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GET THE ECONOMICS BACK TO THE TRAIL OF MORAL SCIENCE

ВРАТИТИ ЕКОНОМИЈУ НА СТАЗУ МОРАЛНЕ НАУКЕ

Summary: *The paper focuses on the function of the market, economic policy and the public in dynamising economic progress and the arguments that support the claim that economics as a science, taken together with economic policy, has lost the attribute of moral science in our conditions. The dynamics of economic growth is not the only relevant macroscopic feature of economic development, although it has received dominant attention today. And that is not everything. Particular attention is drawn to structural, technological and other changes, the re-institutionalization and construction of an appropriate economic order and economic model and, above all, the state and realization of the moral imperatives of contemporary development. In addition to these issues, the paper addresses the challenges, directions and instruments of economic policy in our circumstances, which is of particular relevance to our better future.*

Keywords: *economic growth, modernization, economic and political institutes, ownership legitimacy, economics of trust, reindustrialization.*

JEL classification: *A10, A13, F43, O4,*

Резиме: *У чланку се усмјерава пажња на функцију тржишта, економске политике и јавности у динамизирању привредног напретка и аргументима који иду у прилог тврдње да је економија као наука, узета заједно са економском политиком, у нашим условима изгубила атрибут моралне науке. Динамика привредног раста није једино релевантно макроскопско својство привредног развоја, иако му се данас поклања доминантна пажња. И није све. Пажњу посебно привлаче структурне, технолошке, и друге промјене, реинституци-онализација и изградња одговарајућег економског поретка и економског модела и, прије свега, стање и реализација моралних императива савременог развоја. Поред ових питања, рад се бави изазовима, правцима и инструментима економске политике у нашим условима, што је од посебног значаја за нашу бољу будућност.*

Кључне ријечи: *привредни раст, модерни-зација, економски и политички институти, легитимност својине, економика повјерења, реиндустри-јализација.*

ЈЕЛ класификација: *A10, A13, F43, O4,*

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1. INTRODUCTION

The concept of modernization is a complex and multilayered term. In our conditions, that is, in the conditions of Bosnia and Herzegovina (BiH), the basic condition for modernization is the completion of the transition process, the European integration and development of democracy, a market economy and a civilized legal order. The modernization path corresponds to all the processes that mean the successful construction of the architecture of a modern (post) industrial society. Not only political modernization is significant to us here. Legal modernization, economic modernization, technological modernization, and other aspects of it, also play a significant role in the context of general society modernization. It follows that we are closer to successful modernization with each and every small step taken in

overcoming poverty, job creation for young generations, broader democratization of politics and political order and international political and economic ties. Economically, all the successes that deserve attention are achieved in increasing the export of goods and services to the global market, foreign investments whether in or out of the country, increasing the openness of the economy to the world, innovative development and technological penetration of its own science and production, and every major overcoming the country's raw material dependence on the world. Of course, modernization carries many contradictions and challenges with regard to its own goals, on the one hand, and the socio-economic environment, on the other. The freedom of creativity, that is, the democratic atmosphere in society in general, is of particular importance for the innovative and technological development of the country. From this point of view, BiH must look at all sides of the world and use all the positive and useful experiences of either the West, the East, but also all other countries in the world. Modernization must always bear in mind its immanent goals and valid social values and move within the limits of given economic, political and other opportunities (Gel'man and Marganija 2010; Oganis'jan 2011; Latur 2010). In considering this problem and the subject of the research, we start from the hypothesis that the union of the state and the market is not sufficient if it separates itself from the general public and the relevant inspirers of economic policy, first of all science, of which economics especially has a great responsibility. The hypothesis is tested using standard methods in the scientific methodology common to this type of economic research.

2. AGE OF RESPONSIBILITY AND TECHNOLOGIES OF ECONOMIC POLICY

We live in a time of social and personal responsibility for life and our own development. It is a time interval that emphasizes the morality of behavior and choices, the public and the effective management of the entire economic and other flows. We have long stepped into the Enlightenment era and the secularism of social practice.

The modern economic system is reflected in development through the appropriate combination of its institutes, if well selected, and the productivity of labor and productivity of other factors of production, as well as other most important indicators of efficiency, fairness and sustainability of economic growth. The sound institutional environment (sound in the sense of the so-called "institutional sclerosis") strengthens and expands economic freedom, without which entrepreneurial enthusiasm and entrepreneurial energy are inconceivable, which means economic growth. It should be said that today the prospering societies and peoples are those endowed with a deep faith not only in the morality of society and life and belief in the value of knowledge, but also in a system of values in which the virtues of hard work, modesty, direction, honesty, etc., are prominent. All this is possible and success is guaranteed if companies are governed by these values and if they have the right models in such an orientation. We do not mean here the morality based on everyone's personal moral standards, but rather the attitude towards common good. That is to say, everything is moral (education, science, behavior, customs, money, investment) that cherishes the common good without worsening the condition of no one else individually.

