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GLOBAL HISTORY

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Written By:
Lia Bassanini



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THE FIRST GLOBAL WORLD

Key word of the day: **globalization**. The current globalization is even more complicated than selling goods and sharing knowledge, competences across borders.

We have 2 definitions roughly:

- **globalization means integration of trade**
- **globalization means integration not only of economically wise, but also socially, politically (diffusion of political standards such as democracy)**

You want globalization when you are trying to connect with different parts of the world in order to get a chance to develop.

However, people criticize globalization because of the fact that it leads to cultural homogenization. Globalization is perceived as a danger for cultural unity and national identity.

Globalization today is **STILL** a fact, because, at the moment, if we look only at economic indicators (global trade, flows of capitals), we cannot say that globalization is over. What we assist is a dynamic which is not the **hyperglobalization** we had **up to 2007-2008**. The degree of integration of the world economy (China intertwined with the US) is extremely high and the cost of stopping it is way too high so globalization will go on, maybe in a more controlled way.

We tend to perceive globalization as a monotonic phenomenon, but it has ups and downs, according to what history tells us. There are globalization waves.

INCIPIT

The two centuries up to today can be rightly defined as the “**Age of the West**”: a period of Western dominance, both geo-economic and geo-political. This phase has been characterized by at least two accelerations of global integration: 1870-1914 and 1989-present.

It is important however to frame this into a much larger picture of multiple globalizations and shifting dominance.

In the past 2 centuries we saw **2 globalization waves**: the first one from 1821 (Napoleon died) until after WWI, the second one from WWII up to 2001 (9/11 and China entered the WTO).

The “Age of the East”

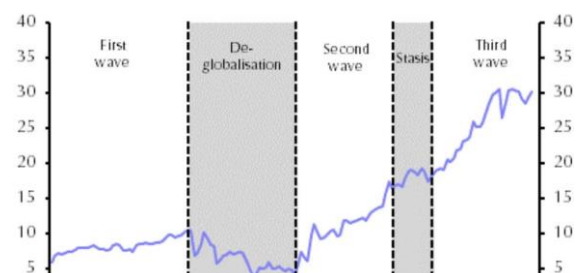
A broader, historical perspective provides a radically different picture about globalization than the one we are used to. Until the mid-19th century, the richest (in terms of World GDP shares) areas were in Asia, particularly India and China - which was also one of the world’s largest and oldest empires.

What has the “Age of the East” to tell?

A first “message”: the world’s geoeconomic and geopolitical equilibria are slowly but constantly subject to change. Globalization will not go on forever. It has piques and slower moments. There might be a change in trends one day. Secondly, globalization is not a new, but rather recurring phenomenon.

Thirdly, globalization is not monotonic but made of waves.

What has the “first” globalization to tell?



To better understand these dynamics, in this class we are focusing on the history of the rise and fall of the last globalization, the period of amazing integration which has characterized the World between 1850 and 1914.

- Which were the determinants of this globalization wave?
- How did it unfold?
- Which were the contradictions it carries with itself?
- Why did it end abruptly?
- Is this telling something to us today?

3 august 1914: Germany declares war to France in a context of high globalization + first passage through the Panama canal

The world of Yesterday

Around 1900, the world had reached a remarkable level of cross-border integration. Flows of people, goods and capitals increased progressively and steadily after the Napoleonic Wars.

History tells us that we don't know what will happen but we can argue some possible solutions to future problems, looking at the end of the first globalization wave.

What allows the process of globalization to unfold? Globalization takes place because of some apps.

The 6 “apps” of globalization: technology (ICT), institutions (means agreements), culture (drives the rest so also important), international relations, geopolitical structures, domestic politics.

The political structures can be both domestic and international. Culture is important for said structure because it has a direct impact on it (e.g. “MAGA” of Trump). When domestic politics, because of cultural issues, turns against international relations, it is easy to see how it affects political structures (e.g. tense relations between China and the US).

The apps making globalization can crash, which leads to the decline of globalization.

Gold standard: way in which different currencies are fixed to gold which is amazing for trade.

How was the world of Yesterday? It was “technology-intensive”

Technologies of the first industrial revolution (steam engine, mechanics, steel, and later electricity, submarine telegram project completed in 1866) became pervasive (and allowed globalization). Above all, technology was considered a sort of common good for the progress of mankind. **From 1866 on**, after the completion of the submarine telegraph between Europe and the US, the world became a web of cables.

How was the world of Yesterday? It was economically “integrated”

The second half of the 19th century was characterized by a remarkable **rise in the level of economic and financial integration** of the world economy:

- capital flows and capital mobility, almost without barriers, thanks also to the gold standard → and also thanks to the fact that there were so many empires at peace across Europe and the world
- trade flows, tariffs and prices convergence
- foreign investments and global companies (producing global products for global markets)

The 19th century was also accompanied by a decline of protection and an expansion of free trade.

How was the world of Yesterday? It was “borderless”...

Another macroscopic aspect of the nineteenth century's openness and globalization is **mass migration**: Trans-Atlantic, South-East Asian, Pacific, North-Asian. People were migrating to the US, in search of a better life (cf. Titanic).



During the second half of the nineteenth century not less than 60-70 (according to other calculations, 90) millions of people migrated following long-distance routes.

How was the world of Yesterday? It was politically imperial, and imperialist

During the second half of the 19th century the world was largely subject to some kind of imperial rule, which mirrored the West-East, North-South divide. As a consequence, major conflicts and blockages diminished in number and had mostly a local dimension. Globalization brought relative peace in a **British-dominated unipolar geopolitical order**, further fostering integration.

How was the world of Yesterday? It was “cosmopolitan”...

A cultural trait of the decades preceding the Great War was “**cosmopolitanism**” – the idea of mutual benefits in exchange (not only of economic nature) inside a sole global community.

But it was also undermining itself

This world ended up crashing at a certain point.

→ **Inequality** on two levels: It was based on western superiority, with huge disparities between the colonies and the motherland (poor versus rich). On a global scale, the “World of Yesterday” was largely unequal. This was the result of the North-South, West-East divide, of an imperfect taxation system, of the absence of welfare and widespread poverty, even inside the “developed” countries. This inequality fostered resentment and nationalist movements. It was also unequal inside the countries, also because in agricultural regions, globalization brought unemployment (because everything was imported), which fostered rage and frustration → “the age of frustration”

→ **Trade**: trade integration hurt European interests and, wherever these were powerful enough, the legislative reaction was predictable: tariffs rose also for protecting infant industries, and trade wars started.

→ **Racism and intolerance towards immigration**: Countries of immigration (the New World) started to tighten rules by the end of the 1880s. The “safety valve” of emigration was stuck and voices started to prevail over exit.

GLOBALIZATION AND EMPIRES

Today empires are regarded as something of the past, and we, especially western countries, tend to look at them as something that should be forgotten, because it wasn't the best part of western history. Using the term imperialism, for Kim Jung Un and Putin, is something extremely real because it evokes the domination of the West.

When the first wave of globalization took place, the dominant political formation was not the nation state, they were empires. A huge proportion of the world population and territories were part of empires. Empires explain a lot the geopolitical equilibrium which superintended the process of global integration. Globalization was made easier by empires. Inside the territories of modern empires and in between them, globalization took place. These supranational political formations made globalization easier.

The western empires were the most important and invasive in the world. They kept a remarkably low level of geopolitical turmoil. Empires are responsible for **a long phase of equilibrium**.

They suppressed national identity and cultural differences. The EU does the same thing more or less. Some months ago, the Ukrainian Foreign minister was claiming that Ukraine wanted to be a part of the EU, which he named “a liberal empire”, an empire that grants liberal democracies to exist.



