reading a detective story. Although Bernard Shaw encouraged him to reflect on Marx, Keynes holds that Capital is nothing but a book about obsolete academic controversies.

In 1980, Robert Lucas, the Nobel Prize winning economist, wrote that Keynes's economics is so silly that nobody takes Keynes's theory seriously at scientific gatherings. Even more, if someone did so, other participants would whistle and wink at each other, holding that such an attitude is, to say the least, a humiliating comedy (Krugman, 2009).

In 2003, Lucas pointed out that the central problem of depression prevention had been resolved. During 2004, the same attitude was held by Ben Bernanke, while in 2009, Olivier Blanchard (IMF Chief Economist) stressed that the macro economy was in a good state.

Friedman was also not spared similar ratings. Brad de Long (from Berkeley) laments over the Chicago school and Friedman and their intellectual collapse. Nowadays, schools entirely reject Friedman and his ideas (Krugman, 2009).

In October 2008, Alan Greenspan (former head of the U.S. Federal Reserve) admitted that he was in the state of shock and disbelief due to the fact that the whole intellectual economic edifice collapsed as a result of the crisis started in 2007.

And what to say about the contradictory opinions of distinguished economists on the role of free international trade in the process of economic development in both developed and less developed countries when, for example, Krugman disagrees with himself. In his attempt to explain the reason(s) for the unequal distribution of welfare (in conditions of free and open foreign trade), Krugman (in Stiglitz and Serra, 2008) cites two issues that had misled economists for years: “First, people expected the positive effects of liberalization on growth to be large… Second, there was a general view that free trade policies would tend to be equalizing rather than unequalizing. This view came partly from theoretical considerations: a simple Heckscher-Ohlin (H-O) trade model suggests that opening labor abundant economies to trade should raise wages while depressing rents of capital or land. I at least was guilty of the belief that the low levels of inequality in South Korea and Taiwan were, at least in part, the result of their outward looking policies. And I was not alone in the belief that a shift to outward looking policies would have an equalizing effect”

Moreover, the prominent Jagdish Bhagwati from Columbia University, in his book In Defense of Globalization published in 2004 on the topic of free trade and its beneficial effects on the well-being and development which he advocates, states that " ... only an ignoramus would coach the poor countries to talk of unfair trade, for this is the code phrase used by the protectionists in rich countries to cut off imports from the poor countries by alleging that they obtain their competitiveness in ways that amount to unfair competition and unfair trade." The ignorami, the Nobel laureate Joseph Stiglitz and Andrew Charlton in 2005 published their book entitled Fair Trade for All - How Trade Can Promote Development.

And what to think of the short article by Paul Krugman (2012), in which he warns the New York Times not to publish silly features like the one by the University of Chicago professor Casey Mulligan on the complete ineffectiveness of the monetary policy on economic life, based on the research of the Nobel Prize winner Eugene Fama (also from the University of Chicago).

Aren’t we confronted with an overall cacophony of top economists? Who, when and why should we trust in the judgments of economic theory and economic thought? If you were a prime minister of a country who would your counselors be?

How are such attitudes and failures of great economists possible if economics is an exact science in which everything is almost predictable, with certainty, on the basis of good information provided by the homo economicus’ rational behavior, the flexibility of the omnipotent and all-regulating market, and which, in addition to all this, can be verified by brilliant mathematical models such as those used in physics or rocket science?

How could Fukuyama conclude, based on the market flexibility hypothesis and efficient-market hypothesis that civilization is in its final evolutionary stage as it has reached the optimal model and path within the existing democratic-market oriented type of society? It seems as if he did not want to acknowledge that the structural dimension of the problem of the contemporary crisis lies in the capitalism’s transformation from industrial to financial and further.

Instead of the Schumpeter's creative destruction and creative entrepreneur, we now have the rent-seeking financial capitalist who has transformed the Eugene Fama’s efficient-market hypothesis (if it stood at all) into Minsky’s financial instability hypothesis on the global economic plan. Tobin (Nobel Prize laureate) called the financial instability of capitalism his Achilles' heel.

Is it then odd to hear the German Chancellor Angela Merkel, while examining the causes of the global economic crisis at a CDU party convention, say the following “The root of the crisis is quite simple. One should simply have asked a Swabian housewife, here in Stuttgart, in Baden-Wurttemberg. She would have provided us with a short, simple, and entirely correct piece of life-wisdom: that we cannot live beyond our means. This is the core of the crisis. Then why is the world in this difficult place? Well, we have too often put our trust in experts that were not really experts. Perhaps we did not know then that they were not experts, but we know it today. When we come together now to think about how one should answer these new global questions, we should put less faith in self-proclaimed experts, and instead follow one principle: the principle of common sense!" (Merkel, 2008).

