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UNIVERSAL BASIC INCOME AND UNIVERSAL BASIC ASSETS AS POSSIBLE SOLUTIONS TO THE CURRENT DISEQUILIBRIA AND THREATS MANIFESTED IN THE LABOR MARKETS

Florin Bonciu*

Abstract:

The paper studies the current state of research and experimentation with new approaches (Universal Basic Income and Universal Basic Assets) for providing basic revenues for whole populations as a possible solution to the issues generated by globalization and by the disruptive impact of the fourth industrial revolution on the labor market. The paper reflects the fact that as of 2017-2018 these new approaches have already been seriously taken into consideration by international organizations (IMF, OECD, European Union), while many countries already experiment with their implementation. The conclusion of the paper is that the large scale adoption of such approaches is very likely to happen in the medium to long term future, while their effectiveness will depend a lot on the existence of new social economic models characterized by largely accepted certain ethical values and norms.

Keywords: *universal basic income, labor market, inequality*

JEL Classification: J08

Introduction

In the past two decades the labor markets in the different economies that form the world economy have started to be confronted with a number of disequilibria and threats. These disequilibria and threats were generated **initially by some consequences of globalization** (such as loss of jobs from developed countries due to the relocation of activities to developing countries, the inequality phenomenon manifested especially in the developed countries, the brain drain from developing to developed countries, etc.). Later on, after 2010, new threats were generated **by the emergence and manifestation of the fourth industrial revolution** (such as the prospects of a massive disappearance of jobs due to the large scale use of artificial intelligence and robots). Both causes have already generated some significant effects (among them BREXIT, the result of the US presidential election in 2016, the emergence of rather radical positions and parties in Europe) and there is a serious preoccupation for finding sustainable solutions. At the same time, both globalization and the fourth industrial revolution have a growing impact on numerous other areas (for instance on climate or on the international economic order).

Within this context in our opinion the impact on the labor markets is of particular interest. The labor prospects and challenges are maybe more important than those referring to other factors of production (like land, capital or technology) because labor

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means not just skills and productive resources. Labor means in fact people that live, work and behaves as consumers, but also people that are members of societies and cultures and, in the majority of the countries of the world, people who are also voters, influencing by their options politicians and policies. Due to these complex implications of labor/people the existence of long term disequilibria related to labor markets may determine economic distortions, social unrest and convulsions, the raise of populism and extremism not to mention the non-optimal use of the resources available in the economies of the world.

In the following, this paper present analyses of the impact of globalization and of the fourth industrial revolution on the labor markets, as well as the exploration of the extent to which new approaches such as the Universal Basic Income and the Universal Basic Assets may alleviate or even eliminate the risks related to labor markets issues, while providing a new and sustainable socio-economic model.

The globalized economy and the labor market

During the last 40 years there was a growing perception that the world economy is characterized by a number of trends that were objective and inexorable. **The first perception** was that of a long term convergence of all economies in the world towards the market economy system and the liberal-democracy. **The second perception** was that globalization (meaning more interaction and more interdependence among economic actors) has to be beneficial more or less for all countries and all people.

The market economy and the liberal democratic paradigm have been anyway far for perfection or optimality. On the economic side, as a proof of that, during this 40 years period there were a number of economic crises, including one or more economies, among which we can count: the sovereign debt crisis of Latin American countries in 1982, the savings and loans crises in the United States during the 1980s and early 1990s, the stock market crash of 1987, the junk bond crash of 1989 in the United States, the Asian crisis of 1997, the dotcom bubble of 1999-2000 in the mainly United States and the global financial crisis of 2007-2008 (Spencer, 2013).

In most cases the perception was that periodical economic and/or financial crises are an intrinsic characteristic of the market economy and even if they were unpleasant and led to significant losses, they were not supposed to threaten the long term functioning of the global economy.

In the standard perception of the last 40 years the labor situation was supposed to gradually improve, in different degrees from one country to another, because globalization helped convergence, therefore **developing countries** had a chance to create more and better jobs as result of their modernization, while **developed countries** had a chance of more and better jobs because of their expertise and access to more and more opportunities across the globe.

This perception started to change after the crisis of 2007-2008 not particularly because the intensity of the crisis was so high and the impact of it was more or less global, but because a number of other phenomena reached **a critical mass** that raised serious questions about the sustainability of the existing world economic order, institutions and mechanisms. From the perspective of the critical mass we can also mention the new global context, in which new development models have been demonstrated in decade long periods, such as those from China, India and some other

countries (like the United Arab Emirates or Singapore), making the Western model one of the significant historical experiences to follow but not the only one.

In our opinion, in this new global context, from the perspective of the labor markets, the challenges facing **the developed countries** refer to:

- The inequality issues and its implications;
- The significant inflow of labor migration from developing countries in search of better payment and working conditions;
- The implications of the demographic aspects related to the aging and decline of population;
- The manifestations and implications of the fourth industrial revolution.

As for **the developing countries** the challenges for the labor markets have in view:

- The implications of the demographical aspects (growth of population, prevalence of young people in total population, the brain drain to developed countries);
- The obvious need for better regulations and institutions related to the labor market;
- The need for a better business environment that support the development of entrepreneurial spirit, able to capitalize the opportunities offered by globalization.

In the recent period (2016-2017) a re-evaluation of the impact and characteristics of globalization led to the conclusion that while inequality among countries (measured as GDP/habitant at purchasing power parity) declined in the past 20 years, **the inequality within countries, particularly in case of the developed countries, increased substantially.**

According to IMF data during the period 1987 – 2017 income inequality increased in 53% of the countries, while in the most developed countries the inequality has been characterized by the disproportionate increase of incomes of the top 1% and even top 0.1% of the population (IMF, 2017). It is to be noted that long term inequality of incomes has led to wealth inequality which becomes self-replicating phenomenon.

In case of United States the richest 1% owned in 2016 about 40% of the national wealth, that is the largest part of the country's wealth for the last 50 years, namely for the period 1962-2016 (Ingraham, 2017). At the same time, the bottom 90% owned in United States only about 22% of the national wealth. At a global level the wealth distribution disequilibrium reached such extremes that 82% of the wealth generated in 2017 went to the richest 1% while the poorest 50% of the world population had no increase at all in their wealth (Oxfarm International, 2018).

At the same time, it is interesting to note that according to World Bank data during the period 1978 – 2017 in China about 800 million people were lifted out of poverty (World Bank, 2017). Some results in the reduction of poverty have also been recorded in the past 20 years in India and other developing countries, although not as impressive than those of China.

These examples may help researchers clarify on the interpretation of globalization as a positive or negative phenomenon. In our view globalization is an objective phenomenon stimulated and supported by the advances of transport and communication technology, large scale production and considerable improvement of the international framework of

regulations and institutions that deal with trade, foreign investment and capital flows. As such, globalization supported to a large extent the development of many developing economies and improved their respective labor markets while rising the living standards for many. At the same time, globalization generated very high levels of inequality in the developed countries, leaving considerable parts of the population either un-employed or under-employed, for long periods of time and for reasons beyond their control.

The opening of the markets at a global level offered at an initial stage the opportunity for developing countries to export more to the developed ones, therefore the opportunity to create more jobs. Later on, by means of foreign direct investments, transnational corporations mainly originating from developed economies established affiliates in the developing countries and thus created more jobs. At the same time, in some developed countries tensions emerged as people perceived these delocalization as a “steal” of jobs from the countries of origin of capital. The intensity and implications of this perception can be easily proved by the debates that led to the Brexit decision in Great Britain in June, 2016 and to the election of Donald Trump in United States in November 2016.

The labor markets of many developed countries has been confronted in the past two decades also with an increasing flow of migrants from developing countries that accepted lower salaries and less social protection, thus affecting the labor markets in the respective countries. This phenomenon happened especially in North America and Europe and has been enlarged in the past 2-3 years by the flows of refugees from conflict zones (Dadush, Niebuhr, 2016).

Globalization had also important consequences in the form of the migration of qualified and highly qualified people from developing to developed countries, in search of better jobs better payment and life conditions. Such brain drain and the related negative implications of social costs have happened not only between traditional developing and developed economies but also between the new and old European Union member states (Parikh, 2017).

Therefore there is both a “good” and a “bad” globalization from the point of view of labor, in fact these aspects being the two sides of the same coin. The main problem seems to be that while the “good” part of globalization is providing different benefits either at the very top of the developed countries (the 1% or even 0.1% of the population that is extremely wealthy) or at the mass level in many developing countries (where significant proportions of the population have been lifted from poverty), at the same time, the “bad” part of globalization is concentrated on some parts of the population of the developed countries (those who benefited very little or not at all from globalization), as well as on the developing countries that are disadvantaged by the terms of trade, the global division of labor and the global balance of power.