People change "measures" in their lives that pass as lightening and in very short sequences of time, changing their places of residence, countries and even continents. Helmuth Plessner pointed out that indulgence is a human sin with the worst consequences (Plessner 2004, 53). But he also pointed to the importance of publicity to the human community, which he defines as an *"insurmountable and open horizon that surrounds the community"*, which begins where *"love and blood connection cease"* (Plessner 2004, 54). It follows that there is no "closed community" in human society without publicity in the background.

Modern economic policy uses several of its technologies, the most famous of which are: the union of the state and the market, the joining of medium and small enterprises to large

public enterprises, the tying of the civil sector to the military economic sector, clusters, public-private partnerships, etc. Among the technologies mentioned is the "union of the state and the market" known as the product of the synthesis of neoclassical liberalism and (neo) Keynesian currents in economic theory.

However, since the state (and its economic policy) and market are human products, and can have potentially detrimental consequences for development, especially in terms of and within modernization, we should rethink about supplementing the said union with the public, so that link would now be a union of the market - the state and the public (Basu 2011; Lenchuk 2016; Guriev 2017; Glazev 2017).

We define the market here as an automatic control component, that is, a mechanism that performs the allocation of economic resources, coordination of economic decisions and regulation of economic life, which today is often monopolized or regulated (a deformed market). We take the state as a mechanism of government with repressive, ideological and other apparatus. In the context of this topic, we view the state as a public good. It is a public good if it is efficient, democratic, fair, cheap, courageous, when it supports fair work, protects property relations, contracts and takes care of the production of so-called meritorious goods. We have included the public in this union because neither the market, which is often monopolized, nor the state, whether privatized by party cartels, distorted by lobbying, bureaucratism, vote-trading, etc., can be trusted. One cannot even believe the so-called economic policy inspirers where science has a significant place. It is well-known that science is not "all and everything" and that it has since long lost its so-called absolute authority. Nowadays, it often loses authority because of its captivity to clans, and also due to unrealistic commercialization. This must be kept in mind when it comes to societies like ours, which are full of demagoguery, political as well as scientific, and even revengeful politicization of everything aimed primarily at legalizing and legitimizing the appropriated capital from the privatization process and forcing society and citizens to finally accept and acknowledge the newly acquired owners, and behind them the politicians who are not to be put to trial. This has all created a social environment in which citizens believe more in morality and ethics than in the political action of individuals. They trust state property more than private property so created. Our society now looks like the story about a tank full of fuel that has stopped, so it can't go forward or back (it transports oil and has a gasoline engine run out of fuel). Society and its economic system have their own fuel: values, motivation, honor, honesty, in a word, trust that pushes society and economy forward, and more strongly than any power, management, governance, etc. It follows from the foregoing that the State should assist the market in the exercise of its function, and not endanger market freedom, which ultimately comes down to consumer's choice. These are the reasons why we strive for the economy of trust in which both suppliers and buyers and owners and investors, employees, the unemployed, the local and the wider community, the state treasury, etc., will be satisfied. Today, this is not the case in BiH, and many domestic and international factors have contributed to this. In the context of the economy of trust, we advocate a consistent and hard-disciplined economic policy that supports the civilized market through its regulation, control and supervision, an economy in which the trans-economic sphere is programmatically managed, the state has ownership of mines and natural resources, infrastructure, and similar resources.

It should be emphasized that in the last World Crisis of 2007-2010, the country was far more responsible than the market for its creation and development. It turned out that the market did not mislead investors, but the state itself did, because it guaranteed that the banking system was safe and liquid and that the economic order as a whole was stable.

It should also be noted that the market alone can ensure efficiency and fairness, under the conditions of eliminating privileges and all kinds of monopolies and creating competition. Today it is already considered that the economy should be specified by the "holy trinity", i.e. efficiency + fairness + sustainability, which requires connecting all these principles with

morality, and linking the market - government interventions and science to the public and, accordingly, incorporating new, i.e. better and clearly predictable rules. Of course, in some situations economic science has to rely on multitherapy and call other sciences for help. The union of the state and the market is good if it ensures economic balance, technological and other innovations, entrepreneurial energy, earned income, individual including collective responsibility which tends to weaken. Often, under the national flag, economic policy and management are carried by unskilled personnel who claim significant rents, and later losses have to be remedied by the state through taxpayer funds. Often, in modern democratic systems entire governments fall because a single government ministry is responsible for failures or unfinished reforms. This is done for moral reasons. In a world of limited opportunities and limited economic resources, the very waste of resources (budget and other) is considered an amoral act. Economic theory of property rights established that there is no market entity without liability. And there is no obligation i.e. liability if it is not regulated by the rule i.e. norm. Consequently, it is emphasized that morality legitimizes economic efficiency, and efficiency in turn reinforces the moral standards that everyone needs (Pharo 2006; Vetlesen 2014; Morin 2008; Isensee 2004; Bowles 2016).

