

The Post-Crisis Crises

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A World with No Compass and No Hegemon

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INTRODUCTION

THE SLOW DEVELOPMENT DISEASE

Crises are mischievous in their own right: they absorb us, throw at us an avalanche of events, growths and declines, layoffs and bankruptcies, leaving us little time to think about what will happen once they are over. It is tempting to believe that all problems will go away with them. At least this time, we will face all the chronic problems that existed before – demographic, environmental, social – to which will be added those that the crisis has generated or amplified. As a consequence, it would be realistic and practical to talk already about the “*crises after the crisis*”, especially since knowing and foreseeing them is not enough. We must not only foresee the future but prepare it.

The vitality of a social organism is expressed by its development, expansion and progression rate. Thousands of other ideas may be expressed, but this remains the fundamental criterion. The root of economic development nourishes everything, including freedom. Without the concrete foundation of development, freedom withers or fades away, so development must be a leading value in any society not just because development or the steps taken in that direction influence all the other aspects of our lives, but also because they show us the natural or deranged metabolism of a society, its potential at a certain point. Development is the true *barometer of a people's and state's vitality*, as it illustrates the national community's availability to shoulder the costs associated with the future's development and intelligent planning.

Lately, especially since the peak of the crisis, advanced societies have been suffering from *slow development disease* or even stagnation, which they both *acknowledge and do not acknowledge*. They cannot avoid talking about it: the statistics are present. They do not acknowledge it, however, in that they do not take this problem to its deepest causes and roots, or they search for various ways to sweeten the pill; that is, to avoid a frontal analysis. When we are dealing with a serious problem, acknowledging it is *part of the treatment*.

In 2015, the IMF published its own assessment of the state of the world economy. This report signals a worrying fact: the production growth in the

developed world will be 1.5% between 2015–2020, which is significantly less than the 2.25% evolution of this indicator in the years before the crisis.¹ At the end of 2015, Christine Lagarde said it clearly: growth in 2016 was “disappointing and uneven”.² Overall, the current decade has witnessed low economic growth. This slow undecided rhythm, which does not signal a real detachment, makes us think of a thermometer showing a 37-degree body temperature, a feverish state sometimes more dangerous than a full fever. A fever signals a disease, but also *the body's reaction*, its capacity to react. The feverish state may show nothing or, on the contrary, something very serious – *the lack of an immune reaction* to a dangerous attack. When the temperature is 37 degrees for a day or even a week, it is not worrying yet; if this temperature stays the same for a month, we may be dealing with an alarming situation...

The slow-development disease, as well as the recent debates on the impendence of another crisis,³ make us question the treatment chosen for the Great Recession, its efficiency and the real degree of recovery of the “patient”. Countless problems derive from this irresolute take-off of the world economy for economic and political decision makers and for the specialised research. The post-crisis period is like an open bibliography, timidly read for fear it might contradict the initial assessments and expectations. What is actually happening? The expert literature is almost unanimous in admitting that the Great Recession (the 2008–2009 crisis) is the second-greatest crisis after the one in 1929–1933 (the Great Depression). For us, this is not clear at all. Years will have to pass to establish a hierarchy. Indeed, the 1929–1933 crisis was much more dramatic because the state did not intervene. There have been massive interventions in the recent crisis, and it was far less dramatic. From this point of view, Ben S. Bernanke is right to call his recent book *The Courage to Act*.⁴ But what do we really know about the medium and long-term effects of the Great Recession? Especially since during the crisis a huge amount of money was printed and large debts were contracted, which are now weighing down on development, making it more difficult.

¹ *IMF World Economic Outlook*, 2015.

² Christine Lagarde, interview for the German economic newspaper *Handelsblatt*, in *The Telegraph*, Thursday, December 31, 2015.

³ Early this year, George Soros and William White talked openly about the possibility of a new crisis, and the Royal Bank of Scotland issued a really frightening message: “Sell everything”.

⁴ Ben S. Bernanke, *The Courage to Act: A Memoir of a Crisis and Its Aftermath*, W. W. Norton & Company, New York, 2015.

In current debates we frequently encounter the phrase “the 2008–2009 crisis”, which suggests that, in fact, the crisis we are dealing with is over. No, it is just its peak moment that has passed. All financial crises last, and the post-crisis period is also dangerous in many ways. What has really changed after the crisis so that it does not happen again? Besides (social) expense cuts, promoting austerity, printing money and the effort to cover the banks' deficits, very little has changed at a structural level. Disparity has continued to increase, debt has grown, suffering has expanded. *The basics have not changed*. This is why economic growth, and we are talking about solid growth, has not started yet. The revival is still to come. We wrote this book to draw attention to this truth that we are letting pass by with a certain degree of superficiality, if not guilty serenity.

For now, we can say that the reconstruction process – “slow”, “uneven”, “disappointing” – will have great repercussions on the economical hierarchy of today's world, creating differences, even gaps, within the developed world. There is a crucial question to ask. The 1929–1933 crisis led to World War II. Will the fact that this time the state has intervened lead to avoiding such a tragic outcome, to an evolution that will keep international life safe from a devastating conflict? We dedicate the first part of the book to this complicated period that we call, somehow misleadingly, the post-crisis period.