Empires tended to be quite resilient, enduring for a long period. Some cases are remarkably resilient: the Ottoman empire, the Austro-hungarian empire. Others were less resilient but lasted up to very recently: in 1953, took place the coronation of Elizabeth the II, just 5 days after the conquest of Everest, 4 years before the creation of the EU. The push for the final conquest of Everest (named after a British photographer) was important to conquer when the new monarch was going to be crowned. The symbolic conquest by a NZ guy, a member of the British empire, and a Nepalese who migrated in India → both proud members of the British empire, who conquered the highest peak in the world. Empires had however been seriously rigid, such as the French empire: between 1954 and 1957 (same time as the glorious conquest of the Everest), the French were fighting a quite violent war in Algeria. The battle of Algiers was extremely heavy (see *La Bataille d'Alger*), and the Algerian resistance started in France, planting bombs in coffee shops. Violence was diffused in France (throwing of Algerians in the Seine during the night of October 17 1961).

Why does this matter?

Some global phenomena of the past allow more than others to understand better how people think and behave in the present. Inextricably linked to globalization there was **imperialism**, that is the design of geopolitical expansion of polities over other polities. Understanding imperialism is particularly relevant today for several reasons. **First**, Empires can indeed be rightly seen as part of history, political artifacts belonging to a distant past, endowed with a sinister reputation. Nonetheless, they have powerful echoes in the present; imperial nostalgia, or hate, allow to explain many geopolitical actions of the present. **Second**, “Empire” is a term very often used to explain present geopolitical events – as for instance the Chinese expansionism in Southeast Asia, or the Russian assertiveness in Central Asia. **Third**, the current hierarchy of World powers is made of several polities the “size” of which resembles that of the imperial powers of the 19th century. Understanding their structure, and governance, can add much to our understanding of our geopolitical present. **Fourth**, From another point of view, Empires, as supranational political units, have been functional to the existence of global integrated economic spaces, supporting the existence of globalization itself.

The modernity of Empires

Empires have been important entities until very recently. But why should one care about them today? Apart from the reason put forward, why should we be interested in understanding the structure of empires today better, when there is only one “empire” (the Japanese one) left?

1) “Empire” and “Imperialism” are terms and “images” widely exploited by political leaders. Empires explain a lot of the political orientation of some countries.

- **Empires and National Pride/Identity**

- The “good old Victorian days” and Brexit (B. Johnson: we have been managing an empire alone for centuries, we can stand without Europe)
- Restoring Russia’s self-esteem (the collapse of the Soviet Union in 1989 is considered a tragedy, not because it is the Soviet Union crumbling, but because it is the Soviet Empire. Indeed, Putin often uses the memory of the Tsar.)
- China before the “humiliation”: “One China” and South China Sea claims (the wish of China to take back all ancient colonies such as Taiwan is to restore the former Chinese unity/empire, though empire is never used because it doesn’t sound very communist)
- Neo-ottomanism (bring into unity, countries and population who were under the idea of a turkish belonging as if it were the former ottoman Empire) → Erdogan is very into that

- **“Echoes of Empires” and National Identity-building**



- South Korea vs. Japan

Even though they don't call them empires, all of these are ones.

2) The “dynamics” of Empires (rise, expansion, decline) can give a better understanding of the dynamics of supra-national entities (e.g. the governance of the European Union, or even the collapse of Yugoslavia and of the Soviet Union).

3) The concept of “Empire” is a delicate geopolitical concept: the political management and governance of “space”

Empires in the First Global Era

Empires were “the standard” political entities during the First Globalization. On the eve of the Great War, Empires covered 60% of the World's surface and an almost equal proportion of the World's population was under some form of **imperial rule**. The largest was the British Empire, which at the end of the XIX century covered around 25% of the world's land and ruled roughly the same proportion of the world's population: around 444 million people. The Russian Empire ruled about 17% of the world's land, the French 8.5%, the Ottoman 3%, the German 2.5%, the Austro-Hungarian 0.5%.

«Modern Empires», empires that existed after the Westphalia peace in 1648 (those with a nation-State at the core), were both ***Empires by Land*** which were largely empires that expanded through violence but also peaceful solutions (e.g. Russia, Austria-Hungary, the Ottoman Empire) and ***Empires by Sea*** which is an empire that travels by sea and conquers through new discoveries (France, UK, Japan), or overseas colonial empires. Behind these 2 models, there is a difference in governance.

Two different processes:

- a) expansion of a «nucleus», often through relatively peaceful annexation of territories
- b) colonial expansion through the conquest of distant (overseas) territories – **NB *technology matters!***

Modern Empires and Globalization

Modern Empires promoted the globalization process facilitating trade and integration. They were building infrastructures in the colony, for their own use (notably connecting the countryside to ports instead of cities in Africa). The technological revolutions of the XIX century accelerated the expansion of imperial rule, lowering transaction, information, communication and transportation costs and integrating markets. This increased the incentives Empires had in building infrastructures in the colonies, even if this frequently had a considerable impact in the long run on the infrastructural endowment of former colonies.

Technology explains why and how empires could exist. Modern empires were largely in 2 parts of the world: Africa and Asia. **Empires were peaceful in Europe and very aggressive outside of it.**

At the same time, the US, which was also somewhat of an empire, were expanding and setting their control over the Pacific.

Geography of Modern

Colonial Empires: Asia → During the First Globalization, the geopolitical geography of Europe was in some way “frozen” by the presence of the post-napoleonic “**Concert of Europe**” (1815), that established a set of principles, rules and practices that helped to maintain balance between the major powers after the Napoleonic Wars, to spare Europe from another broad conflict. The system instituted a certain multilateralism that was expressed through congresses and conferences, and was based on the values of a shared civilization.

Therefore, modern Colonial Empires expanded in first in the Eurasian landmass: the subjugation of China as a «special case» (see later), British India (1858), French Indochina (1880s), while some of



the old colonial outposts (Portugal and the Netherlands in Indonesia) were already present. Russia completed the colonization of Siberia around the 1890s, while Japan annexed Korea in 1910.

Geography of Modern Empires: Africa

In Africa, before the 1870s, Europe was rarely present (coastal trade colonies), but at the beginning of the 20th century an almost total “partition of Africa” occurred, after the **Berlin Conference or “Congo Conference” (1884-85)**, with the consequent further expansion of new Empires by Sea. The European powers partitioned the continent.

Geography of Modern Empires

Why was Modern Imperialism Western? Domination as the outcome of the process of **Great**

Divergence:

- Institutions (North) → better institutions, which allowed them to be more efficient
- Culture & Religion (Landes) → wanted to expand their culture pushed by their religion, wanted to colonize by their moral values (which gave a justification to colonialism)
- Natural Resources Endowment, Cost of Labor and Technological Innovation (Pomeranz)

Conceptualizing Empires

Why are empires so interesting for us? If we conceptualize empires, this will give a useful insight. Broad definition: a supranational institution or a relationship, formal or informal, in which one political entity (polity) controls the effective political sovereignty of another polity – maybe formally distinct (e.g. British India). Modern Empires were different but shared some elements.

1) **Territorial asymmetric structure:** Core/Peripheries (a Nation State starting the imperial expansion).

Core/periphery relation: the balancing between power and «care» (different «governances» in different Empires). In different empires, you have different typologies of governance and this explains a lot about the resilience of empires.

