

Research Article

The Economy in the Age of Global Upheaval

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Received: 28 December 2022; Accepted: 10 November 2023; Available online: 27 December 2023

Abstract: This article highlights the fact that the calculation and forecasting methods currently used by economists face increasing complexity on the one hand and on the other hand a set of new types of hazards. Since the 2019s, various upheavals have been described which will in the short or medium term impact the world and national economies in a diversified way. As a result, the classic models which did not already take into account the aspects linked to resources as well as the "discharges" due to processed products, whether at the industrial or agricultural level, will have to integrate new parameters which will require a big change in economic models often having for purpose the use of more or less elaborate mathematical treatments. The various hazards highlighted in this work do not constitute a definitive list, but simply highlight the profound changes that the economy will face in the short and medium term.

Keywords: Strategic intelligence; Economy; Predicament; Upheaval; Covid-19; Weather change; Ukraine

1. Introduction

Strategic Intelligence, a recent discipline, becomes particularly useful when hazards of all kinds become our daily life. Successive upheavals follow one another at an increasingly rapid pace and each time it is necessary to analyze their causes and effects. Whether epidemics, climate change with all the repercussions it entails, the war in Ukraine (but also the other conflicts that we do not talk about), sanctions and their perverse effects, the energy crisis, the indebtedness of nations, multilateralism, Sino-American antagonism and its consequences such as on the Silk Roads, latent corruption affecting the highest institutions, and rising poverty... all this together acts in a more or less pronounced way on the economy.

We propose, not to present current and foreseeable economic developments in a classic aspect, where mathematics and the invisible hand of the market solve all the problems, but to quickly analyze the impact of previous hazards on the economy while remaining pragmatic. It is increasingly clear that the classic theories on which economists have based their work for years are no longer relevant to the times of predicament.

In a book published from the first six months of the COVID 19 pandemic, "Collapses and geopolitics of Covid 19", we indicated that we were entering a new era, where economic, political, industrial and social upheavals were going to be catalyzed by this global epidemic, leaving governments surprised and disarmed [1].

Our objective is therefore to pursue this analysis in a holistic way, focusing on the economic repercussions it induces. We hope that this perspective work will open up new fields of research, as it is true that each of the aspects of the crisis we are experiencing must be deepened. It is therefore not a question of undertaking a retrospective work over a long period, but of focusing on the years 2019 to 2022, a period in which the upheavals were rapid and profound.

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DOI: <https://doi.org/10.37256/ujfe.2220232274>

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2. An economy at the service of political domination

2.1 *The Bretton Woods Accords*

Since the Bretton Woods agreements, created in 1944 and which had the objective of organizing the world monetary system around the American dollar, the only currency to be henceforth convertible into gold, the successive evolutions of this one led in 1971 President Richard Nixon to unilaterally announce the suspension of the convertibility of the dollar into gold and thus to link the whole economy to the fluctuations of the dollar. This system still allows the United States to have its deficit financed by all the user countries and to impose, through the laws on extraterritoriality, control over all transactions carried out in this currency. This is why authors such as [2] emphasize "that by instrumentalizing international monetary legislation based on a national currency, the dollar no longer played a simple role of moderator and guarantor of agreements between the various trading partners, but emptied of any substance the financial organizations of the States Parties". The sanctions taken by the West in the war in Ukraine have encouraged many countries to try, as far as they can, to put in place means of circumvention to secure their economic and financial systems, and not to be the next possible victims. Unquestionably the energetic repercussions of the waves of sanctions have become a "motor" in the beginning of the disintegration of this system. After the Russian decision to sell its oil in rubles, the recent visit of Chinese President Xi Jinping to Saudi Arabia on December 7, 2022 clearly shows that multilateralism will play a driving role. Indeed, in 2022 China will become one of Saudi Arabia's first oil "customers" by buying more than 20% of its exports from it and the payment of these is no longer made in dollars but in Yuan Renminbi or people's currency. This highlights an almost irreversible trend whose long-term effects on the global economy are still difficult to fully grasp.