The year 2016 does not look promising at all. In terms of world economic growth rhythm, it will be equal, if not slightly inferior, to 2015. For our research it is very important to emphasise that the emerging states will also face difficulties, that this year might be “the emerging states' crisis”. Andrew Haldane, the chief economist of the Bank of England, sees “emerging markets becoming the ‘third wave’ of the series of crises that began in 2007–2008 with American subprime mortgages and continued through 2010–2012 in the euro zone”.⁵ It is true that the growth of the emerging markets will also slow down – from 6.5 % between 2008–2014 to 5.2 % in the next five years –, but it remains two or three times larger than that of developed countries. This means that the two groups of countries will continue to grow closer, especially the leading emerging countries and the developed ones, and the coming period will be far from peaceful, marked by the disturbances and even quakes caused by any process of world repositioning. When we talk about emerging countries, the acronym BRICS springs to mind. But, as Jim O'Neill (the author of that acronym) says, this world should include what he calls MINT

⁵ “Out of fashion: Investors have become pessimistic about emerging markets”, *The Economist*, October 24, 2015.

(Mexico, Indonesia, Nigeria and Turkey) or even the “next 11”.⁶ We would include in the phrase “emerging markets” the active countries that have made their development a unifying, strategic goal for a longer term; the countries that have created themselves a distinct economic and social profile, that we could say have a future. Usually, analysts highlight the true progress of the emerging states, their fast economic growth but, significantly, few realise that these added results have led to a new reality: the world economic evolution is now *more closely related to the situation in these countries than the one in the developed world*. This reality was pointed out in an official US document: “In a tectonic shift, the health of the global economy increasingly will be linked to how well the developing world does – more so than the traditional West”.⁷ If the fact that the crisis will also hit the emerging states is confirmed, the situation will be critical and hard to manage. Why? Because, as the IMF Managing Director Christine Lagarde said in Lima,⁸ the emerging countries have literally pulled the developed world from the brink of disaster in this difficult period and have thus helped overcome the peak of the crisis. Who will play this part this time?

Examining today's world, starting from the *imperative need for development* as a strategic goal for every country – and of the planet as a whole – foreshadows new perspectives of understanding what is happening or what could happen hereafter. We usually represent the world as a growing dispute between the “emerging” and the “developed”. The rise of the emerging is a process that will have a great impact on the developed world. Years ago, the emerging world was mentioned like a separate one, as if the developed world had one route and the emerging world another, *parallel*, one. If the emerging countries continue to develop, an irresistible “calling” will grow: that of the huge domestic markets of the emerging countries for the export capabilities of the developed world. The developed countries cannot remain blind to the huge domestic markets of China and Russia, even India or Brazil. Real *binomials* will take shape between the developed and emerging countries. An efficient producer needs a large absorption market, just as a large domestic market needs producers to its scale. They look for each other. It will be a true mutual selection process, one whose political and even strategic nuances we must

⁶ Jim O'Neill, *The BRIC Road to Growth*, London Publishing Partnership, 2013.

⁷ National Intelligence Council, *Global Trends 2030: Alternative Worlds*, December 12, 2012.

⁸ Christine Lagarde, “Brothers and sisters, there is much to do”, IMF–World Bank Annual Meetings Plenary Lima, Peru, October 9, 2015.
<https://www.imf.org/external/np/speeches/2015/100915.htm>.

not miss. In this respect, we believe Germany has already taken steps to become a *true technological leader of the emerging countries*, a phenomenon with economical and geopolitical ramifications that are currently hard to foresee.

An analyst recently pointed out that we can no longer talk about a single group of emerging countries. The same can be said about the developed countries. We talk about the “developed countries” – grouping them together – just as we talk about the “emerging countries” – grouping them in a different category, but this division no longer mirrors the realities of contemporary society. Developed societies combine and recombine, just as the emerging ones do; the permanent recombination and recomposition happen within each “group of countries”, but they happen especially between the countries that form those “groups”. We can still use the terms “developed countries” and “emerging countries” when it comes to statistic or historical assessments. However, when we are discussing current evolutions and interdependencies, we must realise that these concepts are no longer true to life. We have sometimes employed these names because they have taken root, and especially because there are no other conceptual equivalents in use.

After the end of the crisis and the slow economic growth years that followed, development has become the number-one objective for all countries, in an attempt to recover, preserve or gain the most advantageous possible position. Nation states will naturally experience *a new age of assertion*. A confusion is being perpetuated. Globalisation can build some premises of development, an auspicious context, but it cannot ensure *development itself*, which is the responsibility of the states. Corporations? They come and go, led by profits. They can create “islands” of development; the problem is who reunites all these “islands”, analyses the flows and builds a long-term perspective for a community? Historically speaking, the states have imposed development as an independent process; now its development and complexity bring the state to the foreground. Let us not fool ourselves! This is a perspective shift, *a real mutation*. Development, economic growth will be the main measuring unit of good governance and will account for the state's valour. State-development is the *new tandem* that will dominate the world's international life and relations.

The recent crisis had an impact on international relations and order that we are only approximating now. Its main outcome is the shift in the world's economic hierarchies. New regional powers have emerged, new regional leaders that want to have a say in their respective regions. The global aspect has lost importance, maybe also because globalisation lacks

the dynamism that today's world needs so badly. *The tumult has moved to the regional level.* The clash between spheres of influence and the world order is being reproduced over and over again. The novelty lies in the fact that the regional turmoil boils over and fuels a new type of global unrest. On almost each meridian, in almost every important region of the world, you can meet an ever harder-to-contain discontent, mainly associated with the succeeding conflicts, with ever more frequent and serious tensions. The world seems to be vibrating, and “*geopolitical indiscipline*” is the typical feature of the new world order. It is as if no one were pleased with the current situation and everyone wanted to start a “*new game of geopolitical chess*”.