Combination of morality i.e. legitimacy and efficiency in development management says that a policy that had previously provided a good insight into the objective state of the economy, while being competence-based and respecting the people's interest, cannot fail to hit „in the center“. In our country, however, the political class is irresponsible, its interests are blurred and invulnerable, so economic policy is also one of its "drainage" channels and scams (politics as the "sewer of life"). The ideal of our politician, as well as our man in principle, is to "accumulate as much goods and money as possible and keep his head empty". We already have 500 millionaires and 90 multimillionaires, but also an unhealthy society and an unhealthy economy. The Dayton Constitution denies to die, and people cannot begin to live decently. All of BiH lives in a system trap. According to John Raskin (Raskin 2016, 64-65) honesty and morality should be the natural basis of economy and business. Material as well as spiritual values lead to a life that is true wealth and ultimate purpose of all humanity. This is not the case with us. We have lost sight of the fact that economics is also a moral science. That it teaches wealth creation, and that wealth is spent in consumption and produces life. Therefore, quality of life and population growth is the most important synthetic indicator of the economy, more significant than gross domestic product (GDP). Economists also have their own responsibility and cannot shift it to the politics.

Economic science has not, in our reality, proven to be a moral science, nor bold enough as a science. It's not just about its reconciliation with a low growth rate of 3-4% that doesn't solve anything significant because it is low. No matter how low, such growth rate has lots of "Faustian" growth (monopoly, unpaid or paid labor, overheated exploitation of resources, corruption, crime, non-payment of women's labor), and at the expense of reduced "Smithian" participation (based on division of labor, specialization, ...) and, in particular, "Prometheus" (based on innovation) growth.

It is immoral that in BiH one only thinks of the progress of parties and party coalitions, the depletion of the public sector by parties, the indebtedness of the state and future generations, the maintenance of incompetents in important positions by glorifying bureaucrats as "heroes of our age" instead of entrepreneurs, and squeezing people abroad, and similarly. We are more concerned with inequalities and poverty in the world than in a country where 17% of the population lives below the poverty line. BiH is the last in Europe by birth (number of live births per 1000 population), which is a first-class moral issue. It is morally questionable that the average salary in BiH is nine times lower than in Switzerland, for example. The moral issue is that 5 ‰ children die by the age of five, which is almost twice the EU average, and in this respect we also have a specific commitment from the Millennium Development Goals to the UN General Assembly. In BiH, the right to work is an "empty" right, there is no fixed minimum labor price, the authorities do not know how many residents

there are in BiH, nor how many migrants currently reside in the country. Economy, and even economics, have become a "money economy", with a very thin real sector, where investors are often offered and encouraged, as an advantage, by low-paid labor. It is not moral to strengthen the center but to empty the periphery, to base modernization and progress on non-inclusive institutions, to have high resource intensity and consume resources incomparably more than nature can restore, to have high chronic unemployment, "printers" of false diplomas, a high percentage of pseudo science, chronic deficit of political will to change, etc. It is not normal and it is not moral that we do not have a wide list of goods to export, and we have a raw material base, our energy, industrial traditions and proximity to the European market. We have neither understood the importance of culture for development (we allocate less than 1% of GDP for culture) or our sciences (we allocate less than 0.2% of GDP for scientific research), we import food even though we have over 50% of the state territory as agricultural land with a high percentage of arable land in it, the Republic of Srpska (RS) has even close to 1 hectare (ha) per capita, while the Netherlands has 0.16 ha per capita. Why wonder then that food in BiH is relatively expensive. We could better open the woods rather than create a real havoc in the areas near the roads. In Europe, tourism gives about 9-10% of GDP, and in BiH barely 2.5%. The high level of corruption, the high percentage of the gray economy, the high percentage of public spending themselves speak a lot and problematize our reality.

The above information sufficiently reflects how normal and moral the economic situation is. The devaluation of the value system under the influence of the political situation as well as other factors of stigmatization of spiritual values by material values, have reduced the reputation of economists and economic science in general to a critically low level. Economic sciences as Nobel sciences. We conclude that the image of the economic profession and science must urgently begin to improve. The "toolbox" of economic science (the term of Joanne Robinson) is rich enough in various tools that it can provide the rise of economic science in our region to unprecedented heights. Economic science must elevate its moral dimension for reasons of the increasing coexistence of man with nature. Nature nurtures both the laws of competition and the laws of cooperation. Society and our economy have something to learn there. A significant part within the value system belongs to economic values, which are by nature the topic of economics. In fulfilling its mission - to help create the wealth of society and develop valid social values and support the general morals of the society - economics must be a martial science with the aim of developing meaningful thinking, not thoughtless thinking that does not benefit to the human population. Hundreds of billions of euros have been lost due to thoughtless thinking.

