

## OFF A COMPLEX WORLD TO A COMPLEX OF WORLDS?

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The study attempts at analyzing the directions of economic, political, financial development of the contemporary, globalized society, faced with numerous, sometimes very difficult to solve challenges in all its domains of activity.

A triple question about our world today would be: “are we better off, badly off or a bit off we were in the pre-globalized world?”

The answer could be “yes”, considering all its aspects. For the mondial economy, it is certainly better off, for the people having escaped terrible poverty, especially in China, it is again better off, however, for the majority of the middle class it is badly off while, for a large number of humans, it is a bit off, once they consider the manner in which the powerful ones behave in an unacceptable and rude manner.

**We have always lived in a complex world; it was a coherent one when states and leaders everywhere adopted and observed institutional agreements and norms. Today, such coherence is lost.** People resent the steamroller of the financially unchecked power and of the multinationals. People know that there is no fair and balanced competition. People know that the global drive is in the hands of huge entities.

From these feelings stems **the extraordinary revival of national dignity.**

Confronted – sometimes, if not always – with the unconscionable practices of the global players, people ask for national solutions. Let us remember that the moral sense of individuals evolved towards a self-protective attitude. The deep roots of any nation are all about protection.

This would lead to a very paradoxical situation, involving: global problems and local solutions.

At the UN General Assembly held in September 2017, President Trump, hailing national sovereignty above all, exclaimed: *The future belongs to patriots.* Many people living in well-established democracies, in the US, for instance, two-

in-three, in Western and Central Europe probably close to one-in-two, agree with the idea that their country needs a leader “willing to break some rules, if that’s what it takes to set things right”. If it is about international rules, then such a feeling is certainly against multilateralism.

**The geopolitical game is fully back in town, and it is more and more moving away from the multilateralist approach.** It is again *chacun pour soi*, every country for itself and, hopefully, God for us all. However, the watchword of our days is not confidence, but anxiety. **The goals of multilateralism are: less confrontation, more security, more protection for humanity as a whole and shared prosperity.**

**The result of the global geostrategic game is less a win-win outcome; it is self-righteousness, domination, *fait accompli*.** The return of leaders prone to show themselves could be that the nation, as ever, is the place of fight, and not of peaceful conviviality. One cannot fight performatively when the other side is fighting to win.

The only option is to fight to win. The new cold war between America and China may split the world into two camps; this time, the outcome could be different, leaving everyone worse off. What really matters are the extended effects of the uncertainty created by the trade war. World’s economy is undoubtedly influenced by the trade war but, as several economists state, its ups and downs are more closely related to China’s on-and-off struggle to reform its economy and curb unruly borrowing. We can see some remarkable results as China’s budget deficit has been reduced by about 6% of the GDP since the beginning of 2017. Stress should be laid on the fact that there is more than sufficient unpredictability in the very nature of social behaviour. When and where did confrontation bring success and peace without a great amount of pain? Nowadays, we experience the impasse of unsustainable agreements. It is time for a better approach that should address mainly complementary topics.

The present system, actually suffering from a powerful strain, shows the same dollar dominance, since much of world’s commerce trade is running in dollars. Also, the system works due to the flow of money towards the US from reserve-accumulating economies, China being by far the largest, and also to the flow from US consumers back to these economies. It is a vulnerable system, since multilateralism did not produce a multipolar currency world. On the other side, China, starting from a much larger basis, is growing. In 2015, it took more than four yuan of new credit to generate each yuan of GDP growth. In 2018, that multiple fell to 2.5. The annually increasing amount is now huge. We criticise some aspects of the Chinese system from our liberal perspective, but we should necessarily recognize that the whole world, Europe in the first place, benefited immensely from China’s government flooding its economy with stimulus.

The difference between the Keynesian stimulus and the state injected subsidies is not so dramatically obvious as when explained starting from

ideological grounds. State subsidies allocated in order to fill in the lack of productivity represent, economically, Hajek's concept: *The road to serfdom*; however, in China, during the last twenty years, the growth of productivity was much higher than in the rest of the world. In the meantime, the world benefited constantly with America running vast deficits, which ended in support of global production.

**In the absence of a peaceful end to trade hostilities, the trading relationships unravel. A new kind of organisation based on countries forming rival economic blocks and interregional links is possible. The result could be more confrontation and a less multilateralist mutual-interest system. Like this, we move off a complex world to a complex of worlds, more unstable though.**

*Economies are chains of earning and spending, held together by shared expectations that all will continue as normal*, as recently stated in an editorial from *The Economist* [1].

However, confidence is slippery. Multilateralism is important as a powerful tool to make the world a more synchronised global place. The global crisis of 2007–2008 disrupted this trend. Some significant data made a headline in *The Economist* [2]: **Less connected.**

Such data shows that, along the twelve years between 2007 and 2018, the gross capital flows, in terms of percentage, of world's GDP diminished from 5% to 1.5%, FDI also diminished from 3.5% to 1.3% and, not surprisingly, the multinational profits as percentages of all world listed firms' profits, diminished only from 31.1% to 30.8%. It seems that not only the banks are too big to fail but also the profits! And we all know where the flow of profit goes: considerably more to corporations and to their owners than to the workforce.