2) **Dynamism:** the Nation State has «sacred» borders guarded and defended, the Empire is by definition an expanding (sometimes contracting) *dynamic* entity

3) The process of expansion creates **new peripheries, dominated** (but not always sub-jugated) **by the core**. Sovereignty is indeed the «hardest» form of territorial inclusion, preceded sometimes by «*suzerainty*» which does often apply to buffer territories, so they are part of both empires. This was the solution Macron proposed for Ukraine. This is different from neutrality which means that you are not part of any alliance, whereas the buffers were in both (Finland in the CW).

4) As a result of the expansion, Empires were by definition **multicultural, multi-ethnic, multi-religious**. Much depended on the way in which their governance was shaped.

The Habsburg Empire (1526-1919) and its symbolic «symmetric» governance

How do you keep it all together?

1. **Violence and distance** → clear separation between subject and colonizers, with 0 involvement of the colonies in their management (ex of Belgium in Congo)

2. **Symmetric governance** is the opposite of the first solution. The Austro-Hungarian empire had of course a dominant population but its rulers started very early, in the 18th century, to involve the rest of the empire in the governance of the empire → in the Parliament, all the nationalities in proportion were represented, all bureaucratic documents were translated in the languages spoken in the Empire. Religion was also respected and thus was never an issue. The Roman empire as well had this very strong idea of inclusion, which is why it lasted for so long.



Rationales Modern

Why empires? Empires were expensive, to be built, and above all managed, even if technology made them “sustainable” to some extent. There are (often concurring) reasons for which a polity embarks in gaining control over the sovereignty of another polity.

- Economic rationales: control over markets and over natural resources but it is not always obvious that economic reasons are what is behind. The economic rationale can be sometimes endogenous.
- Political rationales: internal consensus/international reputation
- Ideologic rationales: nationalism, geopolitical competition, search of “vital space”, including cultural determinants and religious motivations.

Governance of Empires

Besides these rationales, Modern Empires shared issues of «governance», that is, of management of the core-periphery relations as well as the relations among their (various) peripheries.

Almost all the «colonial empires» did not need or wish to even remotely put the peripheral territories on an equal footing with the core. (**Outward**) Colonial imperial governance was largely and frequently based on subjugation, segregation, separation. Examples: Japanese Korea, French Africa, Belgian Congo, Dutch Indies

A few (as multiethnic Empires as for instance Austria-Hungary, the Ottomans) were ready to grant a greater degree of inclusion and representation to some of the territories or populations located inside their borders, associated in one way or another with the management of the central institutions. (**Inward**) Territorial imperial governance was based on integration.

Empires and Nationalism

Empires were powerful instruments for globalization. However, both these “forms” of Empires were going to succumb under different kinds of “nationalisms”:

- Colonial Powers had to confront increasing pressures from the “subjects” and their independentist movements, which turned to be an increasing problem (also in economic terms). The situation was managed through a progressive release of power but degenerated often in brutal wars
- The more inclusive empires were instead in difficulty in managing the internal equilibrium among nationalities, due also to the economic impact of the first globalization over their internal regions
- The case of Austria-Hungary: national sentiments fuelled by economic globalization were increasingly difficult to be managed by the core, and the Great War accelerated the collapse.

OPIUM AND ENTREPRENEURSHIP IN THE 19TH CENTURY

How drugs and global trade have shaped the global economy

Since the 1990s, the West has been struck by a severe “Opioid Crisis”. Since the end of 1990s, 1 million people have been dying of drugs in the US. Opium is being produced mainly in Afghanistan and more recently, the chemical version of Opioids, comes from laboratories in China that produce Opioids or that sell ingredients that are then manufactured in Mexico and enter the US.

We will see more or less the same story, with characters playing a reverse role.

Why were Scottish merchants trading opium from India to China two centuries ago? 200 years ago, there were Scottish merchants trading opium from India to China because they were trading Opium



with Chinese tea and silver. Initially, the East India company, which opened under the British crown, had the monopoly of trade in Asia. At the same time, there was the first industrial revolution in the UK, when China used to be the first producer of textile, but the UK started producing a lot of it so it started to look for markets where to sell it. The UK also needed to import most of its products. To operate globally at the time, you needed a military, and the UK one was huge. In this period we see the start of the Global Economy.

1) Context: The first global economy (Victorian Age)

International Trade had existed for long, but it accelerated after the First Industrial Revolution in the late 18th century and continued with the Second Industrial Revolution starting in the mid 19th century – the magnitude of trade further increased, thanks to the ability of ships, a strong military of the UK, and the new products the industrial revolution had brought.

The UK didn't have as many colonies as it then gained but it had trading poles over south east asia, where they were trading goods, extracted from the interior of the country and then were exchanged with the manufactured products made in the UK. We had a great community of traders that were all ethnically organized (jewish, scottish, etc). Traders could leverage a series of globally connected trading posts and portal cities where dense trading networks of different ethnicities coexisted and thrived (cosmopolitan bourgeoisie).

How do you ensure you can trust the people you're trading with? You hire within your community.

In the 1820s, private companies from the UK and other Western countries started investing in the development of the empire. In 1834, the EIC (East India Company) monopoly with China was officially dismantled.

Several conditions helped economic activity to expand globally from advanced European economies to the rest of the world:

- PEACE;
- LIBERAL POLICIES;
- GOLD STANDARD;
- and IMPERIALISM (ensured stability and security with the army)

Some CHALLENGES remained: Distances and Cost of Transport

From the 1840s to the beginning of WWI, we had an intensification of trade, that is usually called the **First global Economy**. It allowed the British empire to expand and extend their trading poles to the entire country, which peaked in 1922, when it ruled over 25% of global land and 450 million people. In this period, Britain made sure to extend its control also politically, and extend its production all over Asia, including opium plantations (the first one being in Calcutta). Eventually, up to the end of the 19th century, they started opening up plantations all over Asia, especially in Malaysia. In this process, they also made sure to deindustrialize China and India, which were arguably the 2 richest countries in the region, which produced mostly for their domestic market but did export a lot in the West as well.

2) Markets: Opium trade

There were flows of investment going from the UK to India, alongside products manufactured in the UK, where at the time people wanted mostly from China the exotic goods, such as silk and tea. China was then mostly a creditor. In this period, all international trade was done in silver, which China had a lot of, which meant that a lot had been bought by the UK but not enough had been sold, which resulted in a need for exchange, but China wouldn't buy the UK's manufacturing products, because the Chinese emperor didn't want to buy British manufactured goods. They mostly traded with Dutch and Portuguese. They didn't want to trade with the UK because it was perceived as something



destabilizing, and they also thought that the British products were junk. The Chinese society also didn't value the social status you would get from gaining money with trading.

The UK thus decided to industrialize India. With the **opium** produced there, they would exchange opium with silver in China. The fact that opium became so diffused in China created an imbalance in the economy of the country. Inside China there was a dual currency system with silver (used for paying taxes and imports) and copper (used for everyday market purchases, so used by ordinary people). When you had to pay taxes, you had to use the exchange rate between silver and copper. Because the silver got rarer, the exchange rate went up and the peasants needed more copper to pay taxes.

Why opium instead of something else (which was not allowed to be produced in China and which was illegal to import)? Because it is addictive, there's always gonna be a demand for it. It was used as a medicine.

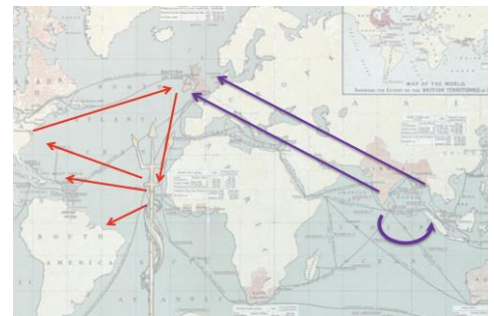
Why was tea so in need at the time in the UK? Because the water wasn't clean at the time and because tea and beer are the national drinks, but beer is not good for concentration, so workers were encouraged to drink tea.