The last few years have marked the appearance in our lives of at least three conflicts of global impact: the one in Ukraine, the one in the South China Sea and the one, which in a way surpasses the others, in the Middle East. They are all geopolitical conflicts that will continue in the coming years, hopefully not as intensely, although, if we look at their roots, at the forces that are involved, we could say there is a risk that they could even escalate. Maybe more quietly, in a more controlled fashion, but escalate nevertheless. This is why we will dedicate the third part of our book to these areas of geopolitical conflicts, each of them being the subject of an independent analysis, especially since they are conflicts that will last, since they are at the crossroads of regional and world order, they accompany the current power hierarchy resettlement process and, moreover, they express the confused state of today's world, quite unlikely to clear up soon.

What is paradoxical is that this age of global resettlement is not accompanied by a real and open debate. One of the reasons: the monopoly of the public dialogue belongs to the developed societies. And these societies find it hard to part with the pattern that they themselves have established; it seems they want to impose it “ideologically”, without alterations, without the changes reality requires more and more visibly. This book is also a kind of hardly reserved protest against this *delayed understanding*; the statistics are very clear, the forecasts warn us, and yet we continue to think according to thought patterns that emerged many years ago, ones that suit us but that often do not function in real life. The developed societies remain immersed in their own models and appear unable to examine critically or *acknowledge success* when it appears in different social and political areas. One of the most important challenges of the new crisis is *intellectual* and very few people speak about it.

We often define the age we live in as one of knowledge. When we say that, we think about scientific knowledge, which has really witnessed outstanding progress. We cannot say the same about knowledge in the

social sciences, where “*the dominating interpretations*” continue to exert all kinds of pressure. Public opinion has always exerted pressure towards conformity, but that used to be done in a whisper, through reprobation, in certain cases even through rejection. And, above all, it was the public opinion, at least as a majority opinion, consolidated and melted into certain customs and standards. Nowadays *the whisper has been replaced by a media arsenal*. And the “dominant interpretations” – supported by the media artillery – require a rigid conformity; if you do not yield, a bunch of labels will be waiting for you at the end. Labels are the modern way of destroying image, prestige and, ultimately, true thinking. People seem free, but they carry their labels stamped on their foreheads, like *some kind of sentence* that you always carry with you mandatorily in a visible spot. Let everybody know! It is not only people; ideas and interpretations have a similar fate. The pressure for conformity is huge. So, your survival instinct tells you to comply not with the truth, but with the dominant interpretations. There are gestures, reactions, cautions that illustrate an atmosphere of *intellectual totalitarianism*.

When it comes to dominant interpretations, the real world superpower is, by far, the USA. America's soft power, especially in this respect, resembles its economic power in the post-war period – absolutely dominating. There are statements from two American personalities that help us better represent this most important quality. Zbigniew Brzezinski wrote in his book *The Choice*⁹ something that has flown below the radar: the recent technological revolution promotes a global community based on shared interests whose centre is America. Let us not forget, this was 2004, when the reach of what we call online communication was far from today's range. As technical capabilities exploded, America became a *real world hub of dominant interpretations*. A global community connected to this hub has gradually appeared, with a certain addiction to its messages. It is hard to say who is more important, the hub delivering the interpretations or the global community that, in its turn, requires more and more interpretations to guide it. We actually have a tandem that we could call a new sociological reality. And America has become not just the world's most important technological hub, but also its most important ideological hub. The USA has become *the paradigmatic power of the symbolic world*. It is not just the country that issues and imposes interpretations, meanings, significations, but also the country that usually “writes” the rules in the world of representations, decisive in winning adhesions and building

⁹ Zbigniew Brzezinski, *The Choice: Global Domination or Global Leadership*, Basic Books, 2004, XI–XII.

convictions. It is futile to add how hard it is to escape these processed meanings that are being continuously broadcast, especially since the US was wise enough to decentralise this activity, pushing it as far as possible from the government's circles, which are of paramount importance, but not when it comes to winning the people's trust. The government is always partisan, or perceived as such.

Joseph Nye, Jr. emphasises another aspect, also of the greatest actuality. "In today's world, information is not scarce but attention is".¹⁰ These simple words capture one of our life's paradoxes. We are being assaulted by an informational tumult, but we do not have the time to sift it and process it mentally. Is the truth prevalent? No, what is prevalent is usually the first soundbite to arrive on the news broadcast through traditional media, computers or mobile phones. Again, technology plays a leading part because it allows for a true *cult of the instantaneous*. The first to deliver the information also have the first chance to impose their own interpretation and win an ever-larger audience. As people are very busy, audiences ask for ever-simpler information, accompanied by an explanatory note. This is the ideal that American power identified long ago and is delivering around the clock.

Much of America's power and prestige comes from its capacity to encapsulate the people's and societies' secular aspirations in simple and powerful formulas. America has understood the seductive power of delivering an *alluring political menu*. How can one be against freedom, democracy, the rule of law? They electrify and set in motion people and national communities. The USA delivers the menu, but sometimes fails to mention that, in order to attain the rule of law, there is a hard road that the Europeans have travelled in several centuries and the Americans in at least two. Of course, today's world can take shortcuts on this road, but it cannot avoid it entirely. Delivering the menu without this road, the hard work involved in cooking the dishes on it, is a form of deception, which is very well illustrated by the "Arab Spring". The great debate that we should be having right now is not whether we share the values of the rule of law, but how we can get there. The core difference between the Asian development model and the one promoted by the developed countries has to do with a different dosage of priorities. Asia insists on development and preparing the road to create the conditions of existence and functioning of the rule of law (which will undoubtedly have Asian features). In other words, building a political construct, like all other constructs, cannot start from