It would be good to see economists struggle in the clash of expert opinions, which are few, and there are plenty of examples of their war to bloodshed with their rivals as members of the SDS, SNSD, PDP, Greens, Radicals, SDA, SDP, HDZ ... There will always be those who think without thinking, those with hesitant opinions, for which reason Truman sought one-handed economist for his adviser. If we only had more of those people who think with a reason, at times, quickly creating more opinions like Keynes. It would be tragic if the state of economic science in our country remains as it is now and as it was, especially when the emergence of illegal and illegitimate property in the privatization process had not been impeded. To pay the investor 10,000 euros per employee, and miss the time of our competitiveness when it should not have been done. Private or state monopolies could also be hindered if economic science had been at the height of the task. We remind the reader of the heroic age of science and scientists, when Nils Bohr and Robert Openheimer, aware of the destruction of the atomic bomb in the hands of the US monopolist, provided information to the then USSR. Thus, for moral reasons, as well as the personal responsibility of the great scientists who tasked generations to remember and admire them forever, a balance of fear was created to preserve mankind after such weapons had been produced before Hitler's Germany. And it was produced at the time of Roosevelt at the urging of Einstein (Morin 2008, 74).

In an unhealthy society, it is hard to reach the recovery. The so-called “holy-trinity” of the economy (efficiency + fairness + sustainability) and the return of economics to the trail of moral science, and the economy as a whole to the path of legitimacy and legality, can be realised greatly by economists intellectuals. We repeat, intellectual economists, not conjunctural economists, hybrid economists, eligible regime economists, rectists, or so-called catheter economists (named after politics as an infrastructure business as a sewer of life with lots of drainage and inlet ducts, plugs and screws, and even "ear wringing"). When we talk about economists intellectuals we mean those economists who belong to the social elite who, together with other elites, resolutely, in a timely, effective and fair manner, solve the economic problems of society.

These are not "trapped minds", nor timid and visionless economists, but responsible experts in front of their country, profession and science and the economy as a whole. These are courageous people who think rationally and morally and who, before the authorities, insist on truth, investigate the truth, and fight for truth by protesting against "natural reality". No change or reform is possible without intellectual economists, as well as without great intellectuals of other profiles. It is known what Jean Paul Sartre, Jules Deleuze or Jacques Lacan meant for the 1968 Paris heat. We could also list names from Belgrade, Sarajevo, Zagreb, Ljubljana, and other places of the time. What do the Nobel Prize winners of all professions, Noam Chomsky, world-renowned economists and intellectuals, really mean today for world science and civilization? In our country, both transition and privatization, and today the struggle against monopolies and structural change are taking place without the determined and strong role of intellectual economists. Even more, they have switched roles and lost the sense and vow of the economist, they are more preoccupied with the political rather than economic modernization of the country. They crawl around some party leaders, forgetting their diplomas and obligations and responsibilities to their profession and science. Any further modernization, economic, technical, etc. requires social modernization, which is often seen as opening up to a new mentality, a condition whose specificity is a belief in all-round progress and improvement in the future of the economy and society, based on faster adaptation to changes, challenges, shocks and various risks. Economists need to know that they are fighting for quality of life, not believing in GDP, because it is not a true synthetic economic indicator. They need to know that, as J.F. Kennedy used to say, "... *that GDP is an indicator of everything ... except of what is worth in life ...*" (Bregman 2002, 103).

3. REVIEW OF ECONOMIC SITUATION IN BIH AND WEAKNESSES OF THE DEVELOPMENT MODEL

The following tables provide data for GDP and its dynamics (Table 1), and data for GDP structure over a long period of time.

Table 1. BiH GDP for 1998–2017 period

Years	Nominal GDP (in KM million)	GDP per capita (in KM)	Annual growth of real GDP (in %)
1998.	7.244	1.982	-
1999.	8.604	2.310	10,0
2000.	9.611	2.542	5,5
2001.	10.480	2759	4,5
2002.	13.821	3.611	4,9
2003.	14.505	3.785	3,8
2004.	15.786	4.109	6,3
2005.	17.127	4.457	3,9
2006.	19.252	5.031	6,1
2007.	21.760	5.683	6,2
2008.	24.702	6.444	5,7
2009.	23.950	6.258	-3,2

2010.	24.773	6.446	1,4
2011.	25.666	6.684	1,0
2012.	25.900	6.745	-0,5
2017.	31.376		3,2

Source: CBBiH according to note. Author's processing.

