

Network Relations In The Hierarchical Structure Of Society

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Abstract. Economic relations in the information society increasingly becoming network character. Despite the fact that the networks of today say a lot, network relations in the economic activity of enterprises studied sufficiently. Today, in a time of global change, the growth of technological capabilities for vertically integrated firms, a period of inhibition. Network structures are more flexible, which is very important for modern productions using new upgrade possibilities. On the other hand, the development of networks creates new conflicts. Power goes to destructive groups that can be organized in a network is much easier than the traditional state actors.

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Introduction

The information society is characterized by dominance in it of networks. By dominance of network relations the hierarchical structure of society has not lost its relevance, but it suffers from transformation and eroded under the influence of networks.

Economic globalization involves increasing integration of local, regional and national economies into international economic networks, through such dynamic relations as exports and imports, foreign direct investment, financial capital flows, labor migration, technology transfers, and diffusion of knowledge and innovations.

Recent studies of transnational diffusion of public policies and institutions emphasized how economic networks facilitate the spread of information and ideas, and the adoption of policies and practices from nation to nation [Guler, 456].

Joel Mokyr, an economist at Northwestern University and expert on the history of technological innovation and on the industrial revolution, agrees: "The rate of technological change is faster than it has ever been and it moving from sector to sector. It is likely that it will keep expanding at an exponential rate. As individuals we aren't getting smarter, but society as a whole is accumulating more and more knowledge. Our access to information and technological assistance in going through the mountains of chaff to get to the wheat – no society has ever had that. That is huge [Joel Mokyr].

Social networks permeate our social and economic lives. They play a central role in the transformation about job opportunities and are the critical to the trade of many goods and services. They are the basis for the provision of mutual insurance in developing countries. Social networks are also important in determining how diseases spread, which

products we buy, which languages we speak, how we vote, as well as whether we become criminals, how much education we obtain, and our likelihood of succeeding professionally [Matthew,3].

But there is another definition of network economic structure. Network economic structures are special purpose supranational groups, aimed at streamlining cash flows from the institutionalized business systems with annual turnover of at least a billion dollars.

In fact, these groups are strictly hierarchical, subject to certain artificial systems that are formed as a result of their normal functioning, and in some sense are self-regulated and adaptable to the surrounding environment. Economic heterogeneity of these structures is actually related to system processes and the reasons subsequently arising from the activity of network economic structures. In a way, the system is self-locking at certain levels of functioning.

Financial complexity and control possibilities make the organizations of these type dominant actors of the global market of services and commodities, turning net profit into the targeted and broadband power.

Network economic structures are characterized by their privacy and self-sufficiency. They are virtually closed to ordinary citizens, while their manufacturing processes and information on the organization's functional principles are only accessible to a very limited number of people having a connection through governments or cartels.

The history of the network economic structures

The Harvard Economic Research Project (1948) was an extension of World War II Operations Research. Its purpose was to discover the science of controlling an economy: at first the American economy, and then the world economy. It was felt that with sufficient mathematical foundation and data, it

would be nearly as easy to predict and control the trend of an economy as to predict and control the trajectory of a projectile. Such has proven to be the case. Moreover, the economy has been transformed into a guided missile on target. The immediate aim of the Harvard project was to discover the economic structure, what forces change that structure, how the behavior of the structure can be predicted, and how it can be manipulated. What was needed was a well-organized knowledge of the mathematical structures and interrelationships of investment, production, distribution, and consumption.

At was discovered that an economy obeyed the same laws as electricity and that all of the mathematical theory and practical and computer know-how developed for the electronic field could be directly applied in the study of economics. This discovery was not openly declared, and its more subtle implications were and are kept a closely guarded secret, for example that in an economic model, human life is measured in dollars, and that the electric spark generated when opening a switch connected to an active inductor is mathematically analogous to the initiation of a war [Milton, p. 44-45]. Our light-speed, globally connected economy has led to the rise of a new super-elite that consists, to a notable degree, of first- and second generation wealth. Its members are hardworking, highly educated, jet setting meritocrats who feel they are deserving winners of a tough, worldwide economic competition – and, as a result, have an ambivalent attitude toward those of us who haven't succeeded quite so spectacularly [Chrystia, p.5].