The unequal distribution of the benefits of globalization is not just an ethical issue. It is also an economic one, as long as it seriously affects the aggregated demand and therefore the sustainable development. Low paid labor, un-utilized (unemployed) labor or under-utilized (under-employed) labor means less financial resources for those affected and therefore the fact that they are not able to participate as part of the domestic or global markets (Stiglitz, 2016). As result the aggregate demand is less than it could be and the world economy is either functioning at a sub-optimal level or faces different types of crises.

The fourth industrial revolution and the labor market

Towards the end of the second decade of the 21st century the prospects of labor markets from the point of view of number of jobs and remuneration have started to be clouded by the emergence of a new and possibly radically different era in the history of humankind: **the fourth industrial revolution**.

Although there is no standard definition available, in most cases the meaning of this new industrial revolution is that of creating “a fusion of technologies that is blurring the lines between the physical, digital and biological spheres” (Schwab, 2016). What is remarkable and frightening at the same time is the fact that the fourth industrial revolution seems to have the potential to change “not only what we do, but also who we are” (Schwab, 2016).

It is clear that more than the previous industrial revolutions which dislocated only certain segments of the labor market (such as agricultural or manual activities), while creating others (activities in industry and services), the fourth industrial revolution has the potential to eliminate most of the human activities, in most sectors of activity, all at once.

In this respect numerous studies point out that it is possible that until 2030 about 50% of the jobs in the United States risk to be eliminated by artificial intelligence and robots (Frey and Osborne, 2013), while other studies present the possibility to have 50% of the jobs worldwide eliminated until 2055 or even by 2030 (McKinsey Global Institute, 2017). From a larger perspective the World Bank considers that about 66% of the jobs in the OECD countries could be automated in the next 20 years (World Bank Group, 2016).

Another important fact determined by researchers is that the adoption of information based technologies and automation has had since 1990 a significant impact on growing inequality and polarization of income in developed countries (Acemoglu and Restrepo, 2017). Less or even medium skilled people are confronted with a more and more difficult situation as they are faced with jobs elimination, impossibility to requalify due to their lower level of education and/or lower levels of payment as compared to the previous periods.

In this context the possibility to retrain and reskill people seems to be promising but, in our opinion, it is unlikely to be feasible to retrain and reskill millions of people at the same time, not to mention the impossibility to finance such large scale projects, even in the most developed countries. And while a lot of responsibility lies with the governments, it is also true that a difficult effort is also required from each individual in order to adapt to constant change and to accept a true long life learning mentality (World Economic Forum, The Boston Consulting Group, 2018).

At the same time, it is true that certain authors consider that the fourth industrial revolution will not affect substantially the labor market. The usual arguments are that new jobs will appear and that new technologies have been implemented before (from the steam engine to the personal computer and internet) and the fears of negative consequences on the labor market failed to materialize (Datamaran, 2018). In our opinion such positions fail to take into consideration the fundamental shift from the dominance of companies that manufacture goods or deliver services to the dominance of technology intensive companies that deliver solutions (like Microsoft, Facebook, Amazon). The latter are focusing on projects rather than products (such as autonomous cars, green energy or circular economy) and think about labor in terms of project related teams, that is in a temporary framework, rather than in terms of indefinite or long term jobs.

We have to admit that all studies on the impact of the fourth industrial revolution on the labor markets are based on estimates and probabilities, they identify scenarios rather than certain facts. But beyond all relativity, what is clear is that the new technologies based on artificial intelligence and robots will change substantially during the next decade not only work but also human behavior and values, raising challenges we may have never thought about before. In this context one author wisely observed: “Aside from climate change, this reinvention of work is the most wicked problem facing humanity” (Dunlop, 2016).

What is certain is that humankind will adapt and survive, passing through difficult times of transition. From the point of view of the labor markets it is exactly what happens during the transition time that is really important. From the relative stability of the post Second World War industrial model to the unchartered future model based on Artificial General Intelligence – AGI and the Internet of Everything (IoE) people and the labor markets will have to be flexible, innovative and wise so that they can minimize the shortcomings and provide for a decent living standards for the many. Possible solutions in this respect seems to be offered by the Universal Basic Income and the Universal Basic Assets.

Possible solutions to the current threats for the labor market: Universal Basic Income and Universal Basic Assets

Based on the above analysis we will focus in the following on two phenomena, while stating very clearly that these two phenomena are not the only ones which impact people and labor markets:

- unemployment and under-employment which contributes to the inequality issue and its economic implications;
- the potential of the fourth industrial revolution to eliminate a significant proportion of jobs from all sectors of activity and increase at the same time inequality and polarization of income.

A first possible large scale solution to the two threats is represented by the Universal Basic Income (UBI) which is defined in theoretical terms as a **form of social security** and in practical terms **as an unconditional payment** provided individually to all citizens (BIEN, 2018). The Universal Basic Income is not supposed to provide full subsistence support but rather to give relief from deep poverty and life risking situations.

Being unconditional and at the same time insufficient for full subsistence the Universal Basic Income will allow and actually encourage entrepreneurial activities (learning new skills, starting an entrepreneurial activity) as well as a better involvement with related persons (children, older persons) or with voluntary activities beneficial for society.

As of 2017 the Universal Basic Income concept has already numerous and differentiated supporters, such as Nobel prize laureates such as Sir Chris Pissarides, Daniel McFadden, Peter Diamond, James Heckman (Coppola, 2017), very successful entrepreneurs, such as Elon Musk, Mark Zuckerberg, Richard Branson (Chapman, 2017) or international financial institutions, such as International Monetary Fund (IMF, 2017), United Nations (UN, 2017), European Union (Valero, 2016).

What is even more important is that as of early 2018 there are numerous experiments with the Universal Basic Income in countries like:

- **United States**, government projects in Alaska since 1982, in Hawaii from 2017; there are also private funded projects, for instance in California carried out by Y

Combinator. In early 2018 the city of Stockton, California has become the first city in the United States to offer to all its 300,000 citizens a universal basic income. It is interesting to note that in the United States of America president Richard Nixon analyzed a form of Universal basic Income in 1969;

- **Canada**, in the provinces of Ontario and Quebec;
- In the **European Union**: in **Finland**; in five cities from **the Netherlands**; in Barcelona, **Spain**; in Berlin, **Germany** a micro-project privately funded; in four cities from **Scotland** (Glasgow, Edinburgh, Fife, and North Ayrshire); in Livorno, **Italy**;
- **India**, pilot projects since 2011;
- **Kenya**, an experiment that started in 2016 and will last for 12 years;
- **Namibia**, experiments since 2008;
- **Uganda**, since 2017;

The list above is not by far complete and it includes both large scale and micro-projects (McFarland, 2017). It is also to be noted that while traditionally it was a common sense statement that in social sciences one cannot carry out laboratory experiments like in hard sciences (such as physics, chemistry, biology), the Universal Basic Income experiments represent just real life laboratory experiments.

The preliminary results from United States, Finland, Germany, Italy, India or Kenya pointed out that the fear that the Universal Basic Income may demobilize people from actively seeking work did not materialize. On the contrary people that received some form of Universal Basic Income used to a very large extent the money received for health issues, children education, acquiring of new skills or starting an enterprise.

A second possible large scale solution, correlated with the first one, is that of **the Universal Basic Assets**. This second approach starts from the assumption that inequality in a broad sense is a result/effect and not a cause, the cause being the asset inequality. In other words, the inequality is generated by something very different: **asset inequality** (Gorbis, 2017). In this context the assets are those means that generate income, such as: equity shares, land and buildings, education, health, social connections. In recent years we can also add to the list of assets the digital assets that generate income: certain types of data, artificial intelligence tools, reputation in the social media.

According to the **Universal Basic Assets** approach the solution to inequality, labor markets dysfunctionality and disequilibria, as well as to the challenges of the new economy and society brought forth by the fourth industrial revolution is represented by **the provision for every person of access to financial security, housing, health care and education** (Gorbis, 2017).

Universal Basic Assets can be divided into three categories:

- **Private assets** (money, land, housing) which represent a personal matter;
- **Public assets** (infrastructure and services such as: education, health and public utilities) where governments and society have a lot of opportunities to intervene;
- **Open assets** (such as the digital assets created and used as open source).

With reference to the above classification some clarifications are important: **the private assets** are privately owned and there is not much that can be done by collective action in the foreseeable future; **the public assets** are those owned and managed by central and local governments and society and it is this component that is most likely to have potentially a huge influence on labor markets and human wellbeing; the open assets are specific to the digital age and include open source software (such as Linux), projects like Wikipedia or Waze and their role will probably increase significantly in the future.

The correlation between access to good public assets and good life and labor prospects have been proved both within the regions of the United States (Leonhardt, 2013) and among a number of developed countries (Jantti et al., 2006). Therefore the provision of Universal Basic Assets, particularly in the form of Public Assets, is both efficient and effective from the point of view of reducing inequalities, facilitating social mobility and providing sustainable solutions for the labor markets.