Note:

1. Data for the period of 1998-2001 downloaded from CBBH 2003, 74
2. Data on annual growth of real GDP (in%) for the period of 1999-2001 downloaded from: CBBH 2004, 82
3. Data for 2002 taken from: CBBH 2009, 163
4. Data for the period of 2003-2000 taken from CBBH 2010, 165
5. Data for the period of 2006-2012 taken from CBBH 2013, 176

Table 2. Structure of gross value added by activities and GDP (at current prices) in the period of 2008-2016

Activity	Per years in %					
	2008	2009	2010	2011	2012	2016
A Agriculture, forestry and fishing ↓	7,34	7,19	6,90	6,86	6,24	6,37
B Mining and quarrying	2,01	2,02	1,93	2,21	2,28	1,90
C Manufacturing* ↓	11,07	10,51	10,88	10,90	10,54	12,37
D Production and supply of electricity, gas, steam and air conditioning ↓	3,89	4,16	4,25	3,97	3,76	3,92
E Water supply; wastewater treatment, waste management and remediation activities	0,98	1,03	1,09	1,09	1,15	1,04
F Construction ↓	5,46	5,32	4,42	4,12	3,97	3,94
G Wholesale and retail trade; repair of motor vehicles and motorcycles *	13,12	12,78	12,98	13,02	13,33	13,51
H Transport and storage	3,07	3,06	3,13	3,16	3,26	3,59
I Accommodation and catering activities	1,98	2,00	2,09	2,02	2,05	1,96
J Information and communication	4,52	4,73	4,67	4,72	4,77	4,38
K Financial and insurance activities ↓	3,58	3,75	3,76	3,86	3,78	3,74
L Real estate business*	4,79	5,17	5,12	4,97	5,11	4,92
M Professional, scientific and technical activities	2,50	2,65	2,70	2,83	2,85	2,89
N Administrative and support service activities	0,67	0,65	0,66	0,64	0,68	0,84
O Public administration and defense; Compulsory social security *	8,73	9,68	9,16	9,24	9,21	8,15
P Education	0,56	0,68	0,73	0,75	0,83	4,42
Q Health and social care activities	4,28	4,42	4,50	4,62	4,76	4,59
R Art, entertainment and recreation	0,56	0,68	0,73	0,75	0,83	1,35
S Other service activities	0,72	0,76	0,76	0,76	0,76	1,14
TOTAL ALL ACTIVITIES	83,74	85,34	84,47	84,62	84,72	85,01
FISIM (-)	2,73	2,78	2,71	2,85	2,75	2,55
BASE PRICE GROSS ADDED VALUE	81,01	82,56	81,76	81,76	81,52	82,46
Taxes on products, services and imports less subsidies (+)	18,99	17,44	18,24	18,24	18,48	17,54
GDP at market prices	100,00	100,00	100,00	100,00	100,00	100,00
* -the largest share of GDP of the added value created in these industries						
↓ - the largest drop in gross value added in these activities						

Source: Agencija za statistiku BiH 2014, 38-41

The Dayton Agreement broke the war, brought peace, but it did not bring the necessary economic development. It favored some areas (creating new centers of government) while making some vulnerable, leaving them without a center - half of the growth which then choked people into hopelessness and poverty and made them gradually emigrate.

An economic growth rate of three, four or more than that in BiH cannot bring good luck, therefore, some good progress, because such rates indicate stagnation - a zone of stagnation, given the so-called low base effect.

Assuming slightly higher growth rates (five, six, seven%) will not help much either, even if we exclude potential floods, storms, earthquakes and other natural disasters that often plague this area and drive away billions of KM of GDP that could be intended for investment. Anyway, the focus on the pace of growth alone is not good. Our attention must also be paid to other features of development, in addition to the rate of growth and: the dynamics of

structural change, the state and stage of the business cycle, the realization of moral imperatives in development, etc.

The problem lies especially in **the economic structure** which is outdated, archaic and does not allow proper growth and quality of economic development, regardless of the certain possibilities and opportunities for cooperation in the region, European funds on the path of European integration, Adriatic-Ionian Initiative, Danube Strategy, Mechanism 16 + 1, etc. In the future, it will be difficult to achieve not only growth but sustainability of growth, average European unemployment, a tolerable level of deficit and public debt to GDP, which is possible only on the basis of quality structural changes, technological modernization, investment, better management of public debt, and similar. It should be borne in mind that BiH has about 500 thousand unemployed and those with unbridged breaks in service, poor use of IPA funds, public debt of about 47% of GDP, high interest rates on loans to the business sector, per capita income of about 30 % EU-28 average, good household savings with banks.