We might consider May 26, 1886, to be the birthday of official American corporate personhood. The 14th amendment was originally established to protect and preserve the lives, property and freedoms of Americans from repressive government. Suddenly, corporations were people, gaining the legal status of citizens [Judeen, p. 19].

The finance sector's sole function is supplying capital efficiently to aid the real economy. It is a tool to help those that make real tools, not an end in itself. Finance sector itself is the biggest network structure. It dwarves the real economy that it is supposed to serve. Forty-years ago, USA real economy grew better with a financial sector that received one-twentieth as a large percentage of total profits (2%) than does the current financial sector (40%) [William].

Network Economic Structures today

One of the recent examples of Network Economic structures is A report by Jeremy Scahill in *The Nation* (Blackwater's Black Ops, 9/15/2010), who revealed that the largest mercenary army in the world, Blackwater (now called Xe Services) clandestine intelligence services was sold to the

multinational Monsanto. Almost simultaneously with the publication of this article in *The Nation*, the Via Campesina reported the purchase of 500,000 shares of Monsanto, for more than \$23 million by the Bill and Melinda Gates Foundation, which with this action completed the outing of the mask of "philanthropy." Another association that is not surprising. It is a marriage between the two most brutal monopolies in the history of industrialism: Bill Gates controls more than 90 percent of the market share of proprietary computing and Monsanto about 90 percent of the global transgenic seed market and most global commercial seed [Jeremy].

Although Bill Gates might try to say that the Foundation is not linked to his business, all it proves is the opposite: most of their donations end up favoring the commercial investments of the tycoon, not really "donating" anything, but instead of paying taxes to the state coffers, he invests his profits in where it is favorable to him economically, including propaganda from their supposed good intentions. On the contrary, their "donations" finance projects as destructive as geoengineering or replacement of natural community medicines for high-tech patented medicines in the poorest areas of the world. What a coincidence, former Secretary of Health Julio Frank and Ernesto Zedillo are advisers of the Foundation.

Like Monsanto, Gates is also engaged in trying to destroy rural farming worldwide, mainly through the "Alliance for a Green Revolution in Africa" (AGRA). It works as a Trojan horse to deprive poor African farmers of their traditional seeds, replacing them with the seeds of their companies first, finally by genetically modified (GM). To this end, the Foundation hired Robert Horsch in 2006, the director of Monsanto. Now Gates, airing major profits, went straight to the source [Blackwater].

The Russian oligarchs are a textbook example of crony capitalism, yet six of the original earned degrees in math, physics, or finance before becoming natural resource tycoons.

But network economic structures aren't simple formations with an economic background operating in the same plane. These are also structures that have a direct impact on economic organizations and corporations. And if the Bilderberg Group can be considered a coordination structure, the Royal Institute of International Affairs (RIIA) may be considered a more solid network structure. The institute was founded by George Nathaniel Curzon, and the beginning of RIIA was laid at the joint conference of British and American experts at the Majestic hotel in 1919. The group had a huge media presence including *The Times* newspaper and *The Round Table* quarterly journal (published since 1910, was conceived as a means to influence those who

shape public opinion). In addition, the Group has significant influence on the Quarterly Review, The Economist and Spectator magazines [conspirations]

Now the "Round Table" company in the U.S. is named the "Council on Foreign Relations" (CFR), its first name in Britain was "The Royal Society of International Relations", which was later changed to "Chatham House." We should also mention "The London Bullion Market Association" (LBMA) group or network structure, as it defines the world price of gold through "London fixing," which is a kind of a photograph of the interbank gold market, which is taken twice a day - at 10.30 and 15.00 GMT. The participants of the fixing are five London banks - Rothschild, Standard Chartered Bank, Republic National Bank, Deutsche Bank and Midland Bank. It takes place in the premises of the Rothschild bank and resembles an auction. The representative of the Rothschild bank announces the initial price, which is usually the current average price of the interbank market and four bidders place their orders, picking up a small English flag. The participants have a gentlemen's agreement that, from the moment of price fixing, all the settlements between them are made according to the price fixing plus 15 cents. These prices are completely different from what the external clients have to pay. When buying gold from the participants of fixing they pay the fixing plus 25 cents, when selling - the fixing plus 5 cents [conspirations, p.10].