¹⁰ Joseph S. Nye, Jr., *Is the American Century Over?* Cambridge, Polity Press, 2015, 61.

the roof. It is from this perspective that we have interpreted the choice that Brzezinski talks about: “Our choice is between global domination and global leadership”. To lead is to take care of the road, of the instruments and the results. A formula, a goal, a perspective, these may allure, even electrify. Today, you can conquer people and communities from afar. Leading them requires, just like in military strategy, “to step there”. This means to build solutions based on the local geographic, economic and cultural realities, or, as an old Chinese proverb says, “the world can be conquered on horseback” – today we could say with a message – “but it cannot be led on horseback”; that is, from afar. The chaos and turbulence we are witnessing today also originate from the sometimes-troubling gaps between the “menus” promised and the realities that follow.

Yes, symbolically, the USA has no competitors. It is even harder to talk about building *alternative interpretations* with a certain degree of dissemination and acceptance. There is a special type of attraction that the development of a country or region can generate. The crucial feature of this instance of *soft* power is that it results from an economic and social process. It is not an intentionally constructed power embodying a clearly stated goal. No, it is produced by the very advancement of that development process. In this respect, we can call it natural. Success – just like failure – carries a power of attraction or an invitation to caution, detachment, even to leaving the ship. When the European Union was doing well, Great Britain asked repeatedly to be admitted as a member. Nowadays, Brexit is a common talking point. It is unlikely that spectacular confrontations between interpretations will happen in the near future. The great clash at the symbolic level will be between the development of the American *soft* power – with its impressive arsenal – and the power of seduction or invitation to caution that will come from the rise of certain countries and regions. It is not in the least inferior – in importance or drama – to military or economic ones. It is not merely the clash of interpretations between the “developed” and “emerging” countries as they can happen between emerging as well as between developed countries. For instance, a statement like “We don’t have a Keynesian crisis in Europe, so Keynesian measures won’t work”, made by an author of the stature of German economist Hans-Werner Sinn,¹¹ marks not just a clear difference in financial philosophy, but also a certain determination to follow different political, financial and political philosophical trends.

¹¹ “The sputtering engine. Is Germany’s economy getting too weak to pull Europe out of its crisis?”, *The Economist*, November 22, 2014.

In this book, we have embraced a kind of *methodological Eurocentrism*. It is a deliberate choice in order to examine the foreseeable evolutions from Europe's point of view and, sometimes, through that of one of the old continent's special regions – Central and Eastern Europe; also, as much as we can, from Romania's perspective. Especially since, as far as it can be foreseen, neither Europe as a whole, nor the region we are in, and even less Romania, will gain from the new historic start of the post-crisis period. They will not gain because they have not prepared beforehand; they have no *anticipatory strategies* for globalisation or the crisis. The whole continent will witness a trend towards marginalisation, with the risk of entering *a second-grade world*. In such moments, there is an almost irrepressible temptation to push various hardships towards the “periphery”, or in any case towards others, which equates a gradual, yet irreversible desertion of the development pattern initially established by the European Union.

PART I:

**WHAT IS AT STAKE
IN THE CONTEMPORARY WORLD
IS THE STATUS OF THE DEVELOPED WORLD**

CHAPTER ONE

A WORLD WITHOUT VISION

1.1. Economic conflict has replaced armed wars

One of the most prominent theorists of military strategy states: “The First World War was the key event of the twentieth century, from which everything else flowed”.¹ Sheffield is convincing, adds Colin Gray,² provided we do not take the part “from which everything else flowed” literally. It is rather an event that marked the 20th century deeply or, if you prefer, without which we will never fully understand the overall picture of the recently concluded century.

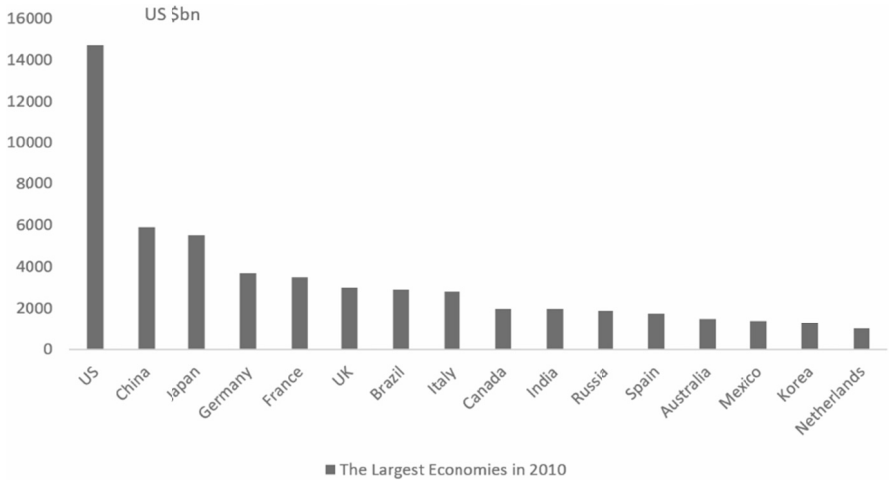
The 21st century is no different; an event that took place in its first part – the crisis that started in 2008, after some years of unchecked evolution – plays a similar part to that of World War I. We could even say that the 21st century will bear even more deeply the mark of its first years and of the ensuing crisis. The first decade simply foretells the century in ways we may not understand straight away, but which life – as time passes – will develop and make ever clearer.