Colonialism: UK controlled opium production primarily in India through directly managed and licensed plantations

Triangular trade

The opium route allowed the EIC to divert some of the loss following the abolition of slavery in 1807 (de facto 1833)

- 1) West Indies trading slaves to the Americas and cotton, tobacco, coffee and sugar (etc.) to Europe.
- 2) East Indies, trading opium from India to China, and tea and silk back to Europe



The Opportunity

OPIUM	CHINA
<ul style="list-style-type: none"> ● highly addictive ● painkiller (no penicillin) ● easy to transport ● control over Indian production 	<ul style="list-style-type: none"> ● no mindset for entrepreneurship ● closed to UK trade ● massive population ● weak military

What were the main challenges of operating the opium trade?

- long distance → infrastructures/technology, hiding people within your community, use faster ships
- chinese ban → use diplomacy/the support of the government
- competition → you diversify, start investing using the money of opium in real estate, construction, rubber, tobacco, mining operation, banking, insurance

Opium Wars - what was the real goal of the British government?

- 1813 - Opium Declared illegal in China
- 1830 - 12 million addicts in China (10% of population)
- 1834 - end of EIC monopoly
- 1836 - China bans imports
- First Opium War 1839-1842



- Second Opium War 1858-1860
- 1868 – Opium illegal in Britain
- 1880 – 40 million addicts in China
- Treaty of Shimonoseki 1895
- Boxer Rebellion 1900

During the 19th century, we see that the British tried to open up China in every way. The real goal wasn't to sell opium, but rather to restore the imbalance of the silver trade.

In 1912 Was Keswick's optimism about the future of China justified?

REGULATION	ASSUMPTIONS
<ul style="list-style-type: none"> ● institutional reforms ● introduction of commercial law 1904 ● change in the public examination rules 	<ul style="list-style-type: none"> ● good institutions supporting capitalism ● still possible for Western firms to operate ● still environment for international trade and globalization

China's Role in the US Opioids Crisis in the past decades

Since 2013, China has been the principal source of the fentanyl flooding the U.S. illicit drug market — or of the precursor agents from which fentanyl is produced, often in Mexico — fueling the deadliest drug epidemic in U.S. history. Both the Obama and Trump administrations devoted significant diplomatic capital to persuading China to crack down on the supply of fentanyl from China to the United States. Some 20.6 billion opioids parcels from China arrived in the United States in 2015 by sea and air cargo and through postal services; and nearly 500 mln by post alone in 2017: 12 million seized by mail. The very same U.S. pharmaceutical companies that unleashed the opioid epidemic in the United States, such as Mundipharma, the international branch of Purdue Pharma, and several other international pharmaceutical companies have turned their sights on China and other markets abroad. see the rest of the slides

Case Key points

Globalization: although international trade had long existed, in the 19th century, international relations pushed the scale of the integration and via technological advancements in transport and communication.

Responsibility: The China case shows that globalization involved the use of force and produced winners and losers. The rest of the world was also integrated by force.

Non-linearity of history: The China Keswick was imagining in 1912 would materialize only in the 1980s.

Resilience & Adaptability: Individual businesses can survive this non-linearity and major political and economic shifts. Jardine's revenues in 2019 amounted to USD 40.9 billion.

MODERNIZATION AND GLOBALIZATION: JAPAN

Globalization is creating winners and losers. Globalization today means fragmentation and specialization. Specialization creates a huge issue of displacement → inequality inside a country. It is also creating inequalities among countries (ex of the iPhone: who is capturing the value of the iPhone?). China was a loser, it lost its political and economic independence, which is one of the main



arguments it is using to expand in Africa. Things could go in a different way: globalization can create winners (US) but also quasi winners (Japan).

Why does this matter?

Globalization is a controversial matter. As Francis Fukuyama (*The End of History and the Last Man*, Free Press, 1992) famously pointed out, it has in itself an overwhelming power, the power of transforming consolidated political, social and economic structures. Globalization is often seen as a homogenizing force, creating supra-national standards of behavior (institutions). Advocates of national identities consider this a dangerous, and negative process of cultural expropriation. Others, instead, see in this process something ultimately positive, which enhances the sense of cosmopolitan identities at the expense of nationalistic stances, facilitating the process of supranational integration. **Globalization means, in any case, a challenge** which countries have to deal with, to the economic, institutional, political and cultural structures.

Why Japan?

Globalization cannot be avoided: must be confronted. For a long time, the only Asian case of modern economic development thanks to the acceptance of the constraints of global integration was Japan. An outstanding catching-up story: from rags to riches in (less than) one generation. A unique case of “institutional imitation”. A peculiar version of State-led development. An expanding Empire until WW2: the Japanese story is essential for understanding the geopolitical, long-term history of East Asia and its present situation. The *Political economy* of nationalism and imperialism ignited by globalization (and the similarities of today)

Globalization impacted Japan in different ways and different directions.

Japan, mid 19th century

In the 19th century, in the Pacific ocean, whales were very important → **whale diplomacy**

Why was such “diplomacy” necessary? In the mid-nineteenth-century increasingly globalized World, Japan was a “divergent” country. Some features:

- Closure (sakoku): an isolationist policy since the beginning of the 17^o century
- Feudal political structure (power centralisation)
- Feudal social stratification: Emperor, military dictator (shogun - Tokugawa) and a “samurai elite”.
- Specialized agriculture, mercantile elite and urbanization
- Widespread education

From Whales to Black ships diplomacy

Under the pressure of the US. geopolitical expansion, Japan was forced to choose between *sakoku* and opening to the global economy. In the years which followed Matthew Perry’s visit, the military elite (Shogunate) started a process of prudent modernization, between traditionalism and “progressive” attitudes. In the second half of the 1860s, growing clashes among the Shogunate, the samurai elite, the Emperor and the wealthy mercantile and capitalist class, over the pace of the modernization process. This situation gave the opportunity for a deep reshuffling of Japan’s political structure.

Meiji Restoration, 1868-1869

For two years (1868-1869) the shogun’s and the Emperor’s factions confronted themselves in a civil war (the **Boshin War**) with the help of foreign military advisors (e.g. the French advised the shogun’s party). The end of *shogunate*: actually, a «Revolution» under the form of a «Restoration» of the legitimate power of the Emperor.



Globalization cannot be avoided

The Japanese political elite was aware of Japan's inferiority in technical, industrial, and institutional terms – a threat too big for a country willing to preserve its independence (remember Perry, his guns and unequal treaties). Nationalism left an only option: modernization, industrialization, “westernization”. Nationalism “forced” Japan to embrace globalization. This was possible only through *political, institutional, technical, industrial* modernization.

Modernization was the only way to not become a colony of the West.

Political modernization with the 1889 Constitution

Institutional modernization

The process of institutional modernization was carried on through a strategy of imitation and adaptation of Western institutions to the Japanese context. This was typically undertaken through diplomatic missions abroad with the purpose of studying the organization of Western modern States.

Japan discovering the World: the Iwakura mission (1871-73)

The Iwakura Mission was a Japanese diplomatic voyage to the United States and Europe conducted between 1871 and 1873 by leading statesmen and scholars of the Meiji period. It was not the only such mission, but it is the most well-known and possibly most significant in terms of its impact on the modernization of Japan after a long period of isolation from the West.

The aim of the mission was threefold; to gain recognition for the newly reinstated imperial dynasty under the Emperor Meiji; to begin preliminary renegotiation of the unequal treaties with the dominant world powers; and to make a comprehensive study of modern industrial, political, military and educational systems and structures in the United States and Europe.