3 Economic Science without Economic Thought

Capitalism, as viewed by Fukuyama, is dead. Up to September 2008, neoclassical economists believed that free trade and *laissez-faire* will forever be the world's peacekeeper. They were obviously wrong. *Quo Vadis* economic science? Where have you been from the 2007 economic crisis till today, the crises that was according to many of the leading world economists an impossible phenomenon? (New Economy; Summers, Lucas ...). As if we have not learned the lessons of economic history from the times of *Tulip*, *Mississippi* and some other *bubbles*, cotton and other crises that have been repeating themselves according to the logic of Kondratiev, Marx and even Schumpeter ever since the early days of market - capitalist economy?

It looks as if we haven't. This might seem a bit odd to the traditional economists, but for the young, especially the Nobel laureates such as Lucas, Romero and Prescott this would be silly. According to them, the economic cycle is associated with so-called real economic developments - technological changes. And that is it. Loans, money, or in contemporary terms, the so-called leverage, are of no significance in the development of the economic cycle or crisis. In his research entitled *Dialectic of Globalization and Economic Science*, Stojanov (2012) elaborates on the validity of neoclassical economic thought.

Who are the neoclassical economists? Neoclassical economists have come to know about certain principles of the economy or the knowledge of market and economic principles. According to them, the invisible hand, automatically establishes equilibrium on both factor and product market and in the whole national economy. Under the condition of pure competition, position of a firm is nothing more than a function of its income and expenditures. We should immediately recall one of the basic principles of neoclassicists, and this is the principle of diminishing returns and increasing costs. Starting from the principle of diminishing returns, the firm seeks to maximize its profit. To this end, the firm decides on the choice of factors of production, thus forming a specific production function. The position of the firm is not the same in the short- and in the long-run. Profit maximization in the short-run brings the company, and the industry as a whole, in a position to deal with the (long-run) problem of production without profit. Such situation forces the firm to operate in at least two directions: to try and to reduce production costs, on the one hand, or to move their capital in other industries, on the other hand.

Neoclassical economists have accepted the assumption of pure competition as one of the basic assumptions of every analysis. The time in which they lived gave them the right to do so. The market operates under conditions of pure competition when, according to Baumol (1979), the following conditions are met:

- *There are a large number of manufacturers. Firms provide supply of homogeneous products. Each firm can not affect the price nor as a buyer nor a seller. The company is the so-called price taker – Isn't today this assumption an abstraction?*
- *The homogeneity of the product. A large number of bidders on the market offer a homogeneous product. From a buyer's point of view it is irrelevant from whom he buys the goods. - Is not this assumption also an abstraction?*
- *Entry and exit freedom is present on the market. Companies enter and leave the market guided, above all, by the criterion of profit maximization and let us underscore the expected profit. - Is not this assumption also an abstraction?*
- *Market entrants have perfect information. It includes market transparency and full awareness of the company about the state and prospects of the market, especially when it comes to prices, supply and demand. - Is not this assumption also an abstraction?*
- *We may supplement this picture of pure competition by including international markets, rules of free trade, and the one-price law. Commodity arbitrage and the one-price law make it possible to equalize the prices of goods at the international level. - Is not this assumption an abstraction?*

If all the assumptions regarding neoclassical economics are abstractions, is not then neoclassical economics a virtual economy? Are not Pareto optimality and Say's law virtual ones? On the point of Pareto optimality national economy is confronted with the principle of capitalist communism: the same amount of capital brings about the same amount of profits. This is why Keynes classified the neoclassical economy as a special case and created the General Theory. Is Keynes' theory a general theory or theory related to one phase of the economic cycle - recession or depression? If so, and we believe that it is, Monetarism is then tied for the second phase of the economic cycle – stagflation. Therefore, even Monetarism is not general-complete economic theory.

Thus, Keynesianism, Monetarism, neo-Keynesianism, post-Keynesianism, and the School of rational expectations are not general economic theories. These are the offspring of the virtual neoclassicism related only to a specific state of the economy on the path of its continuous movement and dynamics. These theories are theories of economic policy (nothing more than economic schools) related to the economic regulation of movement of a national economy - the territorial state. We think that for a time in which we live, and this is a time of globalization, those schools are increasingly less relevant and sometimes even counterproductive.