Looking at **comparative statistics**, BiH is mostly in the last third of the scanned countries of the world and sometimes in the last quarter, and in Europe it is pinned to the bottom with Moldova and Albania. We have been lagging behind Europe for 40-50 years (in some sectors even more), and we have not yet reached the level of 1989 GDP, but only 87% of that level. Unemployment is around 25% and of young people around 50%. The private sector gives only 60% of GDP and our eyes are more on the state than on the market. BiH is more than ever full of poor people, and investment, on the other hand, never less. The moral crisis is by far the most pronounced crisis in our country. We are investing in everyone, and we are failing and waiting for our crisis and problems to be resolved by someone else. The poverty index is high, according to the Cato Institute, BiH is among the twenty poorest countries in the world. The Cato index is calculated on the basis of the sum of inflation rates, interest rates, unemployment rates and GDP growth rates. Exports are only about 2% of high-tech goods, with our brain and knowledge built in, and the remaining of almost 98% of the outputs are embedded in what is said to be a "dry" workforce. There are various limitations, illusions, myths, etc., on the road to recovery. It is difficult to break from the pitfalls of development, so we get the impression that our great-grandparents coped better and more easily with these traps than we do today trapped in unemployment, debt, technological backwardness, etc. Low economic growth and development problems, in addition to subjective weaknesses, have their root in the weak and underutilized potentials of economic growth, that is, in the general assumptions of development, and above all the factors of development taken together with the factor of management. We overlooked globalization and slowly adapted to it (we did not learn from China or India, for example), we did not understand the EU and we slowly integrated, both in terms of nominal and real convergence. We did not know, nor did we have the political will, to fight poverty and expanding inequality (Piketi 2018) and the stratification of the population, which also made our transition and exit from underdevelopment difficult. The takeover of high technology, that is, technological modernization could and should have gone much faster, we were late, while other countries in the East and the West were taking large steps towards the fourth, fifth and some sixth stages of technological development. We could also better relate to some of the global trends that are reflected in development (demographic change, migration, climate change, smarter urbanization, deruralization, exodus of younger and more skilled staff, etc.), and especially show a much stronger activism towards development factors (saving, investment, labor factor, financial markets, natural resources, management, economic model building, etc.).

Recommendations of neoclassical theory in the post-Dayton period:

- create a modern market environment;
- carry out extensive privatization and unleash an entrepreneurial initiative;
- open the economy (liberalization of trade, capital flows, harmonization of norms and rules, etc.);
- stimulation of investments both domestic and foreign;

have not proved to be appropriate, because no one thought of what and how much the disharmony of political and economic development could represent an obstacle to the very development. For decades, political problems in the country have not pushed the country forward. We will now have a short look at the **BiH economic model**.

A bad economic model is one of the major barriers to BiH's economic prosperity. Dayton BiH has failed to come up with an economic model that, in the context of globalization and regionalization, low levels of development, dystopia, long stagnation, etc., will ensure sufficiently high and healthy growth rates, productivity, technological development, recycling of waste (circulatory economy), economic and social balance, etc. Instead of a competitive model of economic growth in BiH, a politically manageable model of growth and economy was maintained, not based on original entrepreneurship, but on political ties, monopolies, cheap labor, non-economic reasons, formal business freedom, and no investment in technology. Although we often speak and aspire to the model of the social-market economy, our model is far from that hypothetical theoretical model. It is not adorned with confidence among economic actors, the rise of successful entrepreneurship, innovation, increasing quality of goods and services, the advancement of technological and labor factors, a well-paid worker, a developed industrial base, a profitable business (more and more lost and blocked accounts of companies). Furthermore, it is a model that did not balance the real and financial sectors and strengthened the real sector, which does not generate sufficient capital in the long run at low interest rates. In this model, the average profit rate is far behind the average interest rate on loans to the economy. The model did not successfully regulate monopolies of all kinds, ensured proper development programming, still holding too much government involvement in the assets of the economy, too much government involvement in GDP, it forgot the rule of law, the culture with the entrepreneur not the bureaucrat at the forefront, the development of institutional base (institutions and institutes - above all institutes for preserving macrostability and institutes for accelerating development). The economic model in BiH allowed for a large involvement of politics in the economy and prevented the proper role of "citizen" in the system, and it is known that sufficiently good institutes, or rather their incentives, cannot replace good citizens (Bowles 2016).

In order to affirm the moral side of economics and economic practice, and in general for faster economic progress in BiH, and in the region as a whole, the focus should be shifted to some steps, breakthroughs, especially in important areas of economic and social life, including primarily the renewal of production and re-industrialization with digitization and changes in the labor market (real sector), education, the fiscal system and the rule of law, and to governance - especially the concept and instruments of inclusive economic policy. Let us have a short look at these **priorities**.