We feel the need for a clarification. When we talk about a crisis, we do not refer only to the years 2008–2009. The statement that the recent crisis “foretells the century” takes into account a wider meaning, including the decade prior to 2008–2009 (when the emerging states developed 3–4 times faster than developed states), the very moment of the crisis, which acted as a “test” for the previous evolutions, and the post-crisis period, characterised by the faster recovery of the emerging states and the slow, uneven evolution of the developed states. Therefore, it is from this more complex point of view that the crisis foretells the century. We could bring several arguments for the statement above but we find of paramount importance the striking differences between the world's hierarchy in 2010 and what it will be in 2050.

¹ Colin S. Gray, *War, Peace, and International Relations. An Introduction to Strategic History*, Abingdon, UK: Routledge, 2007, p. 75.

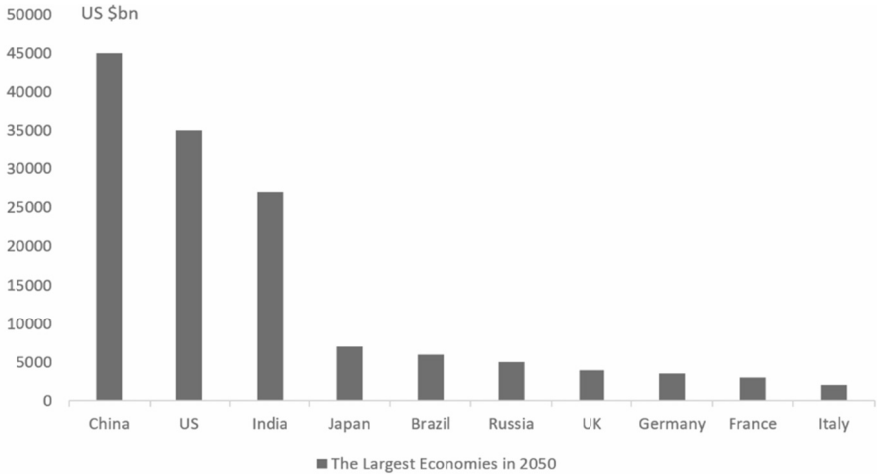
² *Ibid.*

Figure 1-1: The Largest Economies in 2010



Jim O’Neill, *The Growth Map*, Penguin Group, New York, 2013, p. 41
 Source: International Monetary Fund, *World Economic Outlook 2010*.

Figure 1-2: The Largest Economies in 2050



Jim O’Neill, *The Growth Map*, Penguin Group, New York, 2013, p. 42
 Source: Dominic Wilson and Roopa Purushothaman, *Dreaming with BRICs: The Path to 2050*, Goldman Sachs Global Economics Paper no. 99, October 2003.

Of course, each projection must be taken with a grain of salt. We will see whether the evolution will confirm the researchers' predictions for the mid-century. There are several such forecasts but nobody is challenging the projection that in 2050 the world's leading economic powers will be China, the USA and India. Angus Madison, a renowned economical historian, speaks about the world's economic evolution throughout history and of the changes that will happen as soon as the 2030s.

I expect the most dynamic performance to come from the Asian economies, particularly China and India, with the Asian share of world GDP rising to 53 percent, and that of western Europe, the US and other western offshoots falling to 33 per cent. The Asian income level would still be only a third of that in western Europe, so there would be reason to expect the 2003–30 changes in the world economy to continue in the same direction thereafter.³

There is still a difference between the beginnings of the two (successive) centuries. One began in bloodshed and so it continued, with military conflicts and wars; the other started with a ferocious economic competition and a deep crisis, and its evolution will be profoundly marked by the havoc caused by economic competition. Will this translate into more peace, calm or relaxation? No, *the tension is just transferred* from the military to the economic fields. The ammunition used will indeed be different. In this century, the “bullet” or, if you will, the “rocket” will be the size of the GDP, the GDP per capita, of technological breakthroughs, etc. The consequences will remain the same: some worlds will fall and others will rise, an international order will be eroded and another born, economic and power hierarchies will shift. We will deal not with conventional but with economic warfare, but, doubtlessly, the drama will preserve its core.

Edward Luttwak – an American historian of Rumanian descent – writes about “a geo-economical competition” characterised by a “grammar of commerce and a logic of war”. A geo-economical competition whose commercial rules are “grammatically” correct but which preserves the hard logic of confrontation, ultimately the logic of war. However, this is fought with different “weapons”. Take a closer look at today's world: the battlefield of yore has been replaced by one of economic competition. Somehow, military warfare was truer to itself, more transparent: its “grammar” and “logic” were both headed the same way, served the same

³ Angus Maddison, *Contours of the World Economy 1-2030 AD, Essays in Macroeconomic History*, Oxford University Press, 2007, p. 316.

purpose. Economic competition is more cunning, even filthier: its “grammar” lends an appearance of correctness to a confrontation which, in its consequences, is at least equally, if not more, painful, than the military one.

It is true that economic competition does not cause bloodshed, but facilitates a redistribution of wealth and of medium- and long-term chances of affirmation. People do not die, but they are impoverished or brought down to humiliating positions; the victors do not dictate treaties, but evolutions with similar effects are imposed; prisoners are not taken, but the knights from the defeated economic armies are turned into straw puppets; blood is not spilt, but a lot of suffering is caused.