Technical modernization

One major problem after two centuries of isolation was a **dramatic technological backwardness.** The solution: human capital training both abroad, and in Japan.

Industrial and technological modernization (and the key role of the State)

The dramatic lack in technology was mirrored in the lack of modern industries, even if the Edo period had created good prerequisites (e.g. infrastructures, mercantile class, urbanization). Since the beginning, the Meiji economic policy targeted import substitution in cotton and to the development of indigenous capabilities in textiles and related industries. At the beginning, State-sponsored (pilot) plants, subsequently sold to wealthy mercantile families. The birth of the large, conglomerate family business groups: the *Zaibatsu*. A growing connection between the private sector and the military: Fukoku kyōhei 富国強兵, "Enrich the country, strengthen the military".

The political economy of a rising Empire

The Japanese case shows for the first time the close “political economy nexus” linking industrialization, technological leadership and political goals. Industrialization was essential to:

- a) Secure national borders
- b) Being among “peers”
- c) Expand the geopolitical influence: 1894-5 China (Manchuria), 1905-6 Russia, 1910 Korean annexation

But also the fact that globalization could deeply transform a country from a marginal, secluded society into a country taking off as a regional power, and soon aspiring to the status of a great power. Looks familiar?



Globalization

- **Political economy:**
 - Russia: liberalizations, social shock, which ended with Putin in 2001 → restore state authority, curb oligarchs, developmental state
 - China: since 1980s, private initiatives, which ended with Xi Jinping → authority of the state, state owned enterprises, curbing private initiative
- **Political environment:**
 - Russia: emerging democracy, since Putin → autocracy
 - China: no democracy, socialism with chinese characteristics, and since Xi → autocracy
- **International relations**
 - Russia: assertive revisionist powers
 - China: assertive revisionist powers

THE FIRST GLOBAL WAR AND ITS LONG SHADOW

Read the article of the NYT: Trade is too important to push people to go to war

After the celebrations of its centennial anniversary, in 2018, the “Great War” may be relegated into history books, and movies, but if we look carefully around it is still “present”. There are, however, good reasons for better understanding this tragedy (beyond the usual perspective, that is the history of battles and heroism). **One is its “globality”**. The Great War was one of the global phenomena of the 20th century surely for its geographic span, larger than ever. **Second**, it erased from the World map ancient empires and completely revolutionized the World’s geopolitical equilibrium, bringing at the forefront new “imperial” powers, such as the US. and Soviet Union. **Third**, it brought to an abrupt end the basic components of the World of Yesterday – first of all international trade and migrations. **Fourth**, the Great War deserves our consideration because it originated several features of our present. It created nations and nationalism, and also the concept of ethnic minorities; it shaped on the battlefield, the conscience of the masses, soon going to revolutionize domestic politics, thanks to the introduction of universal suffrage. The conflict promoted a first emancipation of women and of colonial subjects which fought for the “motherland”. **Fifth**, the War ignited the general instability (political, economic, geopolitical but also cultural) which characterized the two decades following this global tragedy.

Wars and Globalization: some considerations

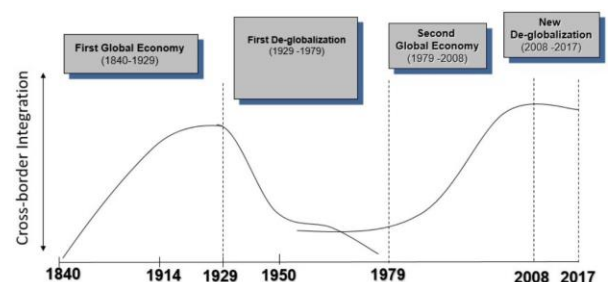
Great Wars coincide with the slowdown of globalization waves.

Barely governed globalization can ignite processes which end in growing tensions at the domestic and international level [any reference to today is wanted]

Globalization allows countries to accumulate the resources (capital, finance, technology and knowledge) to be deployed in a conflict.

Global wars can be the outcome of un-governed globalization. But can wars have a direct effect on future globalization waves, maybe providing incentives to technological progress?

Globalization is threatened by the fact that it makes losers not only within countries but also amongst them.



A War «still present» (monuments)

On the centennial anniversary of the Versailles treaty, the first World War (or, as it was called, the Great War) is worth understanding in depth. It was a deadly blow to the first global World and ended globalization, but in itself a «global» phenomenon:

- Global impact
- Global consequences

The first Global War

This War was different from the previous (geographically circumscribed) conflicts for at least three reasons.

Its geographic scope. The War was clearly an European affair. It started symbolically in the core of Europe (Sarajevo, June 28, 1914) but, since it was fought by imperial powers, it quickly became a global War, in Europe, Middle East, Africa, East Asia. The political structure of the world was imperial, technology of globalization made it possible. This conflict started in a very specific place, symbolically, but had global consequences. This is the first War in which the scope of the war transcended Europe and became global. Japan was fighting a war, starting in Europe, alongside the British, the French and the Italian powers, against Austro-Hungarian empire, Germany and the Ottoman empire, because Germany had many colonies in the Pacific (Indonesia, full of interesting raw materials), alongside Tsingtao (strategic position), which China lost to the Germans during the Opium wars.

It involved for the first time a huge number of soldiers. In the “War of the trenches” some “battles” had a much greater size in terms of troops involved (and casualties) than all the previous Wars. They required completely new fighting strategies. The last conflict in Europe (French-Prussian War, 1871), counted 900k casualties. The Russian Japanese War (1904-5), 200k; and here: millions of casualties. It was also completely different from the other wars, in terms of military strategies. It was no longer a conflict between armies on a field. It was a war fought in the trenches. Some of the battles were massive and destroyed the lives of a huge number of people. The main one was the battle of the Somme, with a total number of casualties of 434,000.

Why so many? It was the product of globalization and technology. Einaudi: “this is a conflict of industry and technology”. Technology put all the possible tools for massive destruction. **This war was the first «industrial» conflict**, fought through the new modern technologies. All the industries of the Second Industrial Revolution were involved, from metallurgy, to mechanics, automotive, chemicals (gasses & explosives), energy (coal, oil & electricity, communications, and air transport - not to speak of troops’ living costs). The impact was:

- a. quantitative (production volume, employment), luckily the industrial revolution was a revolution based on economies of scale
- b. qualitative (standardization, technological progress → you can produce things in series)

The Great War Global Enduring Impact

Colonies at War and the seeds of national conscience

As a global imperial conflict, the War was fought by colonial forces, traveling to very distant locations and destinations. The British Empire had a kaleidoscope of troops fighting in Europe. India contributed with 1.5 million men. Canada, South Africa, Australia, New Zealand and Newfoundland a further 1.3 million men. Indian and New Zealand troops fought together in Gallipoli (Turkey). France recruited between 1914 and 1918 nearly 500,000 colonial troops, including 166,000 West Africans, 46,000 Madagascans, 50,000 Indochinese, 140,000 Algerians, 47,000 Tunisians and 24,300



Moroccans. Additionally, nearly 140,000 Chinese contract laborers were hired by the British and French governments [do not forget the Chinese subjugation]

Nations at War

The War and “propaganda” strengthened nationalistic sentiments and national identities at different levels. In a World of (fading) Empires, Nations States were emerging as new political units. The War had a relevant role in the process of nation-building (further destroying the remainders of cosmopolitanism), putting the basis for the “fragmentation” of the interwar years. Emerging nationalism had different origins and dynamics.

