

GLOBAL TRENDS REGARDING THE INCREASE OF THE ROLE OF STATES IN INTERNAL AND INTERNATIONAL ECONOMIC RELATIONS. IMPLICATIONS FOR ROMANIA

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Abstract

The paper identifies a number of causes that explain the increase of the role of states in internal and international economic relations during the past decade. The causes are both internal (such as the increase of inequality in developed countries, the demographic changes taking place in all countries, the climate changes, the implications of the beginning of the 4th industrial revolution) and international (the emergence of new economic powers in the world economy, the manifestation of military tensions and conflicts, the trend towards the rethinking and replacement of post World War II institutions and mechanisms). Under these new circumstances it seems that the only available entities that can attempt to provide at least reasonable solutions for the challenges mentioned above are the states which may alleviate the inequality issues by new redistribution mechanisms (such as the Universal Basic Income) or may try to find acceptable ways of better dealing with economic partners by means of bilateral and plurilateral negotiations, besides the existing multilateral frameworks. This new and rapidly changing international environment has certain implications for Romania that has to design a new strategy and vision for an effective and efficient participation in the global economy towards the time horizons of 2030 and 2050.

Key words: growth, development, role of states, inequality, the fourth industrial revolution

JEL Classification: H00, N00.

Introduction

The paper has in view to underline a trend that has manifested particularly since the onset of the economic crisis in 2008, a trend which brings back to the fore the role of states in economic growth and development, in finding solutions for: the social and political tensions generated by inequality or by the migrant crisis, the consequences of the 4th industrial revolution or the by the emergence of new centers of economic power.

This trend is relatively little studied in economic research either because it is relatively new or because it is rather contrary to many mainstream approaches that supported multilateralism, regional or even global governance and the decrease of the role of states during the 1990 – 2008 period.

By means of more examples and arguments the paper points to the objective and historical nature of this trend: objective in the sense that it does not represent an option but a feasible response to new circumstances; historical in the sense that the increase of the role of states represents a temporary/specific response to temporary/specific circumstances.

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Literature review

The role of states in internal and international economic relations have been studied from different perspectives, function of the specific historical analyzed. During the formation of the capitalist system and of the European national entities during the 19th century and the beginning of 20th century, the role of states has been intrinsically related to the development of markets (Polanyi, 1944/2001), although the liberal economists saw often a conflict between markets and states (Blyth, 2013). The two world wars of the 20th century and the bipolar international order of the post World War II period had been dominated by the presence and actions of states which participated, function of their power and level of development, in the design and functioning of world order of the respective times (Kissinger, 2014). After 1990, once with the demise of the Soviet Union, the reunification of Germany and the accession of the Central and Eastern European countries to the Western European integration mechanism the role of states seemed to decline gradually as result of globalization, various forms of economic integration and a trend towards universalism (Wolf, 2001). The idea of a gradual melting of differences and national states and economies into a global economy governed by universal institutions (such as the International Monetary Fund or the World Trade Organization) led some authors to foresee an end of history (Fukuyama, 1992).

From another perspective, the relation between state and economic growth and development is linked in many cases to the relation between economic and political liberalization. While the economic liberalization has in view the securing of market economy mechanisms and the opening of an economy towards the world economic flows, the political liberalization has mainly in view the reduction of the role of state in economy. What is very interesting and relevant from the point of view of this research is the fact that relatively recent and comprehensive studies pointed out that the states that obtained better economic results in the long term were the states that achieved first an economic liberalization and only then a political liberalization (Tabellini, G., 2004). In other words, the studies showed based on the analysis of concrete examples that an economy can develop faster with a stronger state, while postponing the reduction of the intervention of state in economy for a later moment when a higher level of developed has already been achieved.

Similar conclusions have been drawn on the basis of the analysis of the evolutions recorded during the period 1960 -1980 in South Korea, Taiwan and Malaysia (Brown, J., 1993). These conclusions showed that states can play an important role in supporting the economic development by means of adopting coherent development strategies, implemented through pro-active policies for the stimulation of trade and industry. At the same time, an already important economic power, China (Gabriele, 2009) and a becoming important economic power, India (Mukherji, 2009) are using (although in different ways and with different mechanisms) the substantial intervention of the state for securing their spectacular economic growth and development.

1. The general context of the trend towards the increase of the role of states in internal and international economic relations

After the onset of the financial and then economic crisis that started in 2008 a number of phenomena that have begun several decades ago started to become more

prominent. These phenomena indicated a change in the perception of globalization but also a change in the perception of the role of states in international economic relations.

The change of perception reflected a transition from an approach based on an ever increasing orientation towards global integration and global governance to an approach based on a return of the states as main actors in the world economy. Such a transition emerged in our opinion from the need to solve:

- a number of internal/domestic problems (such as the inequality manifested in the developed states or the need to eliminate underdevelopment in case of developing countries);

- some external/international or global problems which manifested in various ways, from military tensions and conflicts to climate change and the need to manage the economic, social and political implications of the fourth industrial revolution.