Several special circumstances provide the economic competition with a special harshness and with extra serious features. *The globe seems to have shrunk* because the economic players – states or corporations – have a crushing power that is imposing. It is hard to enter the centre court of economic competition. The acknowledged states are already there, but this privileged area is currently under assault from the emerging states. The struggle for power is merciless and preserving one's hard-won positions, sale markets or spheres of influence does not leave much room for negotiations or settlements. The deafening noise of the armies has been replaced by a tense silence. At the end of such a period, we learn of the bankruptcies, crashes, the countries losing their rating or even about the decline of powers or superpowers...

In order to better realise the intensity of the international economic competition, we should emphasise something essential: *global demand is decreasing*. This gives economic competition accents typical of the fight for survival, especially for small and medium states that must make desperate efforts to find – or preserve – a place under the planet's economic sun. John L. Campbell and John A. Hall maintain that the typical features of today's economic competition are best expressed by the sentence: “Adam Smith is now ruling the world”.⁴

Someone once said that “there is nothing more destabilising than the rise of a superpower”. This is true, but this time it is not just a superpower that is rising, but a world – the Asian world, if we take into consideration this continent, the emerging world, if we consider the undisputed rise of the continent-countries that have turned growth into a true belief. Hardly does a conflict end than three more start; all kinds of “springs” succeed each other, though they do not result in welfare, but in instability and

⁴ John L. Campbell and John A. Hall, *The World of States*, Bloomsbury, London, New Delhi, New York, Sydney, 2015, p. 40.

chaos. How can we explain such a situation? America is no longer the power it used to be, dominating without question all the domains of a modern power and imposing the observance of the rules. No other power has appeared to replace it or at least to want to replace it. The order that came into being after World War II, somehow revived by the one installed after the Cold War, *no longer mirrors today's power order in the world.*

There is one more factor that we pretend not to notice. The state has gradually withdrawn from many activities it had successfully carried out over the last centuries. It has also withdrawn from the position of *strategist of the high positions, responsible for preparing the perspective.* No one else has come to carry out, even temporarily, these vital functions. This is why the most striking feature of today's world is confusion, the lack of an at least marginally clear progress horizon, the outpouring of the “geopolitical discipline” embodied by the people's obvious mistrust in tomorrow, in the fact that an even slightly ordered evolution could be established.

1.2. Romania on the edge of vegetative existence

We can see three concentric circles in which the world's countries are arranged now: the first includes the rich countries, and is under assault from the emerging ones. The result of this competition will decide the configuration of tomorrow's world. The next includes what in a developed country is called the middle class, which, as we know, is decreasing. Here we find what Jim O'Neill calls “the next 11”, countries with a promising evolution, from Indonesia and Mexico to South Korea and Turkey. Without a doubt, this circle is much wider, including countries with real development aspirations and chances, from Colombia to Poland, from Nigeria to Iran. In the third circle, there are those – ever increasing in number – countries that are struggling on the outskirts of history, which seem to have no more chances to recover and reach the promised land of development. This is not because they would not do their best, but because others are far ahead and have built an unassailable lead.

This competition is so vicious that newcomers are hardly tolerated. They are not denied their chance – and every so often a “miracle” will be staged to illustrate that the chance is still there – but the possibility to “climb” to the top of the ladder in the global hierarchy of power is becoming ever more illusory. This is the part of the world doomed to live a *vegetative existence.* The term “colony” seems obsolete in that it evokes painful memories. We can also call it outdated because the metropolis had

a specific relationship with the colony, it aimed at guiding it towards certain modernisation coordinates. Today, this knot has been tied. “Modern colonies” have all their rights, but they do not have real power, even over themselves. Domination by the metropolis is silent, yet all-devouring. The dominated state is nothing but a *shell*: its content or, should we say, its functioning rules are dictated from the outside. The state's main mission is the collection and redistribution of various taxes. Thus, one may feel that the state is still standing when, in fact, it is a mere manager, without long-term objectives or a political guideline. As soon as it abandons the function of development, a state turns into a shadow of an active state that feels responsible for the future of the community it represents. And the future cannot really exist without effort being made to organise a community's energy and channel it in confirmed directions of historical development, which is what we call true state activity.

Unfortunately, Romania is also on the edge of this perimeter of vegetative life, after losing more than two decades of development. Meanwhile, we have privatised the fleet, industry and real estate, and “what is left is not ours”. We have foreign military bases, but we lack foreign investments, at least from those bases' countries of origin. After more than 20 years of deindustrialisation, we have begun to talk about reindustrialisation. In a country with undisputable natural conditions for agriculture, the agricultural equipment factories have been closed down. It is as if, in times past, a peasant deliberately killed his oxen. What could he then do with the land? A solution has been found – sell it abroad! With the – fundamental – difference that in the case of Romania, a country that appeared a lot later on Europe's political map, is located in an unstable geopolitical context, forced to watch over its own integrity and whose political and physical existence has been and will for a long time be dependent on working the land and processing its fruit, *selling the land might equal selling the country*.

What else can be said? The pro-capitalist choice is claimed on various occasions, but we do not have our own banks, that is, our own capital (and, as its name suggests, capitalism revolves around capital). What money will we carry out the reindustrialisation with? This is an aspect of the shell-state. It is waiting for foreign investment to be kickstarted. It is as if it does not have a life, initiatives or objectives of its own. *It is waiting for the chance, it is not building it*. And if the chance never comes, “the blame” falls always on history, not on the community careless of its obligations to analyse the age and find the right answers for its typical features.