Production renewal and re-industrialization. It is widely recognized that countries with raw material resources, energy, human resources and industrial traditions naturally and primarily need to grow in the production of goods and to constantly renew and innovate them. In our country, as in some other countries in transition, industry collapsed (so-called de-industrialization), primarily due to a fall in domestic demand for industrial products and services in the context of a general wave of market liberalization. But this was largely due to internal subjective factors, in particular the disinterest of political and business elites and their lack of understanding of the fall of the Berlin Wall and, in general, of the underlying political

and economic trends in the world. There is no dilemma that much more of this industrial potential could and should have been preserved and refined on new technological bases. But it has not been the case. There was a lack of awareness that there is no real economy without growing returns, that is, economies of scale. Rising yields lead to economic growth and employability of people. In the series of great mistakes, the ancient knowledge and understanding that it is better to have anything than none, i.e. negligible production have been lost. The modern European West, which is heavily reliant on services, does its best to prevent its industry from collapsing and has already invested through the so-called Juncker Commission more than EUR 300 billion in its revitalization and renovation in the first phase alone. Of course, we must do this too, deeply aware that there is no way out of development without a good industry of our own. New industrialization (re-industrialization) for us should mean, first, abandoning the old commodity-export model of the economic race and transition to an innovation-export growth model based on a new technological basis ("smart factory") and second, substitution of imported products by domestic production of products, components, etc. The multiplier effects of the new manufacturing industry are large and range up to 1:2 to GDP and up to 1:3 in employment (creating one industry job creates up to three jobs in other sectors). The European commitment to re-industrialize and lead the real economy is not without great reasons, because without industry and production, one cannot imagine the technological progress of the country, the growing organizational potential of the nation, the competitiveness of the entire economy and even the sustainability of the services sector in general. In addition, we must bear in mind the importance of making good choices of reindustrialisation strategies and new industrial policies, no matter what tasks they solve: whether the renewal of industrial potential on a new technological basis or, in turn, the development of high-tech sectors on an improved existing technological basis. Re-industrialization on digital innovation is particularly significant and sensitive as it stimulates widespread disruptive changes in sectoral and territorial terms, reflecting the international movement of factors, the labor market, filling pension funds, etc. In terms of digitalization, we certainly have not moved much further, both in terms of nanoelectronics, robotics, telecommunications and the internet, e-commerce, digital seal, digital signature, etc., so there is an opportunity to solve all this complexly based on the well-known triad: science (knowledge) - technology - projects.

Education. In conditions of great uncertainty and geopolitical, geo-economic, technological and other risks, BiH needs a strong education system. Today, everyone does anything they want in that area, and the "educational bubble" inflates day by day without significantly affecting economic progress and the creation of a creative nation. Today, it creates people without the necessary confidence and qualifications required by the immediate future, the chronically unemployed as a special group of profiles, and the mass of zealous and enlightened consumers who give a great deal of influence to the rise of consumerism. If it were possible, and it is not, this system would offer more of those who are the best, the most talented, the most characterful, the most capable and who want to work harder and earn money. Such people in other countries are doing well and, probably, the same ones are leaving this country of ours. We have an education system that is very supportive of the emigration and growth of wealth of other countries, especially Western nations. It is not just elementary education with its problems and curricula, or secondary education with the myriad of its problems. The university education must be also thoroughly shaken and changed. It is unacceptable that there is no practical knowledge at universities, no "critical thinking", that education does not have the necessary competitiveness.

The education we have today comes from the first decades of our industrial development, and nothing has changed significantly over the decades, either in terms of form or content of teaching. There is no responsibility of faculty and professors for their students and their fate in the job market. It is more tuned to the masses and the worst students rather than the best ones. It does not provide the necessary conceptual, methodological and technical

and technological knowledge, no problematic learning that disseminates knowledge, competences and good habits and character, and especially develops the traits that the staff requires for a new time: patience, flexible thinking, data collection, combativeness, responsibility, permanent learning, wit, tendency to innovate, creation, courageous risk taking, etc.

It is possible for students to acquire the necessary knowledge and, in different opportunities, to earn more and make money easier, but it cannot be argued that such education can affect economic development as a whole. Students, or university students, are not the ones directing the university in accordance with their career development needs and desires. The question is whether education can be different with regard to the mentality of the people, the problems we face, the systemic basis and the consumer rather than the production logic. The Bologna system must be thoroughly reviewed and radically reformed.

Rule of Law. There may be nothing of such significance to BiH at this time and its further progress than the rule of law and investing in the rule of law. The concept of the rule of law implies four universal principles, namely:

1. Liability of natural and legal persons and institutions of government before the law. There are no exceptions.
2. Laws must be clear to everyone, published, just and stable, with equal application to all while protecting their rights, which includes the protection of their personalities and property.
3. Laws are enforced fairly and justly and effectively.
4. The judiciary must be professional, moral, politically independent and neutral and provided with the necessary financial and other means.

The Rule of Law Index contains dozens of indicators that show the extent to which an act is impartial, independent, capable and operational to protect basic political, civil and human rights. Some research done around the world has shown that democracy at a low level in the development of a country or region has no particular significance for economic growth. But without it there is no rule of law; it is the general premise of the rule of law. On the other hand, many studies have shown that the rule of law strongly affects economic growth and increases the rate of economic growth. This is especially so because the rule of law is closely linked to the protection of the individual, the protection of property and business. In addition, the reader should also be reminded that the rule of law is a constitutive and defining part of a market economy and that a market economy without this element is an empty notion of mere marketization, incapable of contracting and obeying the will of actors in contracting.