Namely, in conditions of globalization, the basic economic entity becomes the transnational corporation with an institutional mission of social creation and private appropriation of newly created value that will, according to the current economic logic, lead to a morbid application of the first principle of capitalism – maximization/centralization of profit (Stojanov, 2012).

4 The Model of Anti-methodology of Economic Policy Theories – A Return to Economic Theory

There is no way out of the vicious circle of crises, whose source lies in the macroeconomic theories of economic policies (which are not grounded on microeconomic theory) that have brought the capitalist socio-economic system to the stage of financial imperialism, if we simply follow up on the imposed dogmas and methodologies of economic sciences. Modern economic science and publicist writing support the spirit of orthodox research programs - scientific dogmatism (cf. Guala, 2010) which do not question economic paradigms and theories of socio-economic development.

It is clear to us, as non-uniformed economists, that GDP is not an indicator of an economy's level of development, and that today's unemployment is not a current crisis issue but a normal consequence of IT development on global scale. What is the purpose of a technology with such production possibilities if three members need to work to support a four-member household? Isn't it sounder to wonder why, with such technology, a single member is not able to support them all? Perhaps it would be economically more stimulating –have the theses been switched? Maybe the problem lies in the discrepancies between the model of allocating and the model of producing added economic value at the achieved level of technological and overall social development, which as a rule leads to crises?

Moreover, it is also clear to us that the interests of labor and capital are not contradictory at the present stage of development, but are, on the contrary, very compatible. An economic definition of capital is all that is needed! We believe that it is not necessary to prove i.e. that it is clear to every thinking economist that reports on stock indices movements serve only financial speculators, as well as *psychic* estimates of economic trends by IMF experts and rating agencies. Their misjudgments are followed by subsequent apologies but also by millions of people suffering from hunger. If capital in economic terms implies monopoly on limited resources, then money is capital. The question that posses itself here how has something that (innovation - the money of today) is a *national product - management leverage* having an overall purpose equivalent –measure of values, without self use-value, become a limited resource. How can the circulation of something acting as an incentive for economic dynamics, a measure of value for other resources (forms of capital) be privatized and as capital *per se* serve for acquiring value. This would be just like privatizing the metric measurement system and the meter, which would, depending on the interests of the surveyors, consist of 100, 104, 107… cm. Is not the economics of financial imperialism, an economics without life philosophy, doomed to *die*? A machine ready for recycling.

Let us continue with the questioning and puzzling, it might eventually lead us to answers. What philosophical, psychological, economic ... logic led to solution in which private banks, as redistributors of money, privatize profits and socialize losses? Where did the money for corporate takeovers - purchase of a virtual commodity i.e. a symbol of ownership value (a share) come from? Is not virtual money needed for these virtual commodities to maintain balance? Do all stakeholders in international exchange have the right to create virtual money and take over the actual profits of successful business entities in the globalized - economically and legally standardized space or does IMF grant and deny these rights to some. What do *life-saving* foreign investments bring apart from the exploitation of local resources and the private appropriation of created economic added value – profit deriving from these resources. Transnational corporations are corporate financial creations of institutionalized social creation and private appropriation of newly created value on a global level. What is this but financial imperialism's destruction of an entrepreneurially based welfare development? Does a state's emission of money for profitable development projects lead to an imbalance in the long term - inflation? If not, which is economically easy to prove, why do governments sell their companies and take on debt; they are all in debt – but to whom? What is the purpose of a state's *foreign exchange reserves* (it is a time of crisis) – to have them re-distributed by *strong private banks* at tenfold prices!? Are the crises a product of financial imperialism - this can be judged by the impoverishment of some and the enrichment of others. To conclude, the source of a crisis lies in the area of distribution, and not in the way of creating economic added value. And finally to end this, yet another *stupid detective story* – was not England, the promoter of Keynes's economic policy, pulled out of the Great Depression by countries opposing such an economic policy!?

It is our opinion that the overall interest machinery of the financial capital has been put into maintaining the unsustainable. It creates value systems, standardizes (directs) information, education and science systems leaving no room for questioning the views, philosophy and ideology imposed by financial imperialists. The current trend and the theory of imperialist economic policy is the feasibility of the privatization of public sector activities for the state and society. It is impossible to find elementary arguments that do not refute this thesis, yet corporations that are included show the fastest growth rates, and government leaders perpetuate and use the desirable mantra. The "delusion" collection is delayed anyway.