For instance:

- 1) Relatively “young” Countries/Nations lacking of common identity (e.g., Italy) had this identity “forged” in the crucible of the War
- 2) Nations inside multinational Empires (e.g. Hungarians, Serbians but also Australians and New Zealanders).
- 3) Nations emerging from the collapse of Empires: Turkey
- 4) Reluctant supporters (Ireland)

Women and Civilians at War

The Great War created new “roles” for civilians and for women. Civilians became for the first time “actors of war” (active and passive/targets). Women gained spaces of freedom and autonomy which strengthened “gender conscience”.

Masses at War

The mobilization of millions of men had another consequence, that is the creation of a concept “new” in World history: mass self-consciousness, which was in its turn translated into “revolutionary” movements and mass political parties.

The Great War Immediate Legacy: Instability

Global Instability

The end of the War in November, 1918, started a phase of deep instability.

- 1) It was the end of three continental Empires (German, Austro-Hungarian and Ottoman), the creation of new nations and of areas of geopolitical instability (e.g. the Balkans, the Middle East).
- 2) The Russian Empire ended through revolution, followed by a six years long Civil War. Revolutionary movements sparkled across Europe (e.g. Germany and Italy)
- 3) The War reshuffled the World Order and the US. started to replace Great Britain as the leading nation

Social Instability

- 1) The Great War had a demographic impact never experienced before, through its casualties but also a H1N1 flu pandemic started in France military camps.
- 2) By erasing or moving borders and creating new ones, the Great War created another “legacy”: minorities, generally included into “new” Nations, hostile to them (e.g. South Tyrol and Slavs in Italy, minorities in the Balkans, Armenians in Turkey, Germans in Poland)

MANAGING GLOBALIZATION’S IMPACT

Back in the mid 19th century in Japan: a crucial moment for the country. How globalization impacts societies?

After 1854 (Perry): the Meiji revolutionary restoration



In 1854 (middle of the Opium wars), for exogenous reasons (pressure of the americans), the contradiction of japan came to the surface: a feudal society closed to the external world but in a strategic geographical position between the US (very interested by China → issuing the open policy to make europeans allow trade between the US and China) and China. Additionally, it is a country in the middle of a flourishing but short lived industry. Under this pressure, Japan was forced to choose, constrained by the American pressure, risking colonization or subjugation in case it didn't. The Japanese society and leadership were really aware of this and both conservative faction: the military dictator Shogun and all the côté (the community around this leadership); and the progressive faction: merchants; knew, but the problem was the speed of this adaptation (conservative: slow; progressive: fast).

This interest clustered the Meiji emperor. The clash between the two factions took the form of a civil war in 1868-1869 (Boshin War), made by battles which opposed the progressive to the conservatives. Both factions were using traditional ways of fighting (samourai), but with a lot of aspects of the incoming modernization (technologically advanced weapons), with military advisors.

Geopolitical interests

The most active military advisor was France. Napoleon III, for economic reasons, was convinced that the progressives would win. The British sneaked as well but less openly.

The Boshin war mobilized around 250 thousand men, ending with around 8,000 casualties.

Jules Brunet, Letter to Napoleon III - *“A revolution is forcing the Military Mission to return to France. Alone I stay, alone I wish to continue, under new conditions: the results obtained by the Mission, together with the Party of the North, which is the party favorable to France in Japan. Soon a reaction will take place, and the Daimyos of the North have offered me to be its soul. I have accepted, because with the help of one thousand Japanese officers and non-commissioned officers, our students, I can direct the 50,000 men of the Confederation.”*

10 years after the end of the Boshin War, the country wasn't completely pacified: the emperor had been able to buy a part of the society but not all, especially part of the samourai who had lost their status, their political relevance, which led to rebellions. The main example is the **Satsuma Rebellion** of 1877, led by Saigo Takamori, who had supported the emperor but the entry of globalization, pushed him to rebel. This story has been told by an American filmmaker who messed up the story a little: the Last Samourai.

DESTINED TO DOMINATION (I): THE US

Why does this matter?

How global power and super powers rise and consolidate? Today we have a situation where it is evident that some powers are exceeding others by far in a lot of capacities. China is a very good example.

How “new” Global powers materialize? Which dynamics characterize their affirmation and the consolidation of their dominance? How do they shape the new scenarios of international relations? Which is the relationship between geo economic and geo-political influence? These questions are of great relevance today, when one thinks of the emergence of assertive and “**reversionist**” great powers (as China, of course, but also as Putin's Russia) willing to revolutionize the World Order. Immediately after the Great War, it was clear that a new Global Order could not be built only on the past legacy of British imperial dominance, but had to take into account the rise of two new “big powers”, each one



aspiring at a position of leadership, both for practical and ideological reasons: the US and Soviet Union.

Thucydides trap (Graham Allison): when an incumbent is there (Sparta) and a challenger rises (Athens), very rarely, it ends peacefully.

The US: A “global actor”

Since the Great War, we see a pervasive influence/impact of the US at global level in each sphere (international relations, society & culture, global economy).

The pivotal role played in the creation and action of the institutions governing the World in the 20th century, particularly after the Second World War. The 20th Century could be named “The American Century”.

The current debate around the role of the US. in the new global geopolitical order: isolationism today (Trump vs. Biden) vs. an internationalism which started with the Great War.

The US: A new geopolitical “pivot”

Among its global effects and consequences, the Great War had another far reaching effect. It brought in front of the World’s scenario a new World power: the US. Which were (are) the attributes of a World Power - (please think of China today)?

“**Powers**” are polities which score on all the following items (Kenneth Waltz, *Theory of International Politics*, 1979; Hans Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*, 1954):

- Size of the population → still relevant for military/research
- Size of the territory → The emerging powers have imperial dimensions (China, India, US, Russia) and then there’s Europe?
- Resource endowment → connected to territory + you can buy everything in the global items, except for technological items
- Economic capability → relevant for US case
- Military strength
- Political stability → China is remarkably stable, India is rising as an increasingly autocratic system, US have a problematic situation
- Competence → technological capability and cultural influence

These “**capabilities**”, when combined, define the position of a power in the World ranking of Superpowers, great powers, major powers and minor powers

Population A very large size in terms of population: more than 76 millions in 1900, fuelled by increasing immigration flows starting from the 1820s

The US: A new geoeconomic leader

The post-Civil War decades coincided with an outstanding process of urban expansion and with the increasing concentration of the population in urban areas.

Between 1850 and 1900 NYC expanded from approximately half a million to around 3.5 million. Philadelphia increased in size from slightly more than 100,000 inhabitants to more than 1.2 million people over the same period. During the last half of the late 19th century, Chicago proved to be the fastest growing city in the world.

Overall, 15.3 percent of Americans lived in cities in 1850. By 1900, that percentage had increased to 39.7, and kept growing. The 1920 Census revealed that more Americans lived in cities than the countryside for the first time.

The US: A new geopolitical “pivot”



Territory: A **continental extension** (as the Chinese and Russian empires), from the Atlantic to the Pacific Ocean. The US had started the expansion westwards only at the beginning of the XIX century (Louisiana Purchase, 1803), but by the mid-19th century had reached an “imperial” extension through a further series of annexations of unclaimed territories and purchases.

Geopolitical strategy: Starting from the end of westwards expansion in the 1850s, and in line with the principles of the Monroe Doctrine (1820s), the US. had been forging a clear strategy of creating and consolidating its sphere of influence over the American continent and, above all, the Pacific (the “Greater America”).

The “sphere of influence” was enlarged, also, indirectly.