It should be noted, in connection with Brexit, that the continued confrontation between the British and the continental part of the European Union (EU) is in fact the result of a conflict of two legal traditions of legislation: the British tradition of the "bottom-up" legislation and the continental "top-down" one. The British think that the idea is that the law does not originate from the state, nor should it be imposed from above, given the freedom of the common law, but that the law should be based on custom and as such applies to everyone, including state authorities, government, and its ministers (Ridley 2018, 38-40).

The fiscal system. Probably no subsystem of the economic system and economic policy produces as many distortions and bad impacts as our fiscal systems. These systems have proven to be deeply unfair, anti-development systems that strengthen cities and centers of government, and weaken the periphery and rural economy, "break" businesses, and enable the gray economy, corruption, unjust enrichment, etc.

Therefore, one should think about reducing the corporate income tax, and introducing fairer taxation of personal income and property, in the function of social justice in the country. It is of particular importance to tax non-working income more than labor, and therefore taxes on inheritance, property and, in particular, rent and speculative income should be developed

in order to stop people migrate abroad in pursuit of better and more profitable working conditions.

Inclusive economic policy instruments (measures) (Spence 2011; Glazev 2017; Asemoglu and Robinson 2014; Katić 2018). In our circumstances, and given all of the above, especially the economic and social consequences of an inadequate economic system, development model and economic flow management system, special emphasis should be placed on changing the concept and spirit of economic policy. Of course, this should be preceded by governmental arrangements at all levels, especially of the state's immunity authorities and services, so that an inclusive economic policy can produce lasting and sustainable results. Such economic policy must, above all, account for progressive taxation of income and property and guarantee life minimum (if there is no place for the so-called basic income institute) by stimulating creativity, innovation and entrepreneurship instead of balancing that spreads to all areas of life and seriously threatens the economic order here. An important part of inclusive economic policy is the problematization, including limitation of state-owned enterprises and monopolies, the dethroning of parasitic-clientelist businesses based on a wide range of state budgets, and certainly encouraging the development of entrepreneurial and every other culture. Economic policy must limit government spending and borrowing, open up to investors, and encourage government investment in the so-called zero priorities, high technology, organic food production and the protection and development of the country's ecosystems. For the programmed development in accordance with the long-term trends in the world, it is necessary to organize and regulate the banking sector purposefully, to ensure long-term favorable credit expansion to the economy and gradually weaken the center (s) and strengthen the periphery. In this context, it is important to encourage the birth of people and prevent the further exodus of brain and young people, to regulate the labor market, to prevent the irrational use of natural resources and unpunished capturing of natural rent. If necessary, reasonable protectionism will also come as a last resort, and there is no need to escape from this instrument. This instrument is not "reserved" only for Trump and the UK. Finally, we would emphasize the importance of all the so-called instruments of new industrial policies.

4. CONCLUSION

This paper was intended to open a broader debate on the role of markets, morals and economic policy in the function of modernizing the economy and society. People say every day - like people like its government, the state. But here it seems that this also applies to the municipality, science, economy, schools and diplomas. As we live in an age of personal and social responsibility for life and our own progress, it was of particular importance to emphasize in the paper the role of actors, effective governance and the public in particular. The state-market union plus the public have the potential to successfully shape modernization and development trends in this country by developing morality as a natural basis, i.e. sound foundation of economy and business. The combination of morality, legitimacy and economic efficiency is an important element and link in the system of managing economic and social development. The flare-up of the moral crisis in our society has hurt much the economic science itself, which has sunk into the social everyday life and lost the aura of moral science as an important feature of its normative agenda. The paper points out, through several questions, the serious problem of economic science and the need to get it back to the trail of the so-called moral sciences, thus contributing to the fact that economic growth in itself strengthens the elements of "Smithian" and "Promethean", and not so-called „Faustian“ growth well known to experts in economic development theory. Reconciliation with low rates of economic growth, i.e. with low development dynamics, poor economic structure, poor economic development model and the like cements in the long run the low level and quality

of life as its consequence and a prerequisite for the general decay of the nation. This happens legally if, with all of the above, the citizen, as an actor of political and all other living, is neglected and becomes inactive and "lost" in a sea of dystopia and hopelessness mentality. That is why we have especially emphasized the role of intellectual economists in overcoming this harsh, often imposed reality, a reality dominated by various types of analysts, private experts, career economists, hybrids and the "catheter economists."

Affirmation of economic science as a moral science and its service to our modernization, economic and social progress would greatly contribute to a decisive focus of government, society and science, especially economic, on several priorities, in particular: the renewal of production and industries with digitization and a significantly changed labor market, including education, the rule of law, the fiscal system and, finally, inclusive economic policy. In the end, they are given considerable space in this paper.

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