This transition from a global and integrative approach and perception to that of a multipolar system with variable geometry and characterized by eclectic and changing rules of the game has generated numerous conceptual, moral and even philosophical dilemmas. At the end of 2017 in United States there were references to a „moral crisis” based on the fact that three persons own more wealth than the poorer half of the population (meaning more than 160 million people (Collins & Hoxie, 2017). At the same time there are discussions about „Globalization 2.0” with reference to an increasing interdependence among different cultures and societies in general and between the Western culture and type of societies on the one hand and the rest of the world cultures and societies on the other hand (Barber, 2016).

After the onset of the 2008 crisis some authors mentioned a crisis of globalization but, in our opinion, the current situation reflects rather a new stage of globalization which attempts to integrate and to accommodate the quantitative accumulations from the previous periods with the new geopolitical, economic, technological, demographical and military circumstances.

Closer to Romania, The European Union has been confronted, first of all, with an identity crisis due to the profound changes that already took place inside and outside the organization (Navracscics, 2016). The design of a new European ideal, of a new model, represents a complex and collective work to which the member states have to participate, not only because they are the only actors to represent their respective people, but also because if the member states are not involved plenarily and with reference to all decisions then any solutions and strategies would be incomplete and unsustainable.

In the previous decade the neoliberal doctrine supported the idea of an objective decline of the role of state in economy while in recent years officials of the European Union supported a federalist view (aiming at creating an United States of Europe). Such views have created the impression that the states are outdated forms of social and economic organization, that they are anachronistic and those that support them are either nostalgic or less informed.

Anyway, the past two to three years witnessed several events that point to a contrary direction, that of an increase of the role of states both in providing for successful economic growth and development but also for solving problems such as underdevelopment, reduction of poverty, mitigating conflicts or managing technological changes.

Given these internal and international events as well as the existence of different views and approaches it is necessary, more than ever, to discuss, to explore and to understand different positions and their rationale. These discussions and explorations require interaction, dialogue and collaboration in order to reach a holistic vision of the world, based on the idea of synergy and not of a zero sum game. At the same time it is necessary to understand which are the key players in the global arena in order to secure their participation to discussions and negotiations.

The analysis of the global situation between 2008-2017, as well as of the different projections to time horizons related to 2030 or 2050, prove that the role of states has increased and will continue to do so in the following years from multiple points of view and in specific formats that will be adequate to the coming periods.

2. Arguments explaining the trend towards the increase of the role of states in the internal and international economic relations

In order to clarify if the increase of the role of states in the internal and international economic relations is only an accidental manifestation or a rather long term, objective phenomenon in the following we present a number of clear and verifiable manifestations that support the hypothesis of a long term phenomenon.

Among the arguments that support the idea that the role of states has increased in the past decade there are the following:

- During the whole post World War II period until the present moment important centers of economic power have emerged based on a significant role played by the respective states in economic growth and development (the cases of Japan, South Korea, Singapore and more recently, China and India);

- The manifestation of some problems related to economic disequilibria, demography, technological changes and climate change require the implication of states in order to identify and implement sustainable solutions;

- A number of United Nations initiatives related to solving or improving on some challenges that confront the world economy (such as poverty, underdevelopment, elimination of certain health conditions, improving access to education and information) have been carried out or are currently in progress with the participation of states (among them one can mention „Millennium Development Goals” for the period 2000 – 2015 and „2030 Agenda –Sustainable Development Goals” for the period 2016 – 2030)

- The emergence in the developed countries of some major problems related to inequality in wealth repartition require substantial changes in the fiscal systems and the design of new mechanisms of redistribution which can not be conceived without the intervention of the states;

- The emergence of certain problems which are related to the specific conditions of some European Union member states (the migrant crisis, banking crises, unequal development of regions). As the respective problems are specific they can not be solved with unique solutions applicable to the whole European Union and therefore they require the dialogue among the member states in order to clarify what is specific and what is common and therefore which solutions are effective and efficient;

- The emergence of numerous areas of military conflict in different zones of the globe (Middle orient, Ukraine, Syria, the far East) which imply conflicts among military powers and therefore among states. One can note in the past years a return to the use of explicit/military power to the detriment of the diplomatic power;

- The emergence of some major disequilibria in the area of international trade and investments. As results of these disequilibria the world economy is characterized by the existence of some states with huge trade surpluses (like Germany, China or Japan) and of some states with huge trade deficits (such as the United States of America). At the same time there are some massive international acquisitions/investments made by the states that have large amounts of capital (one can mention here the acquisitions made by China in the European Union members states or the acquisitions by international investors of 40% of the agricultural land in Romania). Under these circumstances the need emerged for the intervention of states for supporting national interests. This situation generated a trend that favor bilateral or plurilateral regulation of trade and investments to the detriment of multilateral/universal regulations. In this context President Donald Trump explicitly stated that the national interests can be better represented by means of bilateral agreements between states in which case each party expresses directly their points of view as compared to the situation when all parties have to reach a consensus (the case of the World Trade Organization) or when states are only indirectly represented (the case of the European Union where there is a common trade policy and where there is a unique position for all member states in the international organizations);