It is interesting to note that in Great Britain it was published by the Industrial Strategy Commission in November, 2017 a proposal for a **Universal Basic Infrastructure** by which “All citizens in all places, everywhere in the UK, should be served by high quality hard infrastructure and have access to high quality human capital-building universal services” (The Industrial Strategy Commission, 2017). Analyzing the content of the proposed Universal Basic Infrastructure we can note that it refers in fact to the public assets mentioned in the classification above.

Conclusions

As we can see there is a growing amount of theoretical and practical data and information on the benefits of the adoption of Universal Basic Income and Universal Basic Assets mechanisms as potential solutions for many of the disequilibria and threats for the labor markets and societies at large.

Many countries are confronted at present with the inequality phenomenon, with income polarization, with the implications of the fourth industrial revolution and with the climate change. These phenomena impact tremendously on which we are what we do, how we work and why. They also impact the international economic order, the institutions and the companies. Reaching a new equilibrium, based on new sustainable models, adapted to the different circumstances in which countries, companies and societies find themselves require a better understanding of the changes and challenges that confront us but also new values, new mechanisms and new institutions.

The adoption of Universal Basic Income and Universal Basic Assets mechanisms will imply a significant change for the role of governments, meaning that they may have a lesser role as a referee and regulator of markets and more of a redistributive body. It is interesting to note that such mechanisms may imply at the same time **more market economy** (because more and more activities will be self-regulated, decentralized and network based) and **less state** (because a large number of social security mechanisms will disappear) but also **more state** (because the provision of Universal Basic Income and Universal Basic Assets require the collection of vast amounts of revenues and their large scale distribution, practically to whole populations).

At the same time, the people that might receive Universal Basic Income and have access to Universal Basic Assets need a certain ethos, certain values that appreciates

work, creativity and the desire to fulfill each person's potential. Only under such circumstances the receipt of Universal Basic Income and Universal Basic Assets may lead to self-motivation and progress and not to passivity and laziness.

For the moment the Universal Basic Income, as well as the Universal Basic Assets approaches, are just experiments, explorations in the unknown and testing of hypotheses. But, in our opinion, they pave the way forward for those who dare and approach threats and challenges with an open mind. Learning from the past, understanding the present and capitalizing the tremendous advances in science and technology allow for an optimist perspective on the future in which people and the labor markets will find new and beneficial forms of existence.

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CORPORATIONS' SOCIAL RESPONSIBILITY AND SOCIAL ENTREPRENEURSHIP

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Abstract:

This paper analyzes the corporations' and social enterprises' way of delivering social value. Scholarly research considers these concepts as somewhat related; even there is no clear-cut definition of these concepts and in the corporate and academic world persists uncertainty over how these concepts should be defined. This paper aims to identify similarities and differences that may exist in the meaning of corporations' social responsibility (CSR) and social entrepreneurship (SE), the manner it is operationalised and how social value is delivered, cluttering existing literature on CSR) and SE. The paper demonstrates that both concepts have a positive influence on the business environment and society at large. The present research finds out that the fundamental differences rest on the way the two organisational forms are using their profit. Both deliver "social good" but SE is leading the process of social value creation.

Keywords: *Corporate social responsibility, Social entrepreneurship, Social enterprise, Social value, Sustainability*

JEL Classification: M14, M21, M51, Q21

1. Introduction

Most of the studies in the field of CSR and SE typically analyse how firms deliver social value, focusing separately on two main economic entities: large commercial firm (corporations) for CSR and social enterprises for SE that operates in and amongst society (Austin, et al., 2006; Aguinis. and Glavas, 2012). The literature on the comparative analysis of CSR and SE is scarce (Page and Katz, 2011; Palakshappa and Grant, 2018) and deeper analysis is needed to aid better understanding of these two concepts as both suffer from lack of a generally accepted definition (Page and Katz, 2011). As early as 2003, van Marrewijk states that "there is an abundance of definitions, which are often biased toward specific interests and thus prevent the development and implementation of these concepts" (p.95). This analysis aims to bring to light the existing commonalities and differences between companies practicing CSR and SE in delivering social value that suppose to change the life of individuals and communities.

The world interest in CSR begins in the early 1990s by starting to question the relationship between businesses and society at large as corporations' economic and

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political power grew significantly and was used exclusively for their owners' and shareholders' interest and often in detriment of their employees and communities at large (Sheehy, 2012). The conflicting interest existing at the interface of businesses and communities acerbate to an unprecedented level and world wide governments attempted to curve the corporate power (Berger-Walliser and Scott, 2018) by issuing various legislations. Meanwhile, corporations attempt to keep the status quo by re-instating their legitimacy in the face of public criticism, by "acting as *social responsible economic entities*" (Muchlinski, 2003, p. 124).

Consequently, as early as 1999, the United Nations (UN) at the World Economic Forum urged the global business leaders to adopt a new set of *shared values* based on respecting human rights, labour standards, and environment practices, leading to the creation of more stable, equitable, and inclusive global economy that are the core elements of CSR. Recently, emphasising the important *social* role of companies, International Labour Organisation (2017, p. 2) elaborate the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy defining CSR as "a way in which enterprises give consideration to the impact of their operations on society, articulating their principles and values in their own internal methods and processes and in their interaction with other actors".

The self-regulatory system developed and implemented by corporations over the years failed to produce the expected results and as a consequence, the world was confronted with the devastating bankruptcies of WorldCom, Enron, Parmalat, Lehman Brothers and many more, that determined the US Congress to adopt the Sarbanes-Oxley Act (2002). Many countries followed this example and issued various legislations. Even so, the economic jolts that followed in the 2007-2008 lead to the Global Financial Crises (GFC) generating massive bankruptcies and unemployment, demonstrating that corporations' are unwilling or unable to increase their *social responsibility*. However, increasing public awareness led the public demanding from businesses to adopt a much more ethical business conduct (Berger, Walliser and Scott, 2018).

In these circumstances, Zahra and Wright (2016) consider entrepreneurship to be the engine of technological, economic and social growth. In the realm of entrepreneurship, of particular interest for scholars is SE, which is viewed as a specific innovative subgroup of entrepreneurship that may provide new and sustainable solutions to a range of societal problems (Peredo and Chrisman, 2006; Noya and Clarence, 2007). Subsequently, social entrepreneurs are viewed as "change agents" that are creating social, economic and environmental values (Dees, et al. 2004; 2008).

However, it is natural for society to question commercial and social enterprises *how socially responsible these companies are in performing their activities*, which is our research question. There are conceptual confusions and uncertainties about appropriate and robust means of measurement of a company's social performance in the absence of a CSR and SE definition. There is also a lack of clarity in theoretical frameworks and empirical methods (Mohd and Reast, 2014). Lack of consensus on these concepts dimensions challenged this research in identifying a common approach in demonstrating the existence/inexistence of a linkage between CSR and SE characteristics. Therefore, this analysis adopts a new conceptual and methodological approach using a deconstructive model of CSR and SE "meaning" and their "operationalisation" as some academic discourses consider these concepts as somewhat related (Bacq, et al., 2011).

Consistency of this approach, in the case of CSR and SE meaning and “operationalisation”, is given by analysing the economic and social discourses, using the critical theory and a deconstructing methodology, arguing that *social values creation* is shaped by firms in various ways, using various elements such as business model, profit destination, government regulation, and others within the market systems. In the case of this article, the capability building theory is used as a tool to enhance CSR and SE social value creation as the dominant aspects of both concepts.

We structure the article as follows. The article introduces to the reader the literature on CSR and SE epistemological analysis, emphasising the economic and social perspective of their “meaning” as dominant aspects of both concepts. A separate subsection is dedicated to a detailed comparative and parallel analysis of concepts most relevant discourses. The concluding section will identify the level of influence both concepts have on the business environment and society as the creation of “social value” is the *common ground* for both concepts even though significant differences persist in defining these concepts.

2. A comparative analysis of CSR and SE

The management literature posits CSR and SE at the opposite ends of a scale as their differences and similarities are at best ambiguous. Both concepts are described by a wide range and often disputed definitions, with little consensus among academia (Maignan and Ralston, 2002; Dart, 2004b; Jones and Keogh, 2006; Martin and Osberg, 2007; Matten and Moon, 2008). It seems that the meaning of these concepts is strongly influenced by a variety of exogenous factors (Matten and Moon, 2008; Grant, 2008; Kerlin, 2013) that led some academics to consider them as a distinct field of academic inquiry, even though both CSR and SE concepts are creating, to some extent, “social values” (Dorado, 2006; Frederick, 2007).

Specifically, CSR is driven by an ‘economic aim’ of maximising firms’ profits, while social entrepreneurship is driven by “moral values” (Anderson, 1998) such as fulfilling stringent social issues. In this case, Martin and Osberg (2007) acknowledged that CSR is motivated by extrinsic factors, such as money, and social entrepreneurs are motivated by intrinsic factors, such as community well-being, thereby creating an altruistic aspect to the relationship between the business and society. Therefore, a theoretical approach to clarifying these concepts meaning and operationalisation will aid scholars, practitioners, and policymakers.