- The Japanese forced opening (1854)
- The Alaska Purchase (1867)
- Spanish-American War (1898)
- China open door policy (1899)

On the eve of the first World War the US. established themselves as a “geopolitical pivot” in the Pacific area, given the weakness of both Japan and China.

The US: A new geo-economic leader

Economic leadership: In 1913, the US. were already among the richest countries in the World. By 1900, the US had left the UK and Germany well behind in terms of GDP per capita levels.

The first essential premise for the creation of the US. economic power was the **technological revolution in transports and communications** which followed the Civil War, and the impact of the first globalization process.

The communication revolution is symbolized by the transcontinental “telegraph line”, completed in 1861 between the Pacific and the Atlantic, followed by the trans-pacific railroad project, started during the Civil War (1863), was completed in 1869.

By the end of the decade, the main connections over the landmass were completed. The impact of these “continental” projects was not only on infrastructures and mobility. It fostered:

- a) the creation of a **market of continental size** and of growing dimensions, well connected and integrated and with low costs of transportation and information.
- b) The mobilization of an extraordinary amount of **resources endowment** (e.g. oil, coal, minerals)
- c) the accumulation of **organizational and technical capabilities** in operations, management, accounting.
- d) Outstanding **entrepreneurial opportunities**.

In order to explain the US fast catching up process, it is necessary to look at a new (a second) technological revolution. After 1870, a number of “new” product/process innovations and inventions transformed some industries or created new ones (e.g. chemicals, steel, refining), characterized by continuous production flows and very high volumes of production. At the same time standardized production and assembling techniques were invented: the “American System of Manufacturing”, followed by the assembly line (beginning 1900).

The reason for higher volumes, continuous and standardized production processes was the fall in per-unit average production cost following the increase in the scale of production.

The immediate consequence of these “economies of scale” was the diffusion of “big business”, large and vertically-integrated companies, which benefited from the integrated continental markets and of the densely populated urban markets.

By 1900, the US had left the UK and Germany well behind in terms of GDP per capita levels.

The Effects of World War I



Military strength: The US. entered the war in 1917 and gave a key contribution to its conclusion. The War had a beneficial effect on the US. Economy in terms of both trade (exports) and industrial production, further enhanced by the War mobilization The War transformed the US into the largest creditor nation – inaugurating its career as a geopolitical “influencer” beyond the Atlantic.

(for the moment) an unwilling leader

The Great War had reshuffled the World’s geopolitical scenario, but, apparently, did not challenge the strength of leading European imperial powers (Britain and France)

The US. had all the “capabilities” for being among the World’s leading powers, included a stable political system based on a vibrant cohesive democracy forged by the bloodshed of the Civil War

However, until the outbreak of WW2, “monroeism” prevailed (memo: the US. did not join the League of Nations, even if President Wilson got the Peace Nobel Prize as the architect of the League)

DESTINED TO DOMINATION: SOVIET UNION AKA GLOBAL (APPLIED) COMMUNISM WHY

should we care about a relic of the past?

The Soviet Union was born in 1922 after the **bolshevik revolution** which took place on October 17th 1917, until its fall in November 1991, when Gorbachev resigned from the role of Secretary of the Communist Party, and the Russian flag started waving on the Kremlin.



Why should we care?

Today, “applied” communism (that is, the translation of communist ideology and principles into a political entity – or polity and into a form of government) is a rare occurrence. Thus, why should we care?

- Still very much present in the political discourse
- Its global diffusion in the 20th century – the geography of communist rule until 1989
- Its global influence: the pervasive relevance and influence of communist (or alike) parties in noncommunist countries
- Above all, its role in shaping other global phenomena: **the Cold War and Decolonization**
- Is the China-US clash only about economy and/or geopolitics?

The CW was also an ideological war between capitalism and communism. The rise of the Soviet Union is also the rise of a system challenging capitalism, with different values.

A «unexpected» materialization

Since the publication of the “Manifesto” (1848) the ghost of communism was really wandering across Europe but not exactly where it was expected to be.

The materialization of Marx’s predictions (that is the transition from an opulent, capitalist society into a communist one) took place not in ”mature” capitalist societies (e.g. Britain, where it didn’t happen) where the “ruling” capitalist bourgeoisie had been able to make capitalist ideology shared by the proletarians (Antonio Gramsci’s hegemony)...

... but where feudalism too abruptly left room to the savage exploitation of modern capitalism: the Russian Empire. Thanks to a mix of State initiative and foreign investments, and thanks to epochal social changes (abolition of serfdom – 1861, urbanization), the process of industrialization in the Tsarist Empire accelerated starting from the 1880s, while workers’ conditions deteriorated. 1905 as a



crucial “watershed”: St. Petersburg’s Bloody Sunday and the defeat by Japan. A first revolutionary attempt built on what were to become the “**pillars**” of **Leninism**:

- Organisation of a revolutionary avantgarde
- General strikes
- Proletarian workforce action

Dates to remember

1905: Winter Palace in St Petersburg, a crowd of people led by a priest, in front of the tsar, to protest

→ many people killed. Adding that to the defeat in Japan, the political elite started asking for reforms

→ creation of the **Duma** and of **parties** (menshevik and bolshevik)

1917: showed that a revolution was possible as long as you have **3 pillars**: organization of a revolutionary avant garde, general strikes, proletarian workforce action

1917-1921/1922 → civil war (revolution made by the avant-garde)

Making of Communism: the Soviet Union from Lenin to Stalin

The years immediately after the “October Revolution” and under the leadership of Lenin, were the years of the so-called “**War Communism**” which lasted from 1917 to 1921. This phase was characterized (in some areas of the country and particularly in the largest cities) by the application of **communist principles**:

- Abolition of private property and centrally coordinated redistribution of goods and services.
- Expropriation and nationalization of industries with more than 10 workers
- State monopoly on foreign trade (control over foreign currency)
- Seizure of peasant surpluses (trade and redistribution)
- Military discipline and control of infrastructures (railways)

A long-lasting Civil War

War communism was a necessity in the framework of a Civil War which made several millions (7-12) casualties, mainly civilians. The civil war coincided with a first disintegration of the Empire’s integrity... but also with the necessity of preserving the Revolution from external threats (the Allied intervention), which instilled a sense of “entrenchment” into the Soviet leadership.

Crisis, stagnation and political change

Under the economic point of view, the years of the War Communism and of the Civil War ended to be a disaster.

- Heavy number of **casualties**
- **Loss of fixed capital and infrastructures** (included the effects of nationalizations on foreign investments), and the impact on a still “young” industrial system
- Impact on **agriculture and crops**.
- The **1921 Famine**: effect of droughts, plus War Communism (confiscations) and Civil War (destruction) and inefficient transportation system. Result: from 5 to 7 millions died of starvation
- The famine convinced a pragmatic Lenin to undertake a radical change, bringing War Communism to an end

The New Economic Policy (NEP)



From **1922** the so-called **New Economic Policy** aimed at restarting economic growth and consolidating the Bolsheviks' power at the end of the Civil War. It was based on a sort of pragmatic collaboration between private initiative and State control. Its **pillars** were:

- Moderate reintroduction of private capitalist principles, supporting entrepreneurial initiative in light industries, trade and in the countryside: the *Kulaki*.
- The State kept a strong grip over capital intensive industries and foreign trade.

From Lenin to Stalin

After Josif Stalin took the lead in **1924** at Lenin's death, a new phase of the Soviet revolution started. The end of the Civil War and the consolidation of power allowed a new «turn» in the country's policies.