2.2 *The Silk Road and the RCEP*

In the competitiveness between the United States and China, the latter is developing to secure its trade routes a road, rail and sea link system of a scale hitherto unequaled: the Silk Road. The Belt and Road initiative covers at least 65 countries across Asia, Africa, the Middle East, and Europe [3]. Among other things, it foreshadows a shift in the center of gravity of the economic world which will move from the West to the East. This will undoubtedly have short-term repercussions in Western countries but is already having direct effects in Asian countries [4], especially since the free trade agreement between China and fifteen countries of Asia and the Pacific (RCEP) entered into force this year. It represents 2 billion consumers and 30% of world trade.

The impact of this current changeover cannot leave anyone indifferent. Realism obliges us to recognize that this "clash of worlds" if it can happen peacefully can also lead to a chaotic armed conflict of very large magnitude.

2.3 *Europe*

Europe represents 14% of world trade in goods [5]. It is in second place after China. However, at the diplomatic level its influence is very weak because it is split between various groups of countries with divergent interests and different strategies. It is unable to come up with a clear and effective common policy. This has a direct consequence on the economy and among others on that to the service of the European diplomacy. This is why various institutions within the European Union are proposing the development of new strategies so that it develops greater autonomy in this area [6]. Currently the center of the world is shifting towards Asia. The United States, faced with the economic and military rise of China, is questioning its leadership and its maintenance in the years to come. Faced with this almost obsessive policy in which they want to involve their allies, Europe should impose itself through a more assertive political position. This is how the Robert Schuman Foundation [7] indicates in its Report on Europe, "the State of the Union 2019": "Faced with this situation, Europe seems ignored, absent, outdated. Balancing, as too often, between inaction and emphatic discourse, Europeans seem to resolve to the role of spectators of their own decline. Should we be satisfied with this state of affairs and renounce influencing current developments? However, there would be another way of doing things for the Europeans. But for that, Europe would have to show real political will to engage in an approach that would allow it to measure the challenges it faces, define realistic priorities and mobilize its assets, which are far from negligible. .

3. Economy and COVID-19

There are many works regarding the impact of COVID -19 on the economy. Whether in terms of unemployment, the cessation of industrial production, repeated confinements, "burn out", the introduction of telework, the pandemic has revealed latent evils present in the economy of industrialized countries. , evils that the main current of thought did not want to analyze. The crisis has highlighted the fragility of states whose past policies in many areas, such as industry or health, have shown their limits, not to say their flaws. Thus was born, in part of the population, a desire for change, a desire to no longer undergo an economic situation where generalized profit remains captured by an increasingly limited number of people. In this context, the post-COVID period (assuming that the pandemic does not experience new acute phases) will be a period of tension between those who opt for or desire a change in the economic practices of a neo-liberal society centered on profit and the supporters of the current system who want nothing to change, ignoring the historic warnings from the global pandemic. It is very likely that the Western democratic system and the values it conveys will come up against a more restrictive but more effective system. If it does not change in depth, among other things in terms of leveling inequalities and respect for common goods, it risks not emerging victorious from this confrontation. In addition, it is clear that during the period of the pandemic, the liberal economy was in need of promoting an administered economy far from its fundamentals [1]. This raises a political question in the post-COVID era: that of the possible economic model ranging from the traditional model to an administered economy [8] or the model of a negotiated order.

4. Debt, wages, inflation

The COVID-19 pandemic has led a number of European states to run into debt both to keep their economies afloat and their social cohesion. This situation was amplified by the measures taken following the war in Ukraine, to prevent the weight of the cost of energy from leading to an economic collapse, whether at the industrial or household level. The position of Europe is delicate because the Euro is almost the equivalent for the countries of the Union to a foreign currency in the sense that they do not control it. This is how Europe will find itself facing the test of fragmentation [9]. This mainly concerns the countries of southern Europe and France (200% of GDP in Greece, 150% in Italy, 123% in Spain, 113.7% in France)

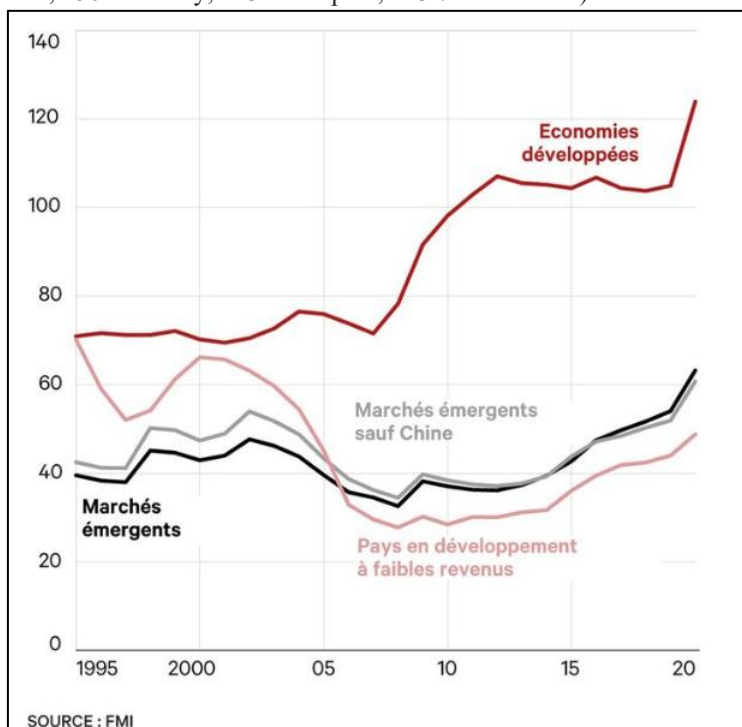


Figure 1. Global public debt as a % of GDP

In addition, global public debt, mainly that of developed countries, is a challenge because it increases vulnerability factors [10]. This leads the States to no longer be able to support the recovery, but also for the private sector to no longer invest in the medium term. In addition, the inflation that has developed following the increase in the prices of energy, food, raw materials as well as supply disruptions following the pandemic will

continue to develop. This should lead to a loss of purchasing power for households, to a capital loss for savers, but also to increased pressure for an increase in wages. For businesses, it leads to a significant increase in the cost of inputs. In this context, central banks are increasing their key interest rate, putting countries that have borrowed heavily in a difficult position. To simplify, we can say that inflation will initially reduce the purchasing power of households and therefore lower their consumption. This will ultimately lead to a decline in business activity which will lead them to reduce their investments and increase unemployment, which will have a negative effect on the household economy. At the same time, the financing of the debt will oblige the States to reduce their investments and their operating costs, leading to a loss of competitiveness at the international level and at the domestic level to a reduction in the means used as social shock absorbers and the means devoted to innovation.

5. Corruption and “advanced lobbying”

Although the relationship of this subject with the economy is not addressed in a generalized way, it can be seen that more and more often this subject appears as a major fact both at the political but also at the economic level [11]. Promoting ethics and anti-corruption laws have falsely made it seem like a problem in the process of being solved. The controversies surrounding the football World Cup show that this is not the case. The recent discovery at the top of the political leadership of the European Union of proven corruption [12], leading to the arrest of one of the Vice-Presidents of the Union, highlights the importance of this phenomenon. In addition, lobbying seems to some to be increasingly close to a new form of corruption by often supporting, in defiance of the public good [13], controversial positions, whether in the context of health or defense of the environment through appropriate energy policies [14]. Following pressure from all kinds of NGOs practicing lobbying at the international level, the collapse of the EDF (Electricity of France) energy group, which produced very low-cost energy mainly from nuclear and hydropower, is an exemplary demonstration of this through its impact on the French economy. Various think-tanks are currently analyzing the whole of Europe's energy policy and highlighting a certain blindness in the strategic choices which lead to many questions being asked. We also note that since the beginning of the war in Ukraine an increasingly strong influence of gas companies within the European Union [15]. As the Multinationals Observatory points out:

“With the establishment of the EU Energy Platform Industry Advisory Group giving oil and gas majors a hand at the wheel of the RePowerEU plan, and the more than 300 new gas infrastructure projects being pushed by industry body ENTSO-G, it appears that the fossil fuel industry has succeeded in tightening its grip on EU energy policy in the short and long term. »

This set of facts contributes, within public opinion, to discrediting political action and to supporting arguments that present “so-called public” policies as responding to particular interests. This deleterious effect will certainly have, if this trend continues, negative effects on the economy.

6. Climate change

Many works have been published on the subject and if the respective impact of the different causes is still under discussion, the reality of climate change is no longer in doubt. In fact, its impact will become so considerable that States are taken aback by the phenomenon because of a multitude of divergent interests. It is true that they force us to question the notion of generalized profit, the credo of liberal democracies since the Reagan Thatcher era, and upset the classic economic discourse of the last 40 years. In fact, understanding climate change and its consequences means taking into account the analyzes of the world3 2000 report [16]. This report, which follows the work of the Club of Rome, is schematized in the following figure [17]:

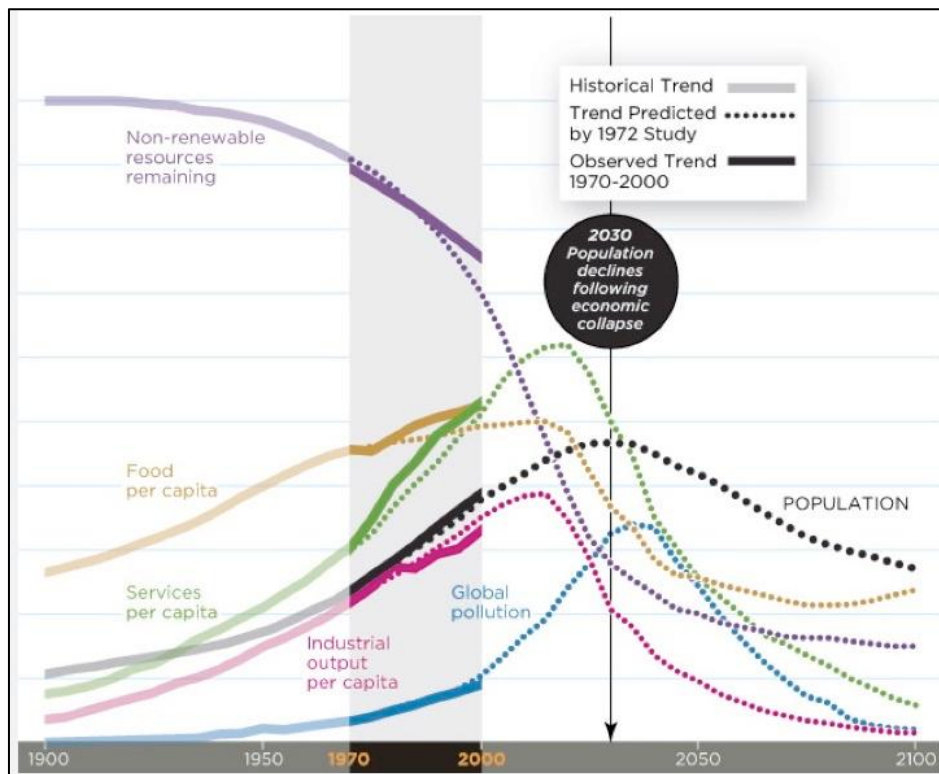


Figure 2. World3 2000 or Meadows report [18]

The Club of Rome report, excessively maligned at the time, took into account actual data from 1900 to 1970 to carry out a forecast extending to the 2100s. During the 2000s, a comparison was made between the forecasts of the report of the Club of Rome and the actual data for the period 1970 to 2000. It is clear that the forecasts agree almost perfectly with reality. The question that arises is then the following: should we believe the model for the years post 2000?

On this issue, the various IPCC reports must be considered conclusive, although their reference period is too short to draw precise lessons in the long term. In any case, the increasingly noticeable effects of climate change only provide part of the answer because the most striking is the succession of events that have occurred since the 2010s, ranging from the pandemic to war in Ukraine and their medium and long-term consequences. All this would tend to reinforce the veracity of the proposed model, and therefore for the States to draw the necessary conclusions. In this regard, we can quote Fortunato [19] who underlines the immense challenges that liberal democracies will have to support in such a context: “That requires the governments of the leading world economies—which as 40 years ago in Cancun remain mostly western capitalist democracies—to be willing (and able) to deploy a comprehensive global recovery plan. This should be built around a coordinated macroeconomic expansion, focused on job creation and higher wages and supported by a big public-investment push into cleaner energy, environmental protection, sustainable-transport systems and the care economy..... Turning the page also demands a new, post-neoliberal narrative. This would not be economically egoistic but would consider the moral and political ramifications of economic relationships. It would consider global equality, balanced trade and sustainable climate and biodiversity as inalienable global public goods. Such an enveloping narrative is crucial, to achieve and cohere concrete advances and to render the multilateral governance system fit for purpose.” We will have to open a way that can combine the interests of nature and the economy in order to avoid both the pitfall of decline and the restriction of freedom and that of the inevitable destruction of the world as we know it. [20].

7. The Interrelation of Events

In the previous paragraphs we have briefly described the main hazards that we have to face in this particular period. But their description if presented separately is part of a whole. Indeed, what is special is that all these hazards react with each other, the effects of one often serving as a catalyst for the development of the others. This aspect should be particularly emphasized because it introduces a much greater complexity than that addressed in past models [21]. This is particularly important because overall it increases our vulnerability.

Which leads, quoting the Tribune of the Museum of Natural History from Paris, to say that “our hyper-developed and technological society has made us forget the existence of risk”. [22]. Figure 3 [23] highlights the various interrelationships that exist at the risk level. It is quite obvious that wanting to develop explanatory models of the existing or prospective becomes more and more difficult. If, within the framework of the economy, the aspects related to economic risks are defined among others by the wallstreet mojoteam as [24]: “Economic risk is referred to as the risk exposure of an investment made in a foreign country due to changes in the business conditions or adverse effect of macroeconomic factors like government policies or collapse of the current government and significant swing in the exchange rates”, it is obvious that in the aspect of global security [25, 26], the definition will have to take into account the different impacts of the various risks and the interrelationships they generate in 2021 as described during the World Economic Forum in Figure 3.

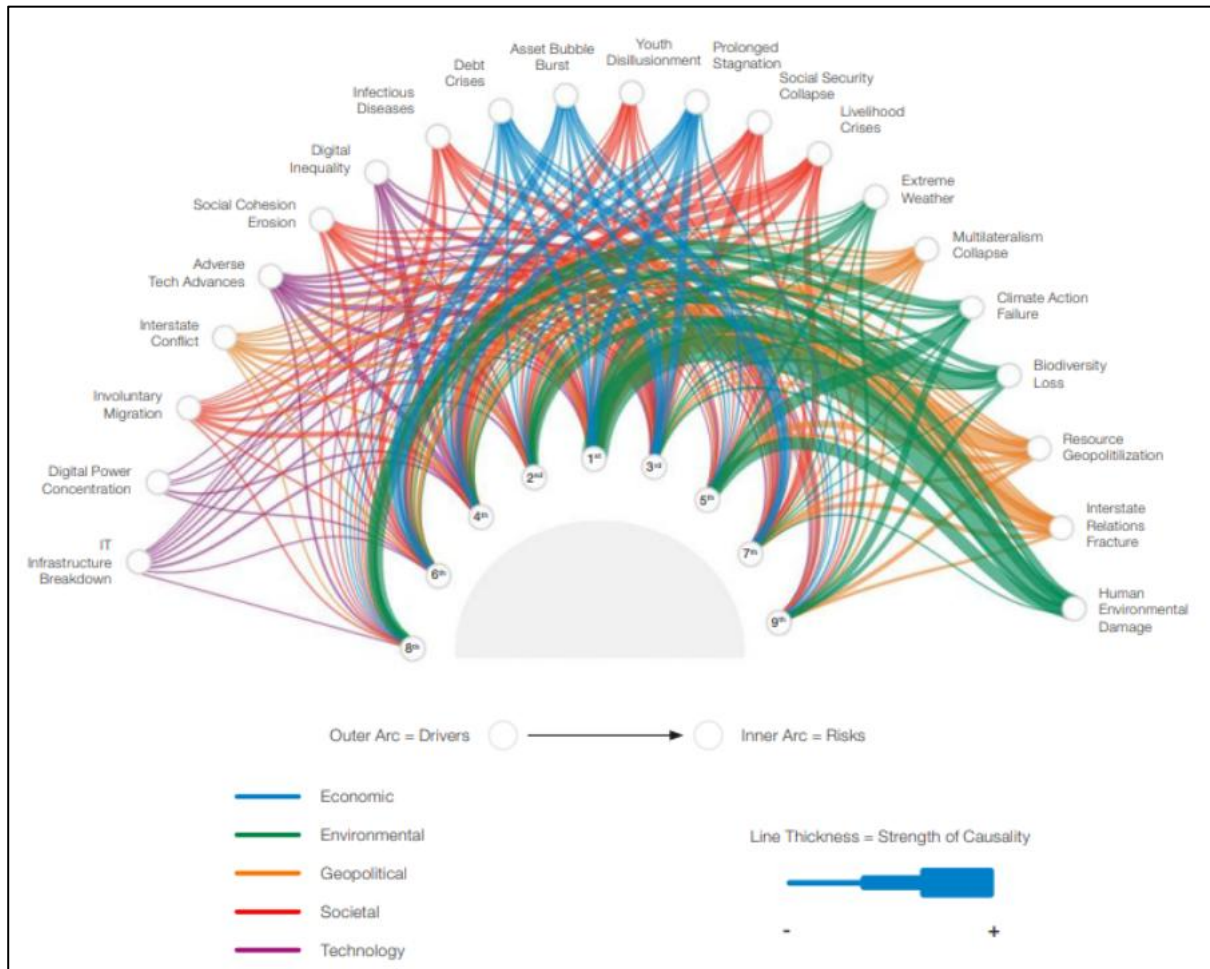


Figure 3. Example of interrelation in the area of risk (World Economic Forum)

8. Conclusion

We wanted in this presentation to show how the economy in the broad sense of the term was impacted by recent events, often beyond our control. These events are different in nature and impact from those that have occurred over the past 40 years and were part of the concept of happy globalization driven by Westerners. This no doubt means that the economic models which had been the fruit of much research in a relatively calm environment will have to undergo fairly profound revisions to take into account the current situation but also the now foreseeable context. We will certainly find in this context, the supporters of the maintenance of past order and those highlighting the significant rupture that we are experiencing. The objective of this work is not to take sides between the proponents of entropy or negentropy, but to highlight a set of stresses of various kinds that impact both the economic system but also the morale of populations.

While writing this article, we cannot avoid talking about China, not for its zero COVID policy, but for its current openness which leads to an excessive multiplication of positive cases. Depending on the virulence of viruses, among other things due to mutations (generally mutations cause less virulence, but this is not a certainty)

this proliferation in an economically essential country could have negative effects on the entire world economy. It is still too early to say, but we must not elude this question [27].

It is obvious that the overview presented in this work is only fragmentary and that it deserves to be deepened, by sector, by country, as the diversity of situations will lead to different solutions. We will have to rethink the models or design new ones by adapting them to the new realities that follow one another. This is fundamental, because waiting too long can lead to disaster. But this raises a preliminary question: if given the importance of the issue, liberal democracies will find the mental resources necessary to reform themselves?

Conflict of interest

No conflicts of interest are declared.

Funding

The authors received no fund for this study from any organizations.

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