2.1. Corporate Social Responsibility Overview

Literature reveals that CSR meanings and practices differ from country to country and therefore it is difficult to reach an agreement over its definition (Takala and Pallab, 2000; Muchlinski, 2003, p. 124). At best, CSR usually “evaluates firms’ social contribution, having relatively open rules of social policies implementation” (Moon, Crane and Matten, 2005: pp. 433-434). Then again, CSR is considered a complex concept (Matten and Crane, 2005) being a dynamic phenomenon (Carroll, 1999) that makes the defining task difficult. Therefore, for the purpose of this study, an investigation of the existing literature is conducted, taking an epistemological approach on the concepts that will emphasise the existence of different CSR discourses designed to create simultaneous “economic and social value”.

CSR economic and social discourses

The prevalence of firms' economic aim is clearly stated by Adam Smith (1776) in his now-famous book *An Inquiry into the Nature and Causes of the Wealth of Nations*. His writings initiated thinking around CSR as business people should be conscious of the need for paying back the public and are "responsible" for creating the 'wealth of nations'. As a remark, in *Wealth of Nations*, Adam Smith shows also frequent cases of the harmful egotism of capitalists working for personal benefit at the cost of the community. Since then little has changed!

The rise of corporations ensured the economic boom of the 1950s and simultaneously the growth of the concept of CSR, or Social Responsibility (SR) as it was named at that time. Howard Bowen has been credited with first using the expression 'corporate social responsibility' in his landmark book, *Toward Social Responsibilities of the Businessman*³ (1953). In his analysis of social responsibility, Bowen sought to answer the question 'what responsibilities to society can business-people be reasonably expected to assume?' He also offered the first definition of the concept of CSR by stating: *it refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.* (Bowen, 1953 p. 48)

In the UK, and especially in the US, the 1960s was strongly marked by anti-consumerism and environmental activism with a major impact on society's expectations of businesses and resulted in the Civil Rights Act of 1960. During this period, society began to be aware of the corporations' power and expressed growing expectations from them, demanding that they must go further than their economic and legal responsibilities and accept more socially related responsibilities.

One of the most prominent CSR scholars of the 1960s was Archie Carroll who stated that this period '*marked a significant growth in attempts to formalise, or more accurately, state what CSR means*' (Carroll 1999, p. 270). For example, he noticed Davis' (1960) statement expressing that: '*some socially responsible business decisions can be justified by ... having a good chance of bringing long-run economic gain to the firm...*' (p. 271) that brings together the economic and social objective if sustainable development is aimed to be achieved. This statement underlines the fact that CSR becomes institutionalised as businesses self-regulate their social responsibility and build these regulations into their business philosophies/model. Carroll also identifies Davis' statement that said: '*The substance of social responsibility arises from a concern for the ethical consequence of one's acts as they might affect the interests of others*' (Davis cited in Carroll 1999, p. 272) which recognised the CSR ethical values of business activities. Indeed, socially responsible organisations positively influence customers' perception of their organisations and therefore they are more likely to acquire customers' loyalty.

The 1970s marks the struggle between classical economic liberalism and the new market based economic liberalism or neo-liberalism. Classical economic liberalism advocates individualism, with a clear separation of the ethical and social responsibilities of companies from their economic affairs. It was profit maximization oriented, promoting

³ Howard Rothmann Bowen (27 October 1908-22 December 1989) was an American economist and college president. Among his writings are: *Toward Social Economy* (1948) and *Social Responsibilities of the Businessman* (1953).

market competition as the only factor to regulate their economic activities and to promote growth. Meanwhile, neo-liberal capitalism embodied in its philosophy the interests of everybody for ethical reasons, and social responsibility was seen as an instrument for sustainability, at least in theory.

The CSR literature of the 1970s included Milton Friedman's⁴ (1970) view of corporate responsibility which was stated in his well-known paper 'The Social Responsibility of Business is to Increase Its Profits'. His paper generated discussions in academic circles and was 'a major contribution to the development of the CSR theory' (Lucas, Wollin and Lafferty 2001, p.150). Friedman's views are mostly based on classical economic concepts of a free market as was written by Adam Smith, that he declares himself.

It seems that this is not the rationale of all stakeholders. For instance, clients, staff, suppliers, and society as a whole will have a different understanding of the business's social responsibility which corresponds with their own requirements and wishes. Each group's views are legitimate and right. However, many of Friedman's contemporary scholars do not agree with his views. McAleer (2003) stated that "Friedman's opinions were wobbly and his views blurred (p. 450). Later, Oketch (2004) says of Friedman's views 'Today, many would not be comfortable with such a profit-oriented statement' (p. 5). Their opinion is based on "given something" in exchange for "something" that implies an ethical and social contract in which the organisation gains operational legitimacy in exchange for fulfilling some community needs.

In the 1980s, the development of CSR was described in specialised literature as having 'a more responsible approach to corporate strategy' (Freeman 1984, pp. 31–60). In his analysis of the CSR literature of the period, Carroll came to the conclusion that: 'the focus on developing new or refined definitions of CSR gave way to research on CSR' (Carroll 1999, p. 284).

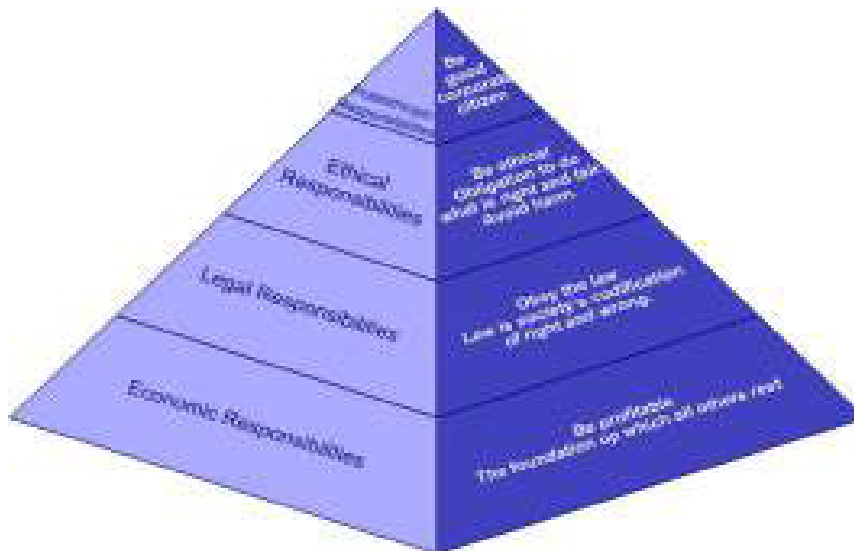
The CSR literature of the 1990s had little impact on the definition of CSR as assessed by Carroll (1999). In this decade one of the well-recognized researchers in the area of CSR was Wood⁵ which looked at CSR from the perspective of Corporate Social Performance (CSP). She defined the CSP concept and repositioned it into the broader body of CSR knowledge. Also, Wood identified the business elements used for implementing CSR principles, such as environmental management, issues management and stakeholder management. It seems that Maignan and Ralston (2002) also agreed with her when she stated that: 'Once implemented throughout the organisation, these processes help the firm to keep abreast of, and to address successfully, stakeholder demands' (Wood cited in Maignan & Ralston 2002, p. 702).

Summarizing all previous CSR discourses Carroll (1991) created the best-known framework known as the Pyramid of Corporate Social Responsibilities (**Error! Reference source not found.**).

⁴ Milton Friedman (1912–2006) was an American economist, statistician, a professor at the University of Chicago and the recipient of the Nobel Prize for Economics. Among scholars, he is best known for his theoretical and empirical research. He was an economic advisor to US President Ronald Regan.

⁵ Donna J Wood, professor at the Graduate School of Business, University of Pittsburg.

Figure no. 1 The pyramid of corporate social responsibility



Carroll's CSR Pyramid

Source: Carroll (1991) – *The pyramid of corporate social responsibility*, p. 42

Carroll's pyramid identifies four "domains" of organizations' responsibility named: economic, legal, ethical and philanthropic. This framework provided theoretical support for many scholarly researchers that imply some hierarchical value on CSR activities that may not be accurate. A recent re-configuration of Carroll's pyramid replace in the upper part of the pyramid the "philanthropic" concept, which anyway occur seldom, with little or no social effect at all, with "social justice" reflecting a broader view of CSR (Bennett, 2011) that bring closer CSR and SE social value creation.

The upper two elements of the CSR pyramid may include the creation of "social values" which is nice to have, with no effect on company return. Ten years later, in 2010, Wayne Visser, in his book *The Evolution and Revolution of Corporate Social Responsibility*, shows some limitations of Carroll's CSR hierarchical pyramid and offers a DNA look alternative with spiraling, interconnected, and non-hierarchical levels of the CSR elements.