The contemporary democratic systems are also adjusted to this. They prevent successful management of economic and overall development of societies and countries, distorting the foundations of management sciences including the division of roles/ responsibilities and control. On the political market, contemporary political parties promoting certain views, ideologies, interests ... fight for like-minded people, and use political marketing to research and define the needs of specific social groups. By winning over a critical mass of voters, they win the elections and impose the prevailing views, ideology and interest in parliament ... of the majority, which is rational and self-explanatory. However, what follows is a *catch - 22*. Marketing winners - researchers and the creators of needs become technologists – the ones who have to meet needs. Potential leaders become also the executors, the ones controlling the *leaders*, with implied self-control and technological expertise to meet needs. The failures are perpetuated and sanctioned in too long time intervals. Is it not indicative that in the last 50 years no political party in Europe or the U.S. has gained leadership legitimacy by winning over the majority of eligible voters? This majority, as a rule, represents those citizens who do not want to be involved. It is unreasonable to idealize that those who are able to express and create their needs are automatically capable to technologically meet these needs – the people are, as a presumption of development, specialist in different fields (division of labor). Without solutions: parliaments to political parties – the management/control of meeting expressed needs (parliamentary democracy), and the government to the, by the parliament, continuously controlled / managed technologists involved in satisfying these needs (technocracy), financial imperialism will, though ill, survive. Its abolition is solely a matter of the political will of those governing.

Concentration of capital and the creation of a financial oligarchy, corporate creation of monopolies and financial capital export have resulted in financial imperialism, which like parasitism leads to the negation of the classical capitalist, competitive, creative economy and impoverishment of humanity. The return to a real entrepreneurial economy, based on the life philosophy of economic theory which detects potential success and models of managing the creation of social welfare, is the way to develop the economic science as a creative discipline. The task of economic theory in the future is to study and propose specific forms of social relations and the ways in which economic processes are optimally institutionalized.

5 Theoretical Foundations for a New - managerial Economics

Scientific and technological developments have put information on the pedestal of contemporary development of the economic and social basis of welfare as the basic substance in contemporary products and the prime resource in contemporary economy. The fundamental limited resource - the potential of development has become knowledge (individualized social capital) – the mediator and transformer converting information into new forms and contents, new technologies and new products, new economic value added. In knowledge based economy it is more important to know how to manage production resources then to own them. Managerial economics is a modern discipline of the recent creation of economic value added. Natural raw materials which have become the bottleneck of high information technology are intensively being substituted by newly produced materials. These materials are the product of chemical transformation and biotechnological processes, resulting in the fact that material resources and land rent are increasingly becoming less a product of nature, and more a product of knowledge developed in the laboratory. It is obvious that factors of development are being switched from material to non-material specifically to knowledge. The production value is being dematerialized - the capital is dematerialized.

The competitive advantage is no longer achieved by natural resources. The theories of comparative advantage have been replaced by the theories of competitive advantage.

Computerized, automated and robotized manufacturing processes have also fundamentally changed the need for labor. The workforce is no longer needed in such processes. The worker in such processes is included, principally, as a controller i.e. manager. Information technology *reincarnates* the traditional economy of diminishing returns into a creative knowledge economy of increasing returns, based on information, communications and entrepreneurial management. A target organized management of specialist knowledge aimed at producing economic value added in contemporary organizational forms of economic activity is the area of managerial activity i.e. responsibility.

Information technology compresses time and space. Space, as an economic component, is quicker and easier to overcome and time is being increasingly shortened. Based on high technology and integration (globalization) of world economy, the global economic trends are going towards re-industrialization. Information is a resource hard to limit, easily transferable, one that can be simultaneously utilized by a multitude of users and cannot be destructed by usage. Its efficiency can be optimized as a universal world resource - common property. The proclaimed goal of globalization is to ensure conditions for a more full-scale development of all on the basis of information and knowledge as general, common global resources. Globalization processes, however, take place in the conflict between opposed blocks - those with advanced computer technology, developed scientific and educational support and institutional mobility of financial capital, and those others. An uneven starting position and the institutionally supported monopoly position of the developed lead to global exploitation, thus compromising the proclaimed goal of globalization.

