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STRATEGIC MANAGEMENT, OPEN-ECONOMY MACROECONOMICS, AND ECONOMIC INTEREST GROUPS

GEORGE HODOROGEA
george.hodorogea@ucv.ro
PhD C., University of Craiova

ABSTRACT. The author discusses some of the main positions in the debates about strategic management, open-economy macroeconomics, and economic interest groups. OECD holds that the potential gains in terms of higher incomes are large. Haden points out that the concept of self-organization provides a framework for understanding how systems grow and develop over time that is inclusive of internal constraints. Kaludis and Stine hold that institutions need to make overt and significant decisions about deploying their strategic assets as part of a cost management approach. Obstfeld claims that the recent resurgence of exchange rate pessimism stems from over-simplified modeling strategies rather than from evidence.
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OECD contends that the potential gains in terms of higher incomes are large (especially for the countries furthest behind the frontier). The EU can play an important role by providing good framework conditions and continuing to enhance the internal market. The barriers that may remain after the screening process and the application of the freedom to provide services clause will still need to be challenged using the existing infringement procedures. "The Commission has been working hard to improve the consistency of competition policy among national agencies. It has begun to undertake sector inquiries that have helped to understand problems in certain industries. It has revised its guidelines for setting fines and has hit some cartels with heavy penalties. And it has led a forceful defense of the internal market by taking a tough line on member states that try to protect 'their' companies. It is important to continue doing so. When dealing with hard-core cartels, international experience suggests that corporate fines may not be enough of a deterrent on their own."[1] Haden points out that the concept of self-organization provides a framework for understanding how systems grow and develop over time that is inclusive of internal constraints. Emergy analysis is based on quantifying the amount of energy dissipated to form a product or to organize a system, and recognizes a type of teleological or governing mechanism. The growth of a storage in a system is autocatalytic when the stored quantity feeds back to increase the overall inflow of energy to the system. "If a system is able to utilize some of the energy source available to it to build structures and functions that pull in more energy and result in increased growth, this growth can be autocatalytic and exponential as long as sufficient sources of energy are available to the system. [...] While systems are often depicted as composed of a web of linear relationships, another way of viewing systems is to interpret them as composed of a hierarchy of nested systems, or systems embedded within systems. [...] Agricultural systems are nested within their surrounding national economy, which is in turn nested within higher order (global) economies and the biosphere."[2]

Kaludis and Stine hold that institutions need to make overt and significant decisions about deploying their strategic assets as part of a cost management approach. Predicting markets and market responses may be a significant issue for determining ROI. Increasing opportunities will appear for institutions to purchase course content and outside delivery with potentially significant savings and learning improvements. "An institutional investment strategy must include a corresponding exit strategy, i.e., management processes to avoid costly expenditures. Because institutions are not generally good at eliminating programs and many institutions have current investments in antiquated technologies for instructional delivery, the rate of technology and content depreciation costs are going to increase and this will further outdate existing infrastructure investments. Cost management, thus, requires planned exit and risk mitigation strategies rarely found in the academic management of colleges and universities."[3] Obstfeld claims that the recent resurgence of exchange rate pessimism stems from oversimplified modeling strategies rather than from evidence: the case that exchange rates are an aid in international adjustment remains strong. The nominal wage rise nullifies any employment-expanding effect of a monetary expansion. The European Central Bank's monetary policy can be effective only through large-country effects. "In aggregate, the euro zone is less open than are the individual economies of its members, output prices are sticky, and the euro's steep depreciation after its launch did not induce anything close to a corresponding inflation in output prices. Moreover, most observers would judge the euro's slide to have allowed stronger European growth than would otherwise have occurred."[4]

Massumi holds that effective expressions of the positivity of belonging elude the state: the state, like any regulatory apparatus, *follows* that which it regulates. "Its applications are always retrospective, sniffing out and running after feral belongings it must attempt to recoup, to rechannel into State-friendly patterns."[5] As Mattelart puts it, the territory of the nation-state remains the place where the social contract is defined. "It has by no means reached the degree of obsolescence suggested by the crusade in favor of deterritorialization through networks."[6] Verdun finds that in European integration economic interests play an important role, but that economic interest groups are not always those which determine the outcome of the policy-making process. "Governments can act in isolation from interest groups, or be influenced by others (other governments, their own political party platform, etc.). Also national governments may at times be at odds with economic interest groups. Nevertheless, we do see governments to the best of their ability actively pursuing the interests of economic interest groups. Economic interest groups seek to operate in the arena in which they deem they can be most influential or at least most successful (given the circumstances) to secure the legislation they prefer – which can be both the national and the European arenas."[7]

Humphrey points out that one might expect a supermarket to invest in retail formats that address the specific needs of low-income consumers. Modern retailers are particularly good at the metrics of profitability (using indicators such as turnover and margins per square meter of floor space to drive profitability). If companies have to diversify their formats, the competitiveness of different supermarket chains might depend upon their home market experiences. "The penetration of food retailing, and in particular of fresh food retailing, by large supermarket chains is more limited than has been claimed. Past growth cannot be extrapolated into the future. Evidence from Latin America, the site of the first wave of the 'supermarket revolution', suggests that large supermarket chains are being challenged by smaller chains, and evidence from a number of countries puts a question mark over the capacity of supermarkets to mount a challenge to traditional retailing in the area of fresh food. What does this imply for the supply chain transformation suggested by the 'supermarket revolution' hypothesis, and in particular to its impact on small farmers?"[8] Cho contends that sanctions or retaliation under the DSU take the form of "suspension" of concessions or other obligations (sanctions usually end up raising tariffs or non-tariff barriers to the detriment of the losing party's market access). Every WTO dispute is adjudicated only when a government *champions* a domestic industry's grievance against a foreign competitor. Sanctions or other enforcement measures under the DSU are designed to induce compliance mainly through *threat*. "WTO remedies tend to mirror the very nature of substantive obligations whose breach they intend to remedy. However, those remedies, in parallel with the reach of breached obligations, could still remain suboptimal even after full compliance when those obligations mandate a limited extent of behavioral change by the losing party. For instance, the principle of non-discrimination enshrined in various GATT/WTO rules, such as the National Treatment principle, is inherently a "negative" obligation. In other words, a member could bring its discriminatory tax measures into conformity with the WTO law even by making domestic taxpayers suffer more than before, as long as the scale of domestic and foreign treatment is balanced."[9]

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