Devinney (2009) points out that CSR is '*good*', being an efficient instrument in determining social needs and delivering social solutions and is '*bad*' as corporations use CSR as a means of power or as a marketing activity exercised in their own interests; and is '*ugly*' as CSR is profit-driven. In his view, CSR has no clear separation between organisational CSR activities and CSR performance (Devinney, 2009). He concludes that CSR does not hurt performance, but there is no reason to believe that CSR leads to supra-normal benefits. A synthesis of Devinney's (2009) CSR view is presented in Table no. 1 which emphasises the *economic* and *social* role of CSR:

Table no. 1 CSR social and economic views

CSR as a social policy instrument (good)	CSR as an economic purpose and not as a socially optimal role (bad)
<p>Organisations with adequate practices, which include CSR, will have many happy customers, employees, owners, will record prosperity and will be able to face successfully adverse conditions.</p> <p>Organisations are much more experienced than individuals and governments to tailor products and services to serve particular social needs.</p> <p>Organisations act in a much more rational way than governments do, because they have technologies, know the social trends, and are in a better position to trade off their abilities in fulfilling social needs.</p>	<p>CSR is not, and should not be, the reason for an organisation's activity. Organisations should maximise their business outcomes in the interests of owners and shareholders and later use CSR as they wish.</p> <p>Organisations may shape a society's needs according to their own needs by regulatory capture, direct/indirect political influence and use CSR as a barrier to entry (see the carbon tax debate).</p> <p>Organisations have a conservative approach to social needs. These needs will be fulfilled only if there is a clear benefit for them.</p>
<p>CSR is good as offers opportunities for inventors, firms, managers, and investors to solve social problems.</p>	<p>Organisations are not government agencies designed to fulfill social needs. The government should deliver those services and should be accountable for it as they have been elected on social platforms.</p> <p>Organisations have no expertise in assessing social needs and the allocation of benefits, and therefore they may not adopt the most appropriate approach.</p>

Source: adapted after Devinney (2009)

He concludes that CSR does not hurt performance, but there is no reason to believe that CSR leads to supra-normal benefits.

An important contribution of European researchers to the body of CSR knowledge is that of Garriga and Melle (2004), who actually mapped the CSR territory, clustering, defining and organizing them into four major groups: instrumental, political, integrative and ethical theories mostly based on the view that the social acts are pursued purely for economic ends. Apart from establishing a rigorous taxonomy of CSR theories, they do not have an important contribution to our research question.

At the beginning of the new millennium, it seems that geographic differences of CSR are much bolder and several scholars (McWilliam, et al. 2006; Matten and Moon, 2008) emphase differences in language, interpretation, and application of CSR discourses between Europe and the USA. One may say that national, cultural and legal systems that the companies operate in, cannot be dismissed or considered as irrelevant and they are inside aspects of these phenomena. These changes may imply alternative philosophical underpinnings as noted by Waddock's (2004), emphasising important CSR institutionalisation development such as firms embedding CSR in their codes of conduct, ethics and operations in terms of persuading *social* and *environmental* standards, aligning their operations to internationally recognised certification, such as ISO 9000 for product quality and AA 1000 stakeholder engagement, in order to gain the desired legitimacy to operate.

European Union (EU) statement of understanding assesses that CSR is organisations' responsibilities over their social impact and by promoting this set of values, companies can contribute to a more cohesive society and a sustainable economic system. Equally, CSR Guideline, developed by OECD (2001) act also for consistent implementation and delivery of *social* responsibility for the world. Seem that all the above indicators had little impact on corporations' behavior as the world successfully entered into the Global Financial Crisis (GFC) in 2007- 2008. This event generated a stronger call for businesses to create more social value and SE and social enterprises are called to answer at this demand and to create a social economy.

CSR meaning and operationalisation

We can consider the following perspective on CSR issued by OECD(2001) as a synthesis of the meanings of CSR expressed in the relevant literature: CSR is a useful instrument for business's sustainable development, by adopting an appropriate behavior “that not only ensure returns to shareholders, wages to employees, and products and services to customers, it must also respond to societal and environmental concerns” (p.33). To achieve the expected outcome, these activities must be continuous, targeting important social issues that are meaningful for communities.

Empirical evidence reveals that CSR activities should be operationalized by embedding them into organisation's business model (Blaga, 2018) in order to create internal coherence and focus, otherwise CSR remains only as a “nice to have marketing rhetoric's” with little impact on business reputation and community wellbeing.

2.2. Social entrepreneurship overview

Social entrepreneurial research stems out from a new academic inquiry area within the wider domain of entrepreneurial research, focusing on a particular form of venture that uses a business model for its operations and uses its outcomes to create social values (Dorado, 2006; Frederick, 2006). The General Entrepreneurship Monitor (GEM) 2014 (p. 29) survey indicated significant numerical growth of social enterprises and simultaneously academic research on SE has been accelerating (Sassmannshausen, et al., 2018). Despite this increase, research into the social role and importance of social enterprises remains vague (Short et al. 2009; Carsrude and Brannback, 2011; Bacq et al., 2011).

SE economic and social discourses

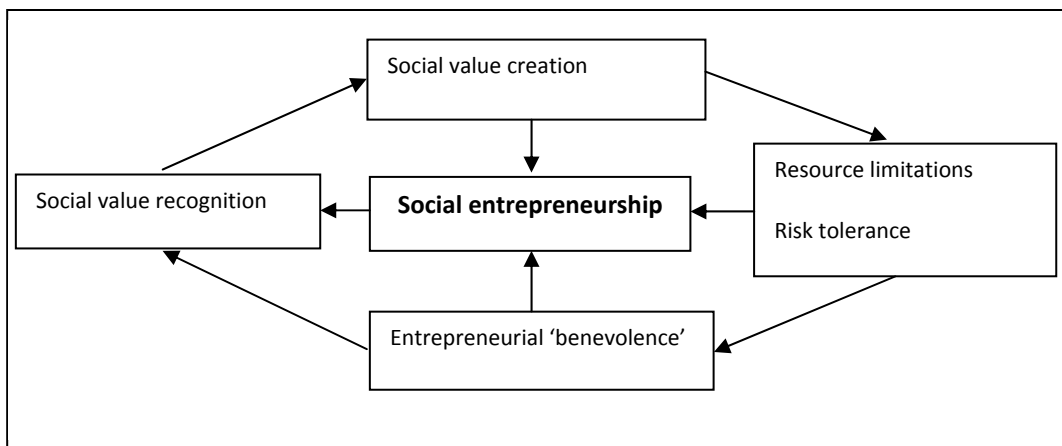
A number of scholars (Dees, 2001; Mort et al., 2002) have argued that the SE concept revolves around two elements, the “social” and “entrepreneurship”. The “social” construct denotes a firm's unique organizational purpose of exclusively creating social equities, which fundamentally differs from the mission of corporations' exclusively focused on profit maximization used for personal consumption (Mair and Martí, 2006).

Literature reveals that SE has a multi-dimensional character (Dees, 2001), aggregating a number of interconnected characteristics or "dimensions" describing the phenomena, such as economic, social and entrepreneurial. Independently, each one of these dimensions is relatively well-defined, but by identifying empirical and logical correlations between its components one may use it as an overall abstraction and thus a new representation (definition) of SE may emerge. The variables that contribute to the concept of SE development are discussed below.

Literature emphasise the multi-dimensional character of SE as a number of researchers have come to the conclusion that, in this case, business idiosyncrasy is characterized by risk-taking, pro-activeness and innovativeness (Mort, 2002; Mair and Martí, 2006). Therefore, these three elements represent the scale of an individual's entrepreneur complex business behavior which confers SE a multi-dimensional character.

In the case of an individual social entrepreneur, *business opportunity recognition* dimension refers to the identification of a social issue as a business opportunity. Also, the *social value* can be defined as the relative importance that one may place on the changes they experience in their personal or community lives. If these values are captured through the market setting then we have a social business opportunity captured by a social enterprise (Mort et al., 2002; Dyer, et al., 2008). The multidimensional constructs of SE as presented in Figure 2 embedding all these elements.

Figure no. 2 Multi-dimensional Construct of Social Entrepreneurship



Source: Adapted from Mort et al., 2002; Peredo and McLean, 2005, Weerawardena and Mort, 2006.

Figure no. 2 identified that social value as a business opportunity that leads to the SE, materialized by the following core elements: resources, innovativeness, proactiveness and risk management. Overall, this model aligns the strategy and operations into the SE business model.