The information based technology has intensified the development of world economy, no longer just as world trade, but as world production. Transnational economy is mainly formed through cash flow, rather than the trade in goods and services. Business entities and real economic value deriving from entrepreneurship and labor are taken over by means of virtual money – derivatives. Speculative entrepreneurship destroys the very innovative underlying concept of entrepreneurial value creation. The role of money (*capitalist*) became exclusively the rapid acquisition of wealth, without any contribution to economic development. *Democratization of finances* fuels this transnational, global economy. In a transnational economy, cash flows have its own dynamics, which is enabled by standardization. Monetary and fiscal state policies simply react to cash flows, instead of actively shaping them. The *territorial* state gives way to *market* state. Is not the EU going in this direction?

Information, as a fundamental resource of modern economic activity, and knowledge, as a factor in its effective use, entrepreneurially managed as individualized common property, should contribute to the acquisition of economic added value by all stakeholders participating in its creation. Institutional forms of fostering creation of economic value added by organizing a shareholder economy which also dematerializes ownership - transforms tangible ownership into a *symbol of ownership* - shares, minimizes the role of equity owners (shareholders - individualized common owners) in the processes of creating added economic value. Entrepreneurial management – management, as an organizer of specialized knowledge in using information to add value to products for the users is a factor that drives and directs modern economy. This, unfortunately, is fully understood and used only by transnational corporations.

Management has become the creator and organizer of economic activities, a social function that directs economic and overall development of mankind. The problem is that it is not institutionally regulated in accordance with the life philosophy from which it springs, but is oriented towards channeling value added to financial owners (material) capital, which institutionally control, in accordance with existing regulations, the systems of corporate management.

The traditional capitalist has become economically almost irrelevant for modern economic development. Such owners - shareholders do not see themselves as participants in the process of value creation, but as operators on the money and capital markets. Moreover, modern organizational forms of creative economic activity treat them primarily as one of the sources of financing entrepreneurial ventures in creating economic value added. Management and *knowledge workers* are a group that reunites ownership and possession, now the critical intellectual capital, and by doing so, the managerial and executive functions in creating economic value added. This natural pattern should be followed by an institutional regulation of their crucial role in also the distribution of created value added as a catalyst of continuous economic growth.

Economic systems are complex, dynamic, stochastic target human systems with a nonlinear structure, incomparable to technical systems, and thus require an integrating ideology to foster successful functioning. For example, the Romans were building *the great empire*; the ancient Egyptians sought eternal life ... There must be an integrative goal and a system of values that transcends individuals and groups. The existing financial imperialism, focused on theories and quantitative models of economic distribution policy simply does not have the creative impetus and is doomed to fail. A return to the qualitative economic theory of entrepreneurial creation of new economic value in addition to naturally stimulated relations between production and distribution is the only way out of the crisis produced by the theories and practice of economic policies of imperialism.

6 Institutional Prerequisites of Contemporary – “Managerial Entrepreneurship” and Social Welfare

Individualized common ownership over basic (non-material) resources and appropriate forms of economic activity organization (individualized common ownership - shareholders) eliminate the traditional capitalist as the fundamental bearer of economic activity, and promote management as the owners of managerial knowledge capital. The owners of the material (financial) capital in modern conditions of organizing economic activity appear as *entrepreneurial rentiers* that invest capital in certain economic ventures expecting that the professional entrepreneur - management will, at a greater risk, generate more profits than they would by collecting interests on savings. They are not directly related or interested in the functioning of corporations of which they are legally - primary, secondary, tertiary ... co-owners and are ready for a quick profit to help in their hostile takeover and destruction, regardless of the long-term profit potential of such companies. Speculative enterprise governs innovative, creative entrepreneurship. Speculatively oriented distribution dictates production values. Quantitative models of economic distribution policies blur the qualitative economic models of managing the production of economic value added.

The sociability of managerially governed material capital (a large number of fragmented capital - shareholders) and the crucial role of intellectual (social) capital in creating economic value added, as a rule, leads to a change in the mission of modern economic entities. Profitability becomes social responsibility, a precondition of socio-economic development - economic ecumenism - economic, ethical and environmental production of added economic value for all stakeholders in its creation. Entrepreneurial production and stimulative distribution of the newly created value to those involved in its production are the stimulating impetus for economic activity at the reached stage of scientific, technological and overall social development.

