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Globalization and History

Fabrizio Traù

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Fabrizio Traù*

(Luiss and University of Rome III)

The security of periods of “plenitude” [...] is an optical illusion which leads to neglect of the future, all direction of which is handed over to the mechanism of the universe. Both progressive Liberalism and Marxist Socialism presume that what is desired by them as the best of possible futures will be unavoidably realised, with necessity similar to that of astronomy. [...] Thus, life has escaped from their grasp, has become completely unsubmitive and to-day is floating around without any fixed course. (Ortega y Gasset, *The Revolt of the Masses*).

1. Transitions¹

The Globalization Age is now behind us. It is not a question of the eclipse of an articulated trading system on a global scale (international economic integration is destined to remain high in the years to come), but of the fact that a real world order - hinged on multilateralism and the liberalization of trade - has now dissipated. Many endogenous factors have acted on this transition, making “distance” relevant again (distance that has turned out to be far from dead, contrary to what had been asserted for a long time), as well as two exogenous shocks (first the Covid pandemic and then the Russo-Ukrainian War) that significantly increased the option value of recourse to national resources and opened a phase of great uncertainty in the relations between the various economic systems.

With this discontinuity it is worth asking the question - mostly evaded - of how much the affirmation of the Globalization Age has been conditioned since its inception by assumptions of a geopolitical order, rather than an economic one; and how much this can constitute an important - if not decisive - component of its subsequent decline. Said explicitly: if at the beginning of the 1990s the geopolitical conditions had not been what they were, would globalization have manifested itself in the way we have known?

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¹ The references to recent globalization trends contained in the following pages summarize in rather apodictic terms topics more extensively dealt with in previous works by this author (in particular Traù 2016, Pensa et al. 2021, Manzocchi and Traù 2022, Romano and Traù 2023).

The answer to this question starts from the observation that, in those years, within Western economies – and the United States in particular – there emerged the idea, which rapidly spread, according to which the world had become an inescapably unipolar reality. This idea is the result of the conviction born in Berlin in November 1989 that after the “Fall of the Wall” human history was finished and that for Western countries there was no longer any possibility of being challenged by a Soviet Union that was then collapsing or from other economic powers yet to come.

But where does this belief come from? That is, is it the simple observation that the construction of an alternative economic system to the market one had failed before that moment, or is it a vision hinged on theoretical assumptions as well?

2. The Market Economy and Philosophy

On this specific point it is worth recalling some passages from Francis Fukuyama famous essay, “The End of History?”, published in *The National Interest* in the summer of 1989, that is, a few months before the collapse of the wall sanctioned the formal exit of socialism from the countries of Eastern Europe. In the words of Fukuyama (1989: 4),

“What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of postwar history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government.”

This assertion, made with such a definitive tone, originates from a philosophical reflection inspired by Hegel's philosophy of history, explicitly evoked several times in the text. It is on these assumptions that Fukuyama can state that history was destined to culminate

“[...] in an absolute moment - a moment in which a final, rational form of society and state became *victorious*.”
(*ibid.*: 4, emphasis added).

And that, in particular,

“The state that emerges at the end of history is liberal insofar as it recognizes and protects through a system of law man's universal right to freedom, and democratic insofar as it exists only with the consent of the governed.”
(*ibid.*: 5).

An important nuance here is that Fukuyama was, at the time of writing the essay, Deputy Director of the Policy Planning Staff at the State Department. Therefore his analysis is not simply an intellectual contribution, but lies at the very center of elaboration of US foreign policy strategies. It is on these assumptions – and in the context of a *Zeitgeist* that strongly veered towards the idea that from now on everything is market – that at the turn of 1990 an explicitly historicist vision asserted itself at the top of the American Administration, a vision that was rooted in German idealism and that dialectically saw the events of the time as the definitive affirmation of a model of society that embodies the whole meaning of human events on earth.

En passant, the end of communism in the Soviet world, to which the changes underway heralded, also implicitly caused Marx's reversal of the Hegelian dialectic to leave the scene. According to Marx, history ends not with the absolute state but with a society without classes. In the perspective adopted by Fukuyama, that reversal on the philosophical level necessarily represents a fallacious doctrine since history has taken it upon itself to deny it.

Now, the main deduction that derives from these premises on the political level is that the inescapable "victory" – as founded on theoretical presuppositions – of a single economic and political model, represented to the highest degree by the leading country of the Western world, translates *necessarily* into the advent of a structural unipolarity. This means that not only do political risks related to the development of other large country-systems have disappeared on a global level, but, above all, that these risks will *not exist any longer* (history has ended).