An alternative view of SE emerges from the practitioners' point of view that revolves mainly around two important issues: how to balance the firm's finances (the economic aspect) and how to fulfill the firm's social mission. SE concept is perceived by practitioners through various variables affecting the processes of delivering social values or social justice, such as innovative vision, financial resources that support a firm's long-term commitment, the sustainability of its mission, and efficiently using these resources (Seanor, et al., 2014). Therefore, the social enterprise's business model has to reflect practitioner's views of these complex ideas and interactions in their world and cover the following areas: finance, management, social marketing, etc., which also confers a multi-dimensional character to the meaning of social entrepreneurship (Blaga, 2018).

SE may be understood as an aggregate concept that embeds some of the social entrepreneurs' attributes that are relevant to risk tolerance, proactiveness, innovativeness

and the ability to recognize a social issue as a business opportunity. These views allowed researchers to recognize similarities and differences among the broad range of individuals and organizations engaged in SE. There are also significant dissimilarities between them in the way they discover social needs identified as social business opportunities and assessing their impact on existing social systems. One could say that social entrepreneurs have to be committed to creating social values and, in this regard, they have to exhibit the right judgments in balancing the firm economic with its social mission (Dees, 2001; Mort et al., 2002) through an appropriate business model.

In conclusion, social entrepreneurs may identify a business proposition that may have a positive *social* effect and to create sufficient revenue to support their social cause that creates *social value*. Table no. 2 indicates prior research connecting economic and social factors and the type of enterprises it may create.

Table no. 2 Studies supporting economic or social motivations of firms' activity

Author(s)	Economic and/or social motivation	Type of firm
Schumpeter, 1949; Deci and Ryan, 2000; Cassar, 2007; Parker, 2009; Ruskin and Webster, 2011	Money and other material rewards	Exclusive commercial
Amit and Muller, 2013; Jayawarna et al., 2011; Antonioli et al., 2016	Economic factors (push and pull)	Exclusive commercial
Townsend and Hart, 2008; Corry, 2010; Carsrud and Brannback, 2011	Priority of the social outcome Influence is not unidirectional	Combination of commercial and social
Dees 1998; Austin et al., 2006; Ruskin and Webster, 2011; Page and Katz, 2011; Antonioli et al., 2016	Priority of the social outcome	Combination of commercial and social

Source: Developed for this research.

Table no.2 emphasise researches that link economic and social motivations of social enterprises, establishing their *social* role. The literature emerging from the field of economics has identified profit-making as a justified and sufficient motivation for entrepreneurial activities (Schumpeter, 1949; Cassar, 2007; Parker, 2009), meanwhile more recent researches, emphasise the role of “*social value creation*” in organisations' activities (Austin et al., 2006; Ruskin and Webster, 2011; Antonioli et al., 2016).

SE meaning and operationalisation

As an overview of all SE meanings /definitions put forward by the specialised literature OECD (2018) state that SE is the “entrepreneurship that has as the main goal to address pressing social challenges and meet social needs in an innovative way while serving the general interest and common good for the benefit of the community”. Essentially, SE aims to create a social impact rather than profit maximisation, targeting the wellbeing of most vulnerable groups, contributing to inclusiveness and communities' sustainable growth.

All firms that are falling within the concept of SE create a social economy, guided by the principle of persuading simultaneously an economic goal that supports social value

creation. The variegated landscape of organizations that dedicate themselves to SE principles and that fall within the social economy is diverse as are the social issues that they aim to alleviate.

3. Conclusions

Over the years, the literature recorded attempts to define CSR and SE constructs by differentiating what corporations and social entrepreneurs do, with limited research on how social value is created. This paper develops a better conceptual understanding and deeper awareness of “social value” creation as explores (1) the extent of “social value creation” by organisations that dedicate themselves to CSR principles and (2) the “social value creation” by social enterprises, examining if the concepts are related. This study presents the CSR meanings over decades, questioning organisations’ abilities to perform social responsibility as a building block in developing the capability to address simultaneously their economic aim and meeting communities’ *social concerns* in a sustainable manner. Although much of CSR has been developed in a conventional commercial context, this study emphasise that corporations are unable to self address their ethical and moral obligations due to their exclusive profit-making objective which requires external intervention. Local communities, society at large, national governments and international organisations step in and regulate corporations’ responsibilities, providing methodologies to assess their social performance by providing reporting systems for consistent evaluation. Despite these efforts, corporations’ social performance and social issues addressed are insignificant as CSR does not increase their bottom line as Devinsky (2009) claimed.

Literature reveal that corporations use CSR to gain only a “license to operate” (Palakshappa, and Grant, 2018) and therefore CSR is an advertising tool, aiming at improving how the organisation is perceived, social deeds being seldom, depending on company’s economic performance. Corporations may also choose the social issue addressed according to their own agenda which may not meet communities’ social needs. Most of the time, these activities cease to be performed in the case of an organisation’s economic hardship. Therefore this study put forward the idea that social entrepreneurship can fill in this gap, providing a sustainable solution to unmet social needs.

This study recognized that SE is a much more flexible alternative to CSR due to its governance flexibility, as social enterprises do not need to create a profit (Page and Katz, 2011). This epistemological approach, as suggested by Corry (2010) revealed that the two concepts, CSR and SE, have in common a few elements such as creating “social value” which is supported by economic activity. The fundamental differences rest on the way the two organisational forms are using their profit. The commercial organisations use the profit for personal use while the social enterprises use the profit for their social mission. Another important difference is that what drives SE is social value creation as the main purpose while for corporations, applying CSR social value creation is secondary. Last but not list, for-profit organizations engaging in CSR exploit business opportunities, whilst SE pursues social business opportunities.

One may conclude that both are on the same mission but SE is leading the process of social value creation. Social enterprises can only meet their full potential if an enabling environment is in place to allow them to start-up, scale-up and flourish.

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WHY MALTHUS WILL ALWAYS BE WRONG

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Abstract:

Malthus is a figure analogous to economics in the same way as the phlogiston theory is to chemistry: antiquated, outdated, erroneous and harmful. In this paper, we summarize Malthusian theory, its flaws, and explain why it is not valid for policymaking decisions. We also discuss the historical background and response to Malthus's ideals, paying particular attention to the national government-level throughout the world.

Keywords: *Malthus; overpopulation; economic error*

JEL Category: R23

Introduction

Population economics is the area of study concerned with population and demographics in regards to patterns of trade and business. It is a field which has existed for several centuries, leading to changes and advancements in our understanding, and in subsequent public policy and other political realms. When discussing this subject, it is impossible to give a thorough account without mentioning one of its most influential members: Thomas Robert Malthus.

But how valid was Malthus's theory? Was he truly a prophetic doomsayer, with a message about the end of life as we know it? Or rather, was this dismal scientist presenting a flawed theory which has left a problematic legacy? With the data available at present, it would appear to be the latter.⁶ Malthusian theory is a relic of time; a theory which never was worth its salt.

In the first part of this paper, we discuss the nature of Malthusian theory and its history. Then, we explain the issues with the theory and present data contradictory to the predictions set forth by Malthus. We also attempt to explore the reasons why Malthusian theory has recently seen a resurgence in mass media over the recent years.

Malthusian Theory

Malthus was born in 1766 in the south of England, where he spent the majority of his life and professional career. Throughout his life he collected several honors, including membership into the Political Economy Club with other great economists such as David Ricardo and James Mill. He died in 1834.

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⁶ There are also logical flaws with this doctrine, which we explore below.

Much of the writing of Malthus was a reaction to the British “Poor Law.” This was a body of law which involved support and charity for the impoverished in England and Wales. Malthus opposed these policies strongly, believing them to be implicitly supporting the creation of larger families amongst those who could not effectively support them, which would act only to exacerbate poverty.

The titular theory goes as follows: 1) population growth is exponential, while 2) production is linear, and 3) at a critical point the population growth will outpace the growth in food production. Figure 1 illustrates the graphs of population growth compared to production increase, resulting in an intersection at what is known as the “Malthusian Catastrophe” (labeled as CP), According to Malthus, once the catastrophe point was reached, some catastrophe would reduce the population back to sustainable levels.

One of two types of events would return population to acceptable levels: *positive checks* or *preventative checks*. The former included disasters such as disease, famine, or war, which would result in death prematurely for part of the current population. The latter included institutions (political or otherwise) which would halt the growth rate for a period of time, such as increased abstinence or generally lower rates of childbirth.⁷ For both

types of event, the population level would be reduced to a point under production.

To visualize this using a different device, we shall apply to it the concept of decreasing marginal utility. Figure 2 is a typical graph depicting diminishing marginal utility, however a line ‘x’ has been drawn, which corresponds to the same on Figure 1, as it is at this point when population increasing any further will create rapidly decreasing utility. There is seemingly an optimal point at which production is sufficiently expanded to supply the entirety of the population, as well as a number of points at which there would be a production surplus.