Since we have mentioned the word privatisation, we feel the need for a clarification. Yes, privatisation is one way of relaunching factories or even

whole economic branches. One such successful example is the privatisation of Dacia Pitești, but it is one of the very, very few. Mostly, privatisations were sales with no economic basis, a concealed liquidation even. It is this meaning of privatisation that former President Traian Băsescu must have had in mind when talking about the disappearance of the Romanian commercial fleet (the 7th-largest in the world), in which, according to the position he held at the time, he also participated. “But who sold the ships?” “You know, it was the privatisation process...”

This is how the fleet was “privatised” as well as most of the steel industry, processing industry, the garment industry and so on. Privatisation is welcome in two cases: when you realise that you cannot manage an activity well (in which case you invite other economic players to do it) or when a factory or a branch needs a technological upgrade that you cannot perform (as with Dacia Pitești). From this perspective, something is very hard to explain: why did we have to privatise the *distribution of utilities*, like water, gas, electricity? These are very profitable activities (the so-called “money factories”) that had been done for decades and did not require special technical equipment. Despite the outstanding profitability of these activities, the leaders of neighbouring Hungary decided they be treated as non-profit activities. To make things even clearer, let us remind you that in Romania the national lottery was also privatised, also with foreign capital. Could Romania not even ensure the – simple – organisation of such an activity? The reality is that the most profitable and, we could say, the easiest-to-organise activities in the long chain of production and distribution have been privatised. The distribution of water is much more profitable than providing the volume of water that must reach the population. Likewise, gas distribution is much more profitable than its production.

How can this be explained? It is hard to answer. The situation unfolded as if it were the hidden payment of a debt, of a certain type of obligation. They were privatised because *it had to happen*. They were privatised as if there had been a pre-established “plan”, not based on needs or “lack of performance”. Regardless of how things happened, the state sold with reprehensible ease its own sources of income. We have insisted on the distribution of utilities, but most of the privatisation happened in the actual economy. Industries were “privatised” and chains of malls appeared. This is how Romania's modernisation process started after December 1989. To be fair, we have developed two very successful industries: “the political industry” and “the talk-show industry”. In a nutshell, the industry of words...

1.3. Is the crisis behind or in front of us?

We will not begin to understand what is happening and, especially, what will happen worldwide in the next period if we do not consider the nature of the crisis that started eight years ago, the context in which it started and the impact. Financial crises – and the one we are talking about started as such – are a special type of crisis, hard to fit within a pattern. Most authors who have tackled this topic have emphasised the fact that any financial crisis has long-term effects: it implies the financial indebtedness of communities and states, which implies a much greater ulterior effort to pay back those debts; it is followed by a longer healing period, with slow growth rhythms, etc. In other words, when we tackle this topic, we have to be very cautious and consider equally the peak of the crisis and the period following and the medium- and long-term effects. This crisis is discussed in a way that makes us acutely conscious of the fact that the features we have mentioned are being overlooked, that an only partially advisable optimism is being cultivated.

The 2008–2009 crisis is very cunning. We have already been victims of this guile of financial crises. The first proof: claiming it is over. Imagine that you had problems with your house, and you had to take out a big loan to repair it or even to build or buy a new one. The peak of your crisis is the critical moment you have to deal with this unexpected, very costly situation. What follows is the second part of any crisis of the kind: paying back the loan, which can take years, sometimes decades. What is the most important period of the crisis? The peak, that very critical period, or the long years you spend paying back your loan? A hierarchy cannot be established. Each moment has its own characteristics.

Martin Wolf uses a great metaphor. A financial crisis is like a heart attack: when the patient comes to the hospital with an infarction, your first worry is saving him. It is not the time nor the moment to ask him about his lifestyle as a young man. The peak of the crisis is extremely important because, if you do not get over it, you are homeless in the first case, or you may die in the second. The next period is equally important, only it lasts longer. If you do not respect the treatment and the conditions of recovery, the same tragic outcome may occur; in the other case, it takes an immense effort to pay back the loan. And we all know what it means to pay a loan, which made the English experts wonder: *Is there life after debt?*⁵

⁵ *The Economist* published in its June 24 2010 edition an article with this title, with the following subtitle: “Rich countries borrowed from the future. Paying the bill will be difficult, and so will living in a thriftier world”.

Going back to Martin Wolf's example of the patient who suffered a heart attack, we can ask: what is the first condition of recovery? *Acknowledging defeat*. Acknowledging the fact that before this crucial moment, the patient *made mistakes regarding his own health*. Without this stern self-examination, without ensuring that previous mistakes will not be repeated, without a real break from the habits that led to the dramatic moment, the patient cannot really recover. Things are no different with the recent financial crisis. The serious question is: has defeat been acknowledged, or the mistakes that preceded the collapse? Some have, others have not. It is certain that "a new lifestyle" has not appeared that would avoid a possible crisis of similar proportions or, at least, many other convulsions, this feeling of uncertainty that will not disappear, the tension existing in international relations and which seems to have "descended" to the level of individual lives.

The measures taken – once again, necessary – have not solved the crisis, but postponed its effects. They have not really overcome it, but echeloned it. They have not removed the risk inherent in such a crisis, but projected it into the future. We do not seem very aware of it and we may think the crisis is over. No, *the crisis is behind and in front of us*. Many of its effects will be faced hereafter. What has been gained is a respite in which to form a correct reaction, to find a solution for economic recovery and revival. But is this happening? Thomas Piketty notes, and rightly so in our opinion: "The pragmatic policies adopted after the crisis of 2008 no doubt avoided the worst, but they did not really provide a durable response to the structural problems that made the crisis possible, including the crying lack of financial transparency and the rise of inequality".⁶

The developed society resembles someone who has been injected with massive doses of antibiotics to prevent a collapse, but who has done nothing or very little to change his lifestyle. Doubtlessly, it will work. But will it perform as expected? What follows now is the difficult period, which lacks the spectacular quality of the climax, yet is tense and long, of eliminating the effects. If it does not happen as it is supposed to, there is a risk that the developed society will experience again the same problems we thought it had overcome, or it might never stray too far from that critical point and never again restore its glory. Those who win are those who are aware of the importance of the period following the climax of the crisis, who are not fooled by sweet statements like: "The crisis is over."