In this regard, Fukuyama himself constantly emphasizes how the attraction exercised by the Western model is strong enough to avert as such the possibility of the Soviet Union aspiring to a hegemonic role at the international level:

"The automatic assumption that Russia *shorn of its expansionist communist ideology* should pick up where the czars left off just prior to the Bolshevik Revolution is therefore a curious one. It assumes that the evolution of human consciousness has stood still in the meantime, and that the Soviets, while picking up currently *fashionable* ideas in the realm of economics, will return to foreign policy views a century out of date in the rest of Europe." (ibid. : 17, emphasis added).

The argument is that - while they are enthusiastically embracing the market - the Soviets *cannot* linger in pursuing an imperial vision which dates back to the time of the Tsars and which is now out of history, and the pursuit of which would involve an unsustainable schizophrenia (especially since in the meantime the "communist expansionist ideology" has also disappeared). As to China, still basically out of sight, schizophrenia is clearly excluded. Textually:

"This is certainly not what happened to China after it began its reform process. Chinese competitiveness and expansionism on the world scene have virtually disappeared" (ibid.).

It was starting from this series of assumptions – and from the persistent strength of the dollar as an international currency – that the world embarked on a path that would culminate in the establishment of the WTO in 1995, fifty years after the United States itself had boycotted the institution of the ITO at Bretton Woods².

Reassured by the end of history, and supported by the worldwide diffusion of the so-called Washington Consensus, the industrialized West could now turn the fragmentation of supply chains already implemented within its borders since the 1970s (outsourcing) into offshoring, redeploying part of its

² The International Trade Organization should have already been in 1944 the "third leg" of the institutions responsible for governing the world economic order, alongside the World Bank and the IMF (Sassoon 1997).

value chains in countries characterized by an unlimited supply of labor at negligible cost. Through what has been defined as trade in tasks (outsourcing of individual phases of the production process) global value chains were born, and the manufacturing development of the so-called emerging economies did start. On the basis of the above premises such a mechanism did not present any contraindication: in fact, starting from the 1990s,

“The triumph of the West, of the Western *idea*, is evident first of all in the total exhaustion of viable systematic alternatives to Western liberalism.” (Fukuyama 1989: 3, emphasis original).

It follows that the whole world is now destined to conform to the same economic logic, and therefore to integrate at the global level, which by its nature excludes the risk of conflicts on the political terrain.

3. Hitches

Within a few years the facts (history) turned this scenario into wastepaper. This happened when *i*) the upsurge of Asia as an emerging competitor began to weigh heavily, both directly (crowding out Western productions) and indirectly (in the form of wage dumping, that is, impoverishment of those who work in the West); and when *ii*) China’s emergence as a strong economic – and therefore political – subject, and Russia’s return to the scene as a strategic player in world politics (if only for the role it plays in all crisis areas) began to challenge the role of the United States as the sole planetary power.

In the first case, the effects of impoverishment in the manufacturing regions of the US fueled a social reaction that the Obama Administration initially tried to tackle by inventing the Reshoring Initiative (2013). The subsequent arrival of Trump transformed the new approach into the Make America Great Again slogan, giving a start to openly protectionist policies (the launch of the Chips and Science Act and then the Inflation Reduction Act would follow in 2022 with the Biden presidency).

In the second case, the problem that quickly gained the center of attention was the need for containment of emerging or re-emerging global powers: once the US realized that history is alive and well and that it is not destined to rule the world alone, the country found itself having to improvise a policy to prevent it from being governed by *others*. This resulted in the enlargement of NATO (first to the East and then even in the Pacific), and the destabilization first of the Middle East and then of the borders of Europe in the southern Mediterranean and in the East (Maidan Square). In more recent times it followed America’s explicit support for Taiwan – still in the Pacific. In other words, the result was a series of scattered and, so to speak, local interventions, aimed at hindering the possibility of alternative hegemonic powers to the US here and now.

In this light, what has come to be called de-globalization (trade’s tendency to become more “regional”, erosion of multilateralism to the advantage of bilateral relations or in any case of “selective multilateralism”, slowdown of direct foreign investments, start of processes of backshoring, that is the return home of previously de-localized activities) and which started, as has been said, on endogenous

assumptions, has more and more become strongly affected by the change of course in the world political sphere.

In other words, what happens at the economic level is increasingly less determined by the pure affirmation of market logic and increasingly conditioned by a typically *political* logic, which by its nature tends to assume a conflictual dimension and which – as to the American side – also appears wholly lacking in a clear long-term strategy. Put in other words, in a world where politics returns to play its role, globalization loses its *irreversible* character (Clark, 1997).