While the theory originated as a means of predicting food production, it would through time be applied to a variety of different resources and served as justifications for a variety of social reforms. Neo-Malthusianism now generally pertains to policies for population control, and still retains significant influence. Malthus’s legacy has extended into countries such as Puerto Rico, the Netherlands, India, and

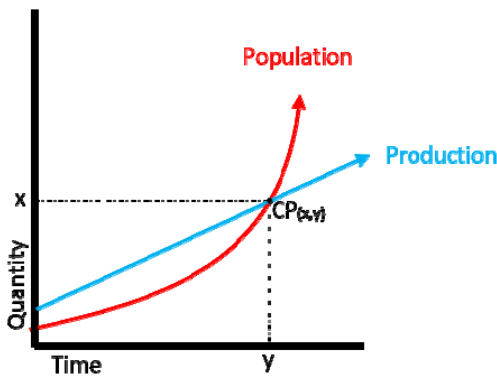


Figure 1

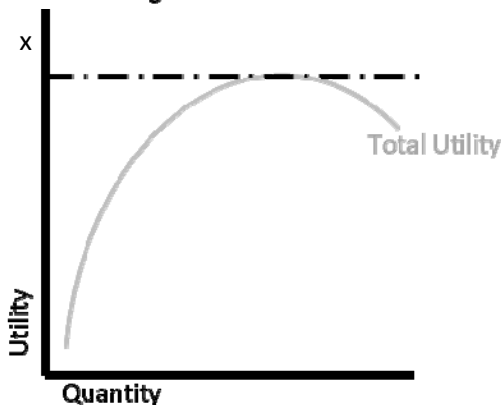


Figure 2

⁷ Later Malthus revised his initial statements to include contraceptives, believing voluntary widespread abstinence was unlikely.

China⁸. While Malthus considered abstinence to be preferable to contraception, most Neo-Malthusians mention this as the focal point for their argument. Some examples of economists propagating Neo-Malthusian ideals include economists such as John Maynard Keynes and Paul Ehrlich, and an increasing number of other influential speakers in other movements including Feminism and Environmentalism.⁹

Malthusian ideals have also made their way into popular media in the recent years. Action films such as *Avengers: Infinity War* (2018), *The Inferno* (2016), *After Earth* (2013), and even children's films such as *Wall-E* (2008) have presented the Malthusian theory as a plot device, slowly pushing it into public awareness even without crediting its original creator.¹⁰ When acted upon directly by an antagonist, the theory is presented as radical and terrible, yet at the same time treated as an inevitability. These films treat the antagonists as committing a necessary evil, intentionally leaving the audience to consider the victory over them to be bittersweet; as though it is simply delaying the inevitable.

As an important note, Malthus's beliefs were strongly rooted in Christian morality with heavy focus on self-control and abstinence.¹¹ He believed strongly that many of the issues with population would be easily solved through the preventative checks that followed from "moral restraint." But just as he was an economic realist, he also knew that depending on the population of the world to act specifically in accordance to this type of morality was an unreasonable expectation; hence he attacked policy directly rather than focusing as much on just ethics.

Media Obsession

So what brought it back so recently? Its return can actually be best traced back to the 1960's, after Paul Ehrlich (1968) published a book on the topic and others shortly thereafter (including social reformers) began speaking on the topic as the "population problem" (Neeley, 2013). The craze started to become common in films as a plot device for necessitating anything from government corruption and cruelty to the literal apocalypse. Even though the Ehrlich-Simon bet¹² was officially settled at the end of 1990, Hollywood has continued to use Malthusianism as justification for disaster stories. And it is not just the filmmakers who consider the Malthusian theory to be so appealing from a narrative standpoint. Many moviegoers to the 2018 film *Avengers: Infinity War* walked away from the film considering the villain Thanos as a "gray villain", whom they interpreted as motivated by noble intentions to solve a real problem. "Gray villains" have become popular in media lately, as audiences wish for their antagonists (as well as protagonists) to be morally complex and realistic (Mendoza, 2017).

The reality of the situation is that while not everyone knows about Malthusian theory by name, nor that there is data and logic refuting it, everyone is aware that the population of the world is growing. There has been data for years showing population growing at an exponential rate, breaking annual predictions. Projections based on the same concepts from figure 1 have been shown on all types of media outlets in different

⁸ Particularly famous is China's One-Child Policy, which had disastrous results (Fifield, 2019).

⁹ <https://ehne.fr/en/article/gender-and-europe/european-feminisms/feminism-and-neo-malthusianism>.

¹⁰ For an Austro-libertarian review of the latter, see Chamberlin and Block.

¹¹ Again, reactionary, this time to patterns of later marriage in Europe.

¹² https://www.google.ca/search?q=Ehrlich-Simon+bet&rlz=1C1CHBF_enUS724US724&oq=Ehrlich-Simon+bet&aqs=chrome..69i57j0.2426j0j4&sourceid=chrome&ie=UTF-8.

forms over the last two decades.¹³ The growth continues to be described in most media as the “population problem”, and thus Malthusian villains present people with an antagonist who seems to be ‘solving it’, with the enduring narrative: “We all *know* this is a problem, but these villains are solving it! It isn’t pretty, but they’re getting their hands dirty where we won’t! They’re the real heroes after all!”

Debate through History

What the aforementioned media craze might not make clear is the degree to which Malthus’s theory was debated through the last two centuries, before falling out of favor, at least amongst the movers and shakers.

Significant criticism of Malthus came from the Marxists; not least of which from Karl Marx himself. Marx argued that population growth was not the actual cause of poverty and resource constraint, but rather was due to capitalist forces. According to Marx, the only reason there was poverty was due to the capitalists hoarding resources by not paying their workers what their work was actually worth (Magnus, 2009). In other words, while Marx believed that socialism would solve the problems which Malthus was setting forth, he also saw Malthus as propagating capitalism and its problems. It is important to understand that while Marx entered politics after Malthus’s death, he was also writing during the height of the industrial revolution, when production in both factories and on farms was improving greatly compared to the previous years. Leaders of the Soviet Union would continue the trend of socialism adopting anti-Malthusian policies to prevent population control. Joseph Stalin would in fact push policies to increase population, making abortion illegal.¹⁴

Social Darwinists would later adopt the Malthusian theory as applied to the concept of natural selection (Teitelbaum, 2018). Their concern came from a theory that the “inferior” members of society were more fertile than those “superior” members of society, and would dilute genetic purity. The Nazis¹⁵ were one example of such a group who held this belief. They particularly followed the original Malthusian theory that food production was limited, and therefore wanted to eliminate the “inferior” people. Less radical Darwinists went on to try to explain Malthus’s theory on the increasing family size of the poor as an example of natural selection on several levels. On one level, the larger family size would result in potentially better chances of survival, as it would lead to more able-bodied individuals who could become potentially hireable. On another, more children could lead to competition between themselves for the limited resources, meaning that some of them would develop better skills for survival. In some ways, the positive check of disease can be considered an inevitability of higher population density; although Malthus’s mathematical models would not support this to the level of devastation which Malthus would say was necessary for population to reach sustainable levels.

¹³ From quite reputable outlets, including the New York Times in 2008 (<https://www.nytimes.com/2008/06/15/weekinreview/15mcneil.html>) as well as PBS in 2014 (<https://www.pbs.org/newshour/nation/world-woe-malthus-right>).

¹⁴ Although Lenin had legalized abortion in 1920, it was banned about a decade later in the decree of 1936. (<https://www.marxists.org/history/erol/ca.firstwave/cpl-abortion/section5.htm>).

¹⁵ Hitler never quotes Malthus directly, but the arguments are similar.

It is at the same time necessary to explore whether or not Malthusian theory does in fact lend itself directly to this type of discrimination (and in this example genocide), A significant portion of Malthus's writing was reactionary to English poor Laws. According to Malthus, having systems of poor relief would encourage population growth amongst the poor. With the population increasing, the numbers in the work force would increase far past the actual number of jobs available and thereby drive wages down. Malthus was not necessarily hostile to the poor,¹⁶ but he did believe that policy which led to the poor being provided resources (such as housing and food for the family) would lead to stagnation and keep people living dependent on the state.¹⁷ And in the case of poorhouses, Malthus wanted them to be sufficiently bad conditions so as to strongly and harshly encourage those people to find stable work and a sustainable wage.

So all this to say, was Malthus classist?¹⁸ Based on the available evidence it does not seem so, given the way he discusses the problems of population. While Malthus does see the larger family sizes of the lower class as a problem, he places the blame more often on policy. And he did see this population increase as the cause of declining standards for the entirety of the population; lower, middle, and upper as well. However, some will point out that Malthus was raised in an upper class family and spent most of his life surrounded by great philosophers of the time (including Rousseau and Hume, who were family friends), So while he was surrounded by some of the greats of his time, his view of society may have been somewhat biased. He was able to combat this somewhat by being an early economist to use and gather statistical data for his theories, those who observed him did describe his use thereof as somewhat liberal. So he does not seem to be overtly classist, and there is always some chance of indirect prejudice, there is not enough evidence to say so definitively.¹⁹

Knocking It Down

It is all too easy to say that Malthus was wrong and then point to the fact that humanity has existed and flourished for centuries after his predictions without any disaster which has led to the population being decimated or culled significantly. Population growth has not only continued to increase, but has in fact continued to outpace predictions made even in recent decades. In between, there have been a number of doomsayers who have quoted Malthus and offered the thesis that "this time it's for real." And each time they have been proven false. However, the fact that Malthus was wrong is not nearly as important as why Malthus was wrong.