- Heavy industrialization, industrial «basins» and urbanization
- Agriculture and collectivization
- Planning from 1928
- Power centralization

→ ideological goal: consolidate power, create a strong economy and army, ideological opposition

Urbanization and heavy industry

“We are 100 years behind, we must cover this distance in 10 years”

The **concentration of labor forces** in industrial cities from the countryside was **necessary for the industrialization process necessary for the survival of the Soviet Union**, of communism (and its leadership) and to provide a valid alternative to the capitalist economic leadership.

Agriculture and collectivization

The primary sector had a subordinate role in this mandatory process. In Stalin's view, the countryside was a workforce reservoir for industry and must also provide cheap food.

In order to do this, it was necessary for the Government to establish a firm control over the primary sector (**collectivization and collective farms**) and therefore it was necessary to abolish again the private, capitalist, market oriented initiatives of the Kulaks – who, according to Stalin's order, had to be exterminated as a “social class”.

The Gosplan

The **coordination of industrial production** in a **non-market system** was progressively concentrated into the Gosplan, an agency responsible for setting production goals and orchestrating production outside a market system in which management takes decisions on the basis of market signals and prices.

“Gosplan calculated the sum of the country's resources and facilities, established priorities for their use, and handed down output targets and supply allocations to the various economic ministries and through them to every branch and enterprise in the entire economy”.

The origin of the imbalance

The Gosplan quickly transformed the structure of the Soviet economy, which was structurally producer - much more than consumer-based.

In the long run (and particularly after 1989), this was going to be a serious weakness which is still evident today.

THE DARK VALLEY



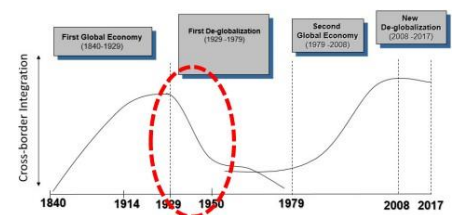
Why does this matter?

Today we live in problematic times. The global order following the fall of the Berlin Wall in 1989, basically characterized by a unipolar geopolitical equilibrium (the dominance of the US), is nearly over, due to the emergence of new assertive powers. Not only the unipolar order is challenged, but also the collaborative international institutions supporting it, as for instance the United Nations, challenged from inside and by the once supporter of these agreements, the US. Globalization is challenged as well, due to the manifest failure of granting a better life for everyone – while, instead, inequality is mounting. Populism and nationalism, as a consequence, are spreading everywhere, while authoritarian governments are, in Europe, Asia, America, consolidating their grip on power. Financial and economic crises are following one another. Explicitly, the same idea of liberalism, and liberal political order, are challenged by autocrats questioning the relationship between democracy and economic growth. A pervasive sense of uncertainty and frailness has been aggravated by a global pandemic disease which has further increased the appeal of authoritarian solutions. Governments are back, managing and regulating the economy, taking over the leading role once assigned to the market. All this makes the study of the interwar years (those in between the end of the Great War and the Second Global conflict) particularly fascinating. Never, in the history of mankind, has the present situation of uncertainty, disarray and global discontent been seen, with the exception of the long period between the First and the Second World War – a period from which we can learn a lot.

The features of the “Dark Valley”

An “**Age of Uncertainty**” – the end of an “equilibrium” in front of a pervasive “disequilibrium”. A global reach of crisis and depression (economic, social, psychological). The connections between depression, inequality brought by globalization, anger, populism, the spread of authoritarianism and nationalism. As a consequence, a phase of de-globalization. A new role for the State: public policies and direct intervention. In the international political scenario, the multiplication of powers in a situation of growing assertive multipolarity

Globalization Waves in History



A phase with an uncertain identity

The Great War was a “watershed”. According to some historians, the Twentieth century started really at the end of the First World War, since it was the real end of the old World Order based on the British dominance (and the German challenge)

Indeed, the interwar years are a phase of transition between two World Wars, but also between two World Orders.

In reality, not only a “passage”, but a “phase” in itself characterized by an **uncertain identity, radical transformations at a global level** – e.g. society, culture, and above all the geopolitical scenario.

Only two decades but filled with “extremes”.

A chronology

Postwar immediate economic, political and social instability:

- Production overcapacity and unemployment
- Inflation and deflation after 1920
- Political instability (e.g. across Europe, Russian Civil War)
- New borders and minorities [see *Class on Great War*]



Temporary growth in the West, NEP and planning in URSS (1924-1929). Global economic crisis (1929-1932). Autarchic policies, State intervention and rearmament (1933-1940). Geopolitics in action both in Europe and in the Pacific

Collapses, Tensions and Crisis

Beyond its chronology, the interwar years were dominated by multiple “fractures”, that is the collapse of the components of the prewar precarious equilibrium which was neither possible to fix nor to renovate. The **critical areas** were at least five:

- The global economic system
- The institutions of global governance
- The World’s geopolitical geography
- Culture and society
- National political systems

The Global Economic System

The collapse of the first global economy was not limited to the years of the conflict, but became a permanent feature of the two decades following the war. All the main indicators of global integration (trade, migrations and financial integration/capital openness/foreign investments) sharply contracted. International trade openness went back to the level of the early post-Napoleonic period for almost all the interwar years. Trade became “expensive” (rise in tariffs, protection, but also due to a growing geopolitical uncertainty which affected international investments and the behavior of multinational companies).

Institutional Collapses

The interwar years saw the **collapse, or a persistent weakness, of institutions governing multilateral relations and global governance**, key components of the first global economy. Four examples:

- a) *Gold Standard*: The War inflation made it virtually impossible to maintain and restore the most important institution facilitating global trade, while the **depression called for flexibility and expansionist policies**. Around **1930** the Gold Standard System was definitely abandoned.
- b) *Tariff agreements*: multilateral agreements were abandoned and **substituted by bilateral negotiations or “autarchic” policies**
- c) *The League of Nations*: The League, founded in 1919, suffered from **lack of effective authority**, required too much unanimity to take important decisions (8 votes, then 15), and was jeopardized by the US absence – and by the British weakness/unwillingness to act as guarantor of the global order.
- d) *The unsuccessful management of the global financial crisis*. The **absence of international cooperation and coordination** among central banks and governments made the financial crisis global and endemic.

New Roles for the State

During the Great War, Governments had started planning and direct intervention in the economy. During the interwar period and the crisis, the involvement of States in the economy accelerated and diversified into new forms, besides protection and autarky.

State ownership in strategic sectors, bail-outs, Keynesian policies, also through rearmament and the creation of civil military complexes in which private and State-owned companies cooperated in search of technological leadership and independence in strategic industries.



A New Multipolar Geopolitical Scenario

The reshuffling of the World's geopolitical order translated into a completely different kind of "political geography" from that characterizing the pre-war decades.

The new **emerging "powers"** (US., Soviet Union, Germany and Japan) consolidated their "spheres of influence" in pan-regional "entities", with geographic overlaps particularly in Asia (e.g. Soviet Union-Japan in northeastern Asia, Japan-US in the Pacific).

Inside the "European" pan-region, a declining British power faced and a rising Germany in search of "vital space" (Lebensraum).

Culture, art and society: an introvert World

The cultural legacy (already in decline) of the pre-war years was the heritage of the first globalization. Faith in progress, international institutions, in a word, "**universalism**", all of them collapsed in the interwar years.

The effect of a persistent and diffused uncertainty was either a push beyond the realm of the real.

Political revolutions

The crisis of the old "liberal" order and the rise of authoritarianism. Authoritarian forms of government expanded from Europe to the Soviet Union, from Asia to South America. Different typologies, from military "influence" and alliance with private capital (in Japan) to military dictatorships (in South America) to European various forms of non liberal regimes and fascisms, to Soviet Stalinism.

A NEW GLOBAL WAR AND ITