Right now two giant shocks are convulsing the whole world—Covid and the Russian invasion of Ukraine. Both are ongoing, so surprises are virtually guaranteed.

But I think we have enough evidence to draw a few tentative conclusions about the shape of things to come. First, the pandemic shined a terrible, unforgiving light on how fragile a globalized world really is. “Just in time” production, off-shoring, transnational supply chains, and the hollowing-out of firms as they degraded workers into external contractors with lower wages and fewer benefits produced fatally brittle social systems. As the pandemic spread and transnational supply chains broke down, the cumulative impact of more than a generation of steady government cuts in taxes, safety nets, education, and—above all—health care became overwhelming. Virtually every country became paralyzed for a while. In the United States, the United Kingdom, and many developing countries, I think we will eventually recognize that the pandemic actually broke their social systems. As pandemic relief fades from memory and the gruesome toll of delayed deaths, long Covid, substance abuse, and mental health problems climbs higher and higher, the true dimensions of the havoc the pandemic wrought, not least on the U.S. labor force, will stand out more clearly.

But right now, most governments are in denial. As in 1919 or 1945, they are nourishing hopes of going “back to normalcy.” That is an illusion. Not only in the developing world, but also in most of the developed world, for example, in France, the United States, Italy, or even Spain, the “vital center” is already the dead center: anti-system political groups and parties are gaining strength, while elsewhere riots (as in Sweden) or tumultuous political movements (mostly on the right), as in Germany or Austria, burgeon.

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Where does this leave globalization, the much-touted eclipse of the dollar, or the emergence of prospective new trading blocs rooted in military cooperation and formal alliances?

Let’s stipulate that the world is now multipolar, with no one country actually hegemonic, no matter how much it may talk like it is. The closest historical analog, I fear, is not too encouraging: the interwar period of the 1920s and 1930s. But the outcome in our time is likely to depend heavily on what happens on the battlefields in Ukraine.

Few analysts expected a full-scale Russian invasion of Ukraine and almost nobody thought that Ukraine had much prospect of turning back such an attack if it happened. The strong sanctions that the United States, the United Kingdom, the European Union, and other countries put in place, especially the immobilization of Russian gold and the cutoff of most financial transactions, also came as surprises to many observers.

As the war has intensified, the United States, the United Kingdom, and many countries in NATO continue supporting Ukraine’s military at levels they hope will not rise so far up the dreaded ladder of “escalation dominance” that the Russians might be tempted to resort to weapons of mass destruction. But as the toll on Ukraine in lives and war damage grows, pressures have mounted on the Europeans to form a much more cohesive economic and military bloc within NATO and to completely break off longstanding relations with Russia.

Germany, along with most of the rest of Europe, has in principle accepted the need to cut back its dependency on Russian energy and is actively planning to scale that back over time. It has also reversed longstanding policy and committed to substantial increases in its military budget. But the German government and most of industry and labor insist that a quick end to all Russian gas imports would be too much of a shock. The consequence would be prolonged stagflation and strong pressures for even more production outsourcing to less-expensive countries, including China. That sentiment is shared in the American oil patch. News stories report outright that many American producers fear making major new investments because they think Germany will go right back to the good old days when the war ends.

Continued on page 66

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**Is Germany’s Head With the West But Its Heart With the East?**

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Within Germany itself, a strong current of opinion continues to insist that in the long run, economic relations with Russia are vital to a strong German economy. And many minds are haunted by misgivings about how much liquid natural gas from the United States and Middle Eastern gulf states can actually flow to Germany in a world of supply bottlenecks. That sentiment is shared in the American oil patch. News stories report outright that many American producers fear making major new investments because they think Germany will go right back to the good old days when the war ends.

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It seems safe to conclude that the longer the war drags on, the more complete the break with Russia is likely to end up. The integration of defense production is also likely to deepen for the same reason; not even U.S. producers can profitably produce for just one country, so that the mostly U.S. and UK prime contractors that lead defense production outside of France have long shared out contracts. In this area, economies of scale are often substantial, so intensifying defense cooperation is likely to pull countries toward more industrial integration whether they like it or not.

As for the dollar, well, the Chinese economy is evolving, but capital controls remain crucial to how it operates. Those rule out any possibility that the renminbi can soon rival the dollar. By contrast, scope exists for managed trade and barter deals between Russia and parts of the developing world, given the abundant energy and raw materials that Russia has to offer. But the sanctions need to be taken seriously. While the historical record suggests that they are far from perfect screens, neither are they façades, especially when they are enforced vigorously.

A final problem is also worth reflecting upon. Many of the developing countries desperately in need of food and energy face serious debt problems. Most of those debts are in dollars. The last time interest rates and energy prices lifted skyward, in the late nineteen seventies, debt restructuring became a powerful and in my view disastrous instrument for coerced restructuring. Right now, the world is still recovering from the deep downturns that came with Covid, so even with inflation, real growth continues in many countries. A few Fed rate increases from now, though, that may change, potentially making the 1980s experience toxically relevant. We can hope that the one great lesson that stands out from comparing the history of what happened after 1919 and 1945 is taken to heart: striving for cooperative rather than competitive solutions to reshaping the architecture of systems leads to much better outcomes for everyone.

Continued from page 37

The pandemic shined a terrible, unforgiving light on how fragile a globalized world really is.