Multilateralism is promoting economic interests and benefits globally, but is this in favour of human dignity?

A great Romanian poet of the surrealist movement, Ilarie Voronca [3], wrote in the single issue of the cubist-constructivist magazine **75HP**: *The most beautiful poem: the fluctuation of the dollar.*

Also worth quoting in this respect is J.M. Keynes [4]: *The machinery of the world economy...shall be as efficient as possible without offending our notions of a satisfactory life.*

Fears, both real and imagined, make the markets plunge. ***The machinery of world economy*** is not as resilient as we would like it to be. Some experts calculated that the economic policy uncertainty index is today 6 times higher than in 2005, which is essentially due to unsolved trade conflicts.

Many important relationships are accompanied, as I already mentioned, by randomness. Manifesting within this space are cultural and national sensitivities. Therefore, outworkings are sometimes strange and unpredictable. A clear example is the failed attempt of merger between the LSE (London Stock Exchange) and the Deutsche Börse. Brexit is also a compelling example. Leavers' argument is to *assert sovereignty in order to gain control of your destiny*, while the Remainers'

is that *you need to be able to pool sovereignty into a larger entity in order to combat global companies*. Such arguments do not seem mutually exclusive and, yet, the present reality is that Britain is bent to the most extreme possible rupture.

**We are facing a potential crisis of dissolution of the global institutions.**

It is therefore useful to remember which are the fundamental mechanisms of global capitalism. Fernand Braudel [5], the French historian who studied the long-term development of the capitalistic system, preferred to assign the key role to monopolies, and not to the market: *The advantage and superiority of capitalism consists in the possibility of choice, and what defines the superior game of the economy is the possibility to pass from one monopoly to another*.

With the advent of the big tech companies in the latest 10–15 years, the superior game seems relentlessly in their power.

Now as ever the big companies understand perfectly the functioning of the market and have the capacity to distribute/ allocate the capital for new investments and industrial production in order to get maximum profit.

When a big company disappears, *capitalism is dying, that of the grandfather and the father, not that of the son or the nephew*, asserted Braudel in the same lecture.

Monopolies do survive in the form of exclusive access to information about supply and demand and, in some cases, in the formal control of the sources of supply, of distribution networks and, sometimes, of customers themselves. Yet, multinational enterprises (MNE) in host countries generate important and direct effects in terms of output, added value, trade and jobs. Roughly, MNE's account represents one-half of the international trade and one-third of GDP. An OECD report [6] indicates that, in such a complex situation: *Creating incentives (state policies) for some companies to participate in Global Value Chains on the presumption that international active companies provide important benefits to the host economy, while largely ignoring domestic companies involved in value chains, is not an effective policy approach*.

Government support to education, training, innovation, etc. are crucial to connect a national economy to MNEs and co-operate on a win-win basis.

We are living in a hyperlinked world, since hyperlinks are everywhere – which should not surprise us. The great mathematician Évariste Galois demonstrated that many problems, considered totally not-interconnected, could be “grouped” and this kind of synthesis shows, fundamentally, an array of “related parties”; consequently, a solution does always exist.

If nothing is perfectly predictable, nothing is inevitable. We can avoid the collapse of multilateralism. Principles should exist, but they are not sufficient. Equally, the flexibility dictated and expanded by global capitalism is not sufficient.

**Blending principles with pragmatism is nothing new but, today, such a process could better reflect the ubiquitous presence in our world. The hyperflow of information and the huge processing power create new ways of assessing investments.**

The computing revolution in financial markets, the machines taking control of investing, including monitoring of the economy and allocating capital, should obey the core principles of market regulation.

The big tech companies will probably have a say in designing the international norms which govern world's digital infrastructure. We are now speaking about a corporate foreign policy which, unlike the governmental ones, could be coherent, creating trust and attracting customers.

Accordingly, their involvement should normally ensure a more efficient control over privacy and spread of information. Diplomatic efforts of the global companies should be encouraged.

**Multilateralism is not the result of one single decision; it is a process which seemed natural in the wake of world globalisation. Today, we would like it to be a decision in terms of the lack of something better.** Possibly, the underlying cause of the *implacable conflict between East and West* – to cite the famous words of Daniel Mendelsohn – is now manifesting itself as ever, even if under quite diverse forms. **The problems, questions and bright ideas remain pertinent; certainties are getting old.** As a result of endless tampering between the national and the global structures, a conflict is also in course between civilization and the ugly energies that civilised institutions seek, and often fail to contain. **The institutions that steer the economy must be remade for today's strange new world. Could world's stability survive with no agreements properly observed and no plan to insure a minimum fairness on the international arena? Fair would be, for example, to examine thoroughly and calculate the costs of globalisation.**

**We need both a shared intentionality and a pro-social behaviour.**

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