Networks inside of Corporations

An intra organizational network is a set of actors inside a normal organizational unit boundary and one or more sets of specific relational contents that connect pairs of actors in the unit. The unit boundary may be the whole organization, a subdivision or department, a workplace or a team. A fundamental premise of intra organizational network analysis is that actor behaviors and beliefs influenced by the structural opportunities and constraints arising from embeddedness within both egocentric network and complete network structures. In turn, participants reshape both micro- and macro-level networks by adding, dropping, or maintaining specific connections to others [Knoke, p.67].

Consistent with structural hole theory, firms with sparse alliance networks performed better than firms whose partners had mutual alliances [Bae, p.853].

A study of alliance activity by 195 US firms in the computer, steel, pharmaceutical, and petroleum industries examined ROA across 13 years [13] (Lin et al. 2009). Partners with high resource complementary boosted firm performance when those partners also had high network status: "intangible institutional benefits may affect firm performance by improving

the resource flow in both quality and quantity" [Lin, p.935].

Organizations participating in numerous alliances with diverse collaborators generate complex webs of indirectly tied "partners of partners." An emergent social structure at the level of organizational populations is the strategic alliance network, a "set of organizations connected through their overlapping partnerships in different strategic alliances". A strategic alliance network is a type of field network "the configuration of interorganizational relations among all the organizations that are members of an organizational field" (Knoke, 128)

Concerning strategic alliance networks, a handful of investigators uncovered small-world structures. Technical alliances in the chemicals, food, and electrical fields exhibited small-world features favorable to knowledge transfer. Firms that participated in alliance networks combining high clustering with greater reach created more knowledge, measured by numbers of patents, than firms lacking those attribute [Schilling and Phelps, p. 1124].

Worldwide Networks

Economic globalization involves increasing integration of local, regional, and national economies into international economic networks, through such dynamic relations as exports and imports, foreign direct investment, financial capital flows, labor migration, technology transfers, and diffusion of knowledge and innovations. Recent studies of transnational diffusion of public policies and institutions emphasized how economic networks facilitate the spread of information and ideas, and the adoption of policies and practices, from nation to nation.

Immanuel Wallerstein (1974) hypothesized that an international division of labor began in the fifteenth century as European feudalism transformed into industrial capitalism. Although the world systems model emphasized unequal economic relations among nations, research by Wallerstein and others relied primarily on historical methods to document long-range, holistic narratives of structural changes in the global economy. In parallel, some network-oriented sociologists applied formal network methods to search for dichotomous and tripartite structures of relations among nations [Knoke, pp. 158,159].

Swiss Institute of Technology in Zurich drawing from a 2007 Orbis database, which lists 37 million companies and investors spanning the globe, the researchers focused on 43,000 transnational corporations and the share ownership which connected them. Based on their analysis, the Swiss team found that a core of companies, the majority of which are in

the banking sector, yield excessive power over the global economy, the weekly New Scientist magazine reports.

And when it comes to the top 50 groups within the super-entity, more than a few would be familiar to those who have been camping out in downtown Manhattan over the last month. Bank of America Corporation, Morgan Stanley, Goldman Sachs Group Inc, Merrill Lynch & Co Inc, and JP Morgan Chase & Co were included among the top 25.

Conclusion

Today, some countries start playing the role of network structures. Global players are located in the state, as well as in regions and world continents. The interests are expanded at all scales, making information and resources the main topics on the agenda.

Around the world "young money" is being confiscated and "Rothschild and Rockefeller" type mergers start to happen, showcase penalties are imposed on such organizations as the Standard Chartered Bank and huge scandals involve the Vatican Bank. Movement of the capital around the world looks like an element of a huge plan for the management of the economy and human resources. Network structures call the shots, setting the tone for future mega processes.

Money has gradually turned into streaming financial instruments, while the revolutions and local conflicts in this context fully replace the world wars.

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