4. Change of course

And Europe? The problem here is that the idea of a gradual economic integration of Russia with Western Europe – starting from the German Ostpolitik of the 1970s and reaching as far as the Nord Stream project – has entered a collision course with the new view of US foreign policy, now oriented towards a logic of conflicting blocs. And that dependence, for example in terms of energy, which was simply a piece of a long-term strategy, has become a constraint to be freed from as soon as possible. Thus, what was perhaps the only political project of a German-led Europe has evaporated. And since on the economic side Europe is characterized by a vision that is no less than fideist in the role of competition as the only possible target of economic policy (i.e. it completely lacks its own political agenda), with the arrival of the war in Ukraine, Europe literally finds itself handing over the helm of its own destiny to NATO.

Therefore, it can be said that the world is hit head-on in the years running by a “crisis of unipolarity” which without hesitation sacrifices globalization as an absolute good acclaimed for an entire phase of contemporary history, hurling the world structurally back into a time which is once again made up of walls, of retaliation, of cross-threats, in short, of potentially catastrophic conflicts – as well as of the total death of truth, which is directly replaced by propaganda (when a war breaks out, everyone knows that nobody believes any more in what she/he says, and dialogue dies).

From this perspective, it seems reasonable to argue that globalization as we have known it is over not only in the sense that the degree of international integration of production systems has stopped increasing, but also in the sense that it is likely destined to *decrease*. Phenomena that already appeared striking during the pandemic such as the scarcity of strategic goods both in the health and production fields appear, in the face of a political conflict that is on the edge of a possible shift towards a military one, de facto unsustainable (it is really difficult to imagine that in some ten years a country at political risk such as Taiwan will still be able to cover 70 percent or so of the world demand for semiconductors).

And, above all, if the new (true) political enemy of the West by now firmly led by the US is China, all the offshoring policy and direct investments made by Westerners in the country – which have been the backbone of globalization – are questioned at the root. Therefore the world – now an orphan of the world order built during the Globalization Age – is called to reorganize itself in a context in which the

reconstruction of global governance mechanisms is hardly imaginable as the result of a cooperative process. In this regard, it is worth mentioning an example of how much the tone has changed – compared to the enthusiastic point of view expressed by Fukuyama in 1989 – in the way China is seen in the official documents of the US Administration, which bluntly state that

“Given the size of China's economy and the extent of its market-distorting policies, China's economic aggression now threatens not only the U.S. economy, but also the global economy as a whole” (White House 2018: 1).

5. What happens now?

The *Belle Époque* (the era of early globalization at the turn of the 20th century) ended with the First World War. Then it took perhaps seventy years for the world – after the nationalisms of the 1930s, the Second World War, the Cold War and the division into blocs in the second half of the XX century – to return to economic integration at the global level.

The fall of the Globalization Age is now a prelude to a discontinuity that in the future could also end up being very pronounced, because the economic systems that can determine the profile of a new international order are more numerous than they were thirty years ago – and this is a further reason whereby international relations tend to be characterized in terms of conflict rather than cooperation. Moreover, this comes at a time dominated by new major epochal issues (global warming, structural unemployment, the explosion of seemingly ungovernable migratory flows, the vertiginous increase in inequalities between and within economic systems).

On the whole, these problems require urgent answers that mainstream economics consolidated over the years of globalization – in itself refractory to active policies – *cannot* provide due to its own theoretical assumptions. Thus, the idea that it was possible to manage the world order, and even guarantee the development of lagging economies, through a single economic instrument such as trade liberalization, because politics (and especially economic policy) were now out of the running, crashed right against the wall of history. It follows that the economic determinants of change now appear increasingly weaker and dominated by the political ones, which are increasingly oriented towards the building of walls much more than dismantling them.

From this point of view, it is worth noting that all the empirical studies which in recent years have continued to ascertain a rather modest intensity of the de-globalization processes (neo-regionalism, backshoring, whatever) necessarily did not even have time to take into account the effects of the pandemic, in themselves certainly far from being weak, to which the probably much more substantial effects of the war will now be added.

The results of these studies could end up completely disrupted by the change of course that is taking place, which has seen politics replace the economy in driving the change. In accordance with these assumptions, the exit from the paradigm that has governed the world for the last forty years can take

place at a much greater speed than is still perceived. Because while the economy always has its inertia, politics is capable of quite sudden twists and turns.

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