- The manifestation of some massive migrant flows towards the developed states which are relatively near the conflict zones required the intervention of the affected states for conceiving and implementing solutions aiming at solving and preventing conflicts, instability and social tensions;

- The manifestation under multiple forms of the need to redefine the institutions and rules that represent the international economic order, given that the old structures, such as those established in 1944 at Bretton Woods, are no longer adequate for the new characteristics of the world economy. This need involves negotiations among states because for the moment there are no other representative entities able to discuss and propose the rules of the game and the institutions to provide the governance for the international economic relations for the next three decades, that is at least until 2050.

The trends and circumstances mentioned above describe a large set of domains and phenomena where the intervention or participation of states has been, is and will be absolutely necessary or at least substantial.

Because in the previous parts the term „state” has been frequently used, some clarification is necessary. In all these formulation by „state” we have in view a form of organization for economy and society that allow an effective and efficient use of the resources available in order to attain desirable goals that refer to human development, sustainability and adequate interaction with the regional and global environment. In other words, the use of the „state” concept do not imply either the meanings and mechanisms specific to the states that existed at end of the 19th century and beginning of the 20th century or those specific to the period after World War II, when numerous states formed as result of the dismantlement of the colonial empires.

What is specific for the current period is a simultaneous manifestation of cycles and phenomena which determine the change of the balance of power among different regions and states of the world economy, but also to the change of the ways in which economies and societies are organized and function as result of the consequences of the 4th industrial revolution.

Even if the states are not at all the most efficient and effective entities for managing the challenges determined by the 4th industrial revolution, they are for the moment the only ones available and responsible, in their capacity as entities that provide governance for the respective economies and societies, as well as the interaction with similar entities (that is states) that cooperate and confront in the global arena.

Conclusions

The last decade has been characterized in the global arena by a number of significant changes that somehow brought back the states as important if not main actors for governing both internal or international issues, be they economic, technological, social, political or military. Such changes have included the emergence of new centers of power (such as China and India), the coming back of Russian Federation on the main stage of world order, the inequality issue that started to affect many developed countries, the migrant crisis that changed the political agenda in many European Union member states, the already manifest consequences of the 4th industrial revolution.

The new internal and international context asked for immediate and concrete actions that could not be taken by other actors than states. Due to this circumstances the states that are coherent and consistent over long periods of time, those that have clear visions and strategies are definitely at an advantage.

Given these trends and phenomena Romania may consider strategies and action programs that needs to be at the same time well grounded and consistent and coherent. Among the elements that have to be included in such strategies and action programs some are, in our opinion, essential:

- The selection of a country objective that is both clear and easily quantifiable. In our opinion this country objective should be that of achieving the developed country status which can be validated by the accession the membership of the Organization for Economic Cooperation and Development (OECD);

- The redefining, rethinking and acceptance of the national specifics, from a historical, geographical, cultural, social and economic perspective, as well as the definition of the national interest, on the basis of the previously mentioned specificities;

- The identification, based on the existing international experience, of those fields of activity in which the intervention of state (in the most open, flexible and operational understanding of this concept) is both necessary and effective for solving some problems and challenges of high actuality and significance (in the fields of infrastructure, education, health care, energy, high technologies);

- The preparation of a specific position based on the national interest for acting in a future internal and international context, areas in which changes are fast and already underway;

- The identification of a rational, efficient and flexible ratio between the role of state and that of the private initiative, from a local, regional, national, continental and global perspective, having as final goal the supporting of the human development of the Romanian citizens, according to the definition of the United Nations Development Program (UNDP, 2017);

- The active participation of Romania in the international debates which aim at identifying solutions for solving the problems related to inequality, as well as those resulting from the implementation of the technologies of the 4th industrial revolution, including the design and implementation of programs related to the Universal Basic Income. From the analysis of the developments and trends that have already manifested in all those areas the states will play a significant or even major role;

- The active and constructive participation of Romania to the debates taking place within the European Union in order to identify those ways for the continuation and deepening of the European integration with the proper taking into account of the interests of the Romanian citizens.

The challenges, difficulties, conflicts of interest but also the opportunities for cooperation could be very significant in a world which is more and more interdependent and interconnected. Under these circumstances, it is very useful to provide an ever better information of the decision makers, but also of the population in its entirety on the trends, phenomena and debates that take place at a global level.

The world economy will witness a lot of changes, in many fields of activity, quite often simultaneously, both from 2018 to 2020 and after that. Those changes will involve and impact the world economy, the European Union, the states and their regions, as well as each and every citizen, with very rare exceptions.

In all this transition from a world of today that is already under change to a world of tomorrow which can only be imagined, the states seem to be those entities which can provide coherence, consistency and proper responses, but only to the extent that they are prepared to do so.

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