Human Capital

What does every living person have? A brain. Every human being is capable of learning, thinking, and problem-solving. And while a million monkeys with an infinite amount of time and a typewriter would inevitably write a Shakespearean play, a handful of brilliant people could change the world.

¹⁶ Seemingly, Malthus argues that through his writings he wanted to help the poor, although this is contended.

¹⁷ An issue which has been recently in political discussion (although advocacy of the Malthusian approach would never get a politician elected).

¹⁸ Classism- prejudice or discrimination based on class (Merriam Webster).

¹⁹ We should avoid such attribution biases where possible.

It is true that not everyone is going to devote such energy (mental or otherwise) to do great things. Some people are handicapped, physically or otherwise, while other might simply refuse. That being said, it is reasonable to assume that as a community grows, so too will the number of brilliant minds. But even then, why limit it to that? Some will start without a proclivity for complex thought, but they will desire it and work towards it. So at our disposal are those with the mental horsepower, those who work hard enough to compensate, those with both, and then everyone in between. If Horace Mann was right, and education truly is the “great equalizer”, then it stands to reason that as more of the world’s population gains access to education in the years to come (including higher education), then that will result in more people being given the chance to shine.

Perhaps a concrete example is needed: Apollo 13? This mission was intended to put humans on the moon for the third time in history, but due to problems with the spacecraft the crew were put into a dangerous position in space, with nothing but what was at hand and a limited amount of oxygen. Through the quick thinking and precise actions of the crew on board and the NASA scientists back on Earth, the craft was restored to a condition wherein it could return safely to Earth without loss of life. Against impossible odds, human minds saved the day. This is to not even go into details of the “impossible” task of exiting Earth’s atmosphere and returning in the previous missions. We know we can do the impossible when enough minds are put to the task.

Technology

The population growth within the last few decades is certainly undebatable, so Malthusians may be chomping at the bit to argue that the catastrophe point is approaching soon. The population has nearly doubled within the last 40 years,²⁰ and it is expected to climb further for the next few decades. That being said, however, the growth in technological growth has also increased exponentially in a shorter period of time. Additionally, such technology has also become readily available in more areas of the world than previously. Education rates have surged worldwide, electricity is becoming both affordable and sustainable in most developing nations, and vaccinations are reaching further than ever before. So, while population has increased so much within the last few decades, technological growth is on track to outpace it.

Social Changes and GDP

A trend which has been observed in most countries with high GDP per capita has been the shrinking sizes of family units and shifting ages of the parents thereof. Many other papers have shown the relationship between GDP and such things, and it is important to not confuse technological growth as necessarily the reason for this, rather than potentially a symptom of the same cause. That being said, it is important to note. Family sizes have been shown to decrease with GDP, and as countries become more efficient in their production (and find their niches,) population growth in that country begins to slow (Wesley, 2017),

In some ways Malthus’s assumption that poorer populations have larger family units is not entirely unfounded, based on data which he was reported to have acquired during his

²⁰ Records are available from the U.S. Census Bureau.

career.²¹ However, while Malthus would see this be fixed by government policy and preventative measures, this seems to be the wrong way of approaching this. The “One Child Policy” of China proved to have problematic consequences,²² not least of which limited to ethical and human rights concerns. On the contrary, it would seem that an effective way to solve such problems would be by addressing the cause, rather than the symptom: through expanding the economy. If GDP creates lower impoverished populations within a country, then it would seem to be a worthy investment on multiple levels.

Conclusion

What does this mean moving forward?

As a problem which has been proven time and time again to be a non-issue, and based on a faulty theory, it would seem that an easy solution would be to increase awareness. In the same way that Paul Ehrlich brought back Malthusian theory into the limelight, and it was adopted by celebrities of the time, perhaps the theory’s refutation needs to be discussed by other famous people of this era. If an expert came forward and discussed the faults in the theory, and it was then promulgated by other celebrity figures and developers of mass media (such as film), then perhaps society would move on from the theory? Unfortunately, “If it bleeds, it leads”. And although Ehrlich did discuss the theory at length in interviews and writing, he did also publicly admit his loss of the bet with Julian Simon. So just giving a refutation (or as in Ehrlich’s case, a redaction) is not sufficient for filtering misinformation out of the *vox populi*. And from an entertainment perspective, the number of movies about humans overcoming problems do actually outnumber those where the opposite occurs. So if one was to ‘overthrow’ Malthusian theory through the medium of film, it would need to be done in an overt way which would come off as so heavy-handed that it would most likely fall on deaf ears.

So then what do we do? Quite simply, the same thing which Malthus did: through policy directly. Remnants of his theory still persist in implicit assumptions and models which we then apply to policy making decisions at the governmental level. To cure the illness, we should attack the cause: remove Malthusian assumptions from things government signs into law, and stop referring to it as the “population problem”. Once we attack it directly, then the rest of society will catch on that our population is not the issue; how we treat them is. And, perhaps once we have done so, we will begin to better understand how the people in our society are in fact our greatest asset, rather than a liability.²³

²¹ Malthus is famously one of the first economists to formally use statistics (MacRae, 2018) although his methodology was reportedly very bad.

²² Many of which shall be borne by the elderly population in the years to come (Powell, 2012).

²³ For further criticism of Malthus and Malthusians, see Block, 1989; Block, Dauterive and Levendis, 2007; Coffey and Block, 1999; English and Block, 1997; Bauer, 1981; Boudreaux, 2008; Desrochers, 2015; Friedman, 1972, 1977; Gaylor and Weil, 2000; Robbins, 1928, 1966; Rothbard, 2011; Say, 1821; Simon, 1981, 1990, 1996; Sowell, 1983; Williams, 1999; Wittman, 2000.

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

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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*

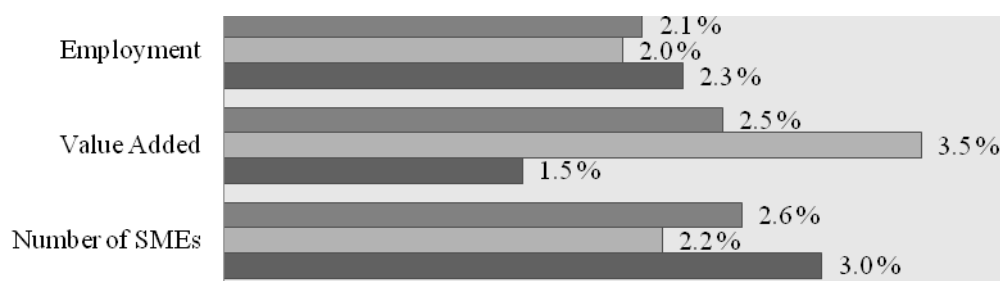
JEL Classification: F20, L10, O19

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.

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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)

As we see in 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).

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.

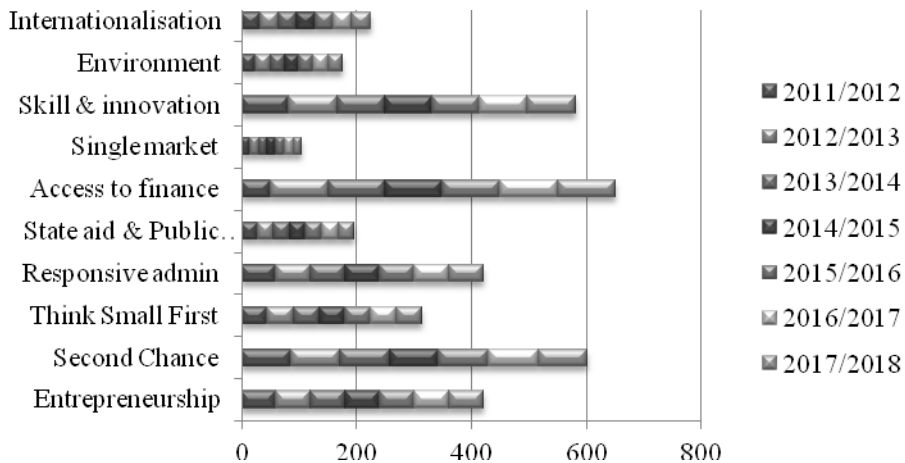


Figure 2 – SBA policy implementation EU-28(2011-2018) (Source: CARSA and PWC)

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 Uyerra 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) 1. Building customer relationships
- 2) 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) 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 al), 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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