⁶ Thomas Piketty, *Capital in the Twenty-first Century*, The Belknap Press of Harvard University Press, Cambridge, Massachusetts London, England, 2014, p. 473.

1.4. “The greatest financial crisis ever”

A great personality of the American and world financial stage, Alan Greenspan, said something recently that helps us better understand the magnitude of the 2008–2009 crisis: “It was not just the financial crisis – which may very well have been the greatest financial crisis ever. Clearly, the Great Depression of the 1930s was a far more devastating economic problem. For the first time ever, I believe, the short-term and overnight credit markets in the United States and around the world shut down”.⁷ This issue is considered of such importance that the author revisits it in the book and states again: “As I discussed in the Introduction, oversized leverage and financial intermediation in general collapsed on September 15, 2008, engendering possibly the greatest financial crisis ever”.⁸

Of course, it is difficult, if not impossible, to make an applied comparison between the two great crises, especially since the first is complete, the second is still unfolding. We will be able to approximate the impact of today's crisis after all the debts contracted in the peak years of the crisis have been paid, after we have seen the consequences of this effort on the world it has predominantly hit: the developed world, after a solid economic growth has begun. To make a better distinction between these two largest economic crises of the last century, many authors call the 1929–1933 crisis the Great Depression, and the most recent one the Great Recession. Therefore, the first started a true economic earthquake, causing great bankruptcies of production companies, while the second caused only an important regression of the economic activity, without the bankruptcies and the crash at the beginning of last century's 4th decade.

To better understand the differences between the two landmark crises, as well as the way the treatment applied to the recent crisis developed, we need to refer to a debate in the expert literature. What can enlighten us is Paul Krugman's approach to Milton Friedman's verdict on the start of the 1929–1933 crisis: “According to Friedman, the Great Depression occurred only because the Federal Reserve failed to do its job in the 1930s; if it had acted to rescue troubled banks and prevent a fall in the money supply, catastrophe would have been avoided”.⁹ In November 2002, at the celebration of Milton Friedman's 90th birthday, Ben Bernanke gave a speech as the official representative of the National Reserve in which he

⁷ Alan Greenspan, *The Map and the Territory, Risks, Human Nature, and the Future of Forecasting*, Allen Lane, an imprint of Penguin Books, 2013, pp.1–2.

⁸ *Idem*, p. 72.

⁹ Paul Krugman, “Why weren't alarm bells ringing?”, *The New York Review of Books*, October 23, 2014.

accepted the verdict given by the founder of monetarism and even expressed a kind of promise towards respecting his solution. This is the end of his speech: “Let me end my talk by abusing slightly my status as an official representative of the Federal Reserve. I would like to say to Milton. Regarding the Great Depression, you’re right, we did it. We are very sorry. But thanks to you, we won’t do it again”.¹⁰

When the 2008–2009 crisis started, Ben Bernanke¹¹ was no longer just a member of the governors' board, but the very president of the National Reserve. He did what the mentor of neoliberalism had asked: he started printing money. This is, in a nutshell, the difference between the two great crises: the first (between '29–'33) did not enjoy any support from the state, “descended” into the real economy and caused the devastation we all know; due to the state's intervention, the recent crisis has not followed the same path. In 2009, Barry Eichengreen and Kevin O'Rourke started an applied study, updated for 2010, about the two crises.¹² They even made a very suggestive graph, which we reproduce below.

The relaunch of industrial production started earlier in the recent crisis than in the '29–'33 one. The duration of the decrease in production was much shorter, especially due to the state's prompt reaction via its dedicated institutions. What we are reserved about is the fact that the graph takes into account the world's industrial production, not just that of the developed world, where the crisis started and had the worst impact.

We must ask one question: did stopping the “normal” course of the crisis, therefore stopping its tendency to “descend” into the real economy have a cost and, if this is the case, what is it? In other words, what is the cost of stopping the “normal” course of the crisis? This is a problem worth debating if we want a representative view of the crisis and, especially, of its medium- and long-term effects. In order to answer, we must present

¹⁰ Bernanke, Ben S., *On Milton Friedman's Ninetieth Birthday*, Remarks by Governor Ben S. Bernanke at the Conference to Honor Milton Friedman, University of Chicago, Illinois, November 8, 2002, <http://www.federalreserve.gov/boarddocs/speeches/2002/20021108/default.htm>

¹¹ It is interesting to notice that Bernanke did not share with Milton Friedman only ideas and professional options but also a mutual intellectual experience, as can be seen from the following quote: “I’m a very big fan of Milton Friedman. I was a colleague of his for a while at Stanford. I’ve had many opportunities to talk to him. He’s a terrific economist, very insightful. I think he would have supported what we are doing”. Bernanke, Ben S., *On Milton Friedman: “I Think He Would Have Supported What We Are Doing”*, Real Clear Politics Video, October 1, 2012.

¹² Barry Eichengreen and Kevin O'Rourke, “A tale of two depressions. What do the new data tell us?”, VOX CEPR’s Policy Portal, March 8, 2010.