Institutional redefining of the role of the bearers of the material (financial) capital as financiers of economic activity that by means of entrepreneurial activity on financial markets increases their money assets and the role of money as a means of transfer / payment, having a neutral impact on entrepreneurial production and distribution of economic value added, i.e. a return to the consistent distribution of income - financial capital (interests), work (rent), entrepreneurship (profit) are the preconditions for the development of economic sciences, economic development at the achieved level of social development. Contemporary management and *knowledge workers* are original creative entrepreneurs who allocate capital into concrete programs expected to have above-average yields, organize the production of value and provide funding for carrying out programs. Profits are indicators of their business effectiveness – a prerequisite of sustainability and development. The success of future economic development imposes the reallocation of the decision-making power from the owners of the material capital to the owners of intellectual capital - managerial knowledge in value production. Information technology, bringing to the fore knowledge, has made for the workers more than all previous revolutionaries together and has confirmed the assumptions of Karl Marx that production forces at a certain stage of development, as a rule, lead to a change in economic relations. His followers did not realize that the reverse process does not work.

The assumptions of neoclassical economists about the economic effects are abstract and blurring. Profits are not the goal, but the precondition of sustainability and development of entrepreneurship. An entrepreneur seeks to maximize added value, as the difference between the current revenues and external expenses, which is an indicator of a company's market sustainability. Added value is created through relatively fixed transformation processes within a company by combining live (personnel expenses - compensation) and materialized (equipment costs - depreciation) past work which are not seen as classical - external expenses reducing value added, but are, on the contrary, investments in intellectual capital (contained in human brains) and machinery which create value added (Zekić, 2013). If we treated them as external expenses it would imply that companies with the lowest wages and the cheapest outdated equipment maximize profit. The flaw in this hypothesis has been clear to many, including the taxation systems in all countries that do not treat them as a deduction in the calculation of the value added tax. The only ones that do not see this are the theorists and protagonists of *financial imperialism*. By not making a distinction between the variable external and the relatively internal expenses causes a trap for the quantitative distribution models and eventually leads to the labor vs capital thesis. Capital and labor are not in polarity. However, what is, are the creative work and capital and the speculative financial capital i.e. the production and appropriation of added economic value. Quantitative models calculate personnel expenses and depreciation as a deduction in order to calculate profit, which is, supposedly, the goal set by capital owners. Profit is the goal of the owners of the managerial creative capital because it is an indicator of success in current business activities and its reinvestment, an indicator of potential long-term sustainability and development. The rate of return on invested capital through capital gains and distributions of profits - dividends is the goal of the owners of rentier (financial) capital, and it does not depend solely on the performance of an economic system but also on a number of factors that regulating the entire social system.

Realization of the economic Holy Trinity - the union of material capital (matter) with the intellectual capital (energy) develops the sustainable economy of an ethical and environmentally humane social development. Institutional regulation should allow the external owners of financial capital to invest only into acquiring preference shares whereas the owners of the intellectual managerial capital (company's employees) to acquire common shares out of the newly created economic value added above the accrued cost of material (financial) capital. Preference shares are entitled to priority dividend payments - entrepreneurial interest, but posses no voting rights. The owners of common shares (employees - entrepreneurs) decide on the allocation of profits – into development and/or payment of dividends, but they participate as secondary shareholders in this allocation, only once the dividend payments to the external- preference share owners have been paid. Such a model protects developmental entrepreneurship from the speculative one and establishes a natural relationship between the creation and distribution of the newly created value (Zekić, 2007). Without institutionalization of the economic theory life philosophy there is no creative impulse and no economic welfare which should be the goal of economic sciences. Contemporary sociability of managerially governed material and intellectual capital essentially incorporates a system of balanced objectives of different stakeholders, not just profit, as a precondition to sustainable performance and development of an economic system. Increased social power held by the management demands for the development and institutionalization of its social responsibility – a *democratic managerialism* in order for the contemporary capital sociability to contribute to the development social welfare economy.

7 Concluding Remarks

Neoclassical economics is virtual economics. Its theoretical construct looks attractive and seems convincing to a superficial reader (students, academic citizen) like Disneyland to naive children. If we do a magnetic resonance scan of the fundamental economic theory we will see a skeleton unable to stand by itself on its feet. Even less, this skeleton is unable to follow up on the processes of capital concentration and centralization in general, and certainly even less under globalization process conditions. As a result of this dogmatism we reached a dead-end with no economic theory for the current time and that to come. This is why Fukuyama, and certainly not just him, cannot see the horizon and thus the birth of a new history. Economic imperialism as all imperialisms has its inglorious end. Maybe this is just the beginning.

ACKNOWLEDGEMENTS: The paper was realized in the framework of the scientific project <Development of management in the function of the integration of Croatian economy into the EU> (support number: 13.02.1.3.06.) supported by the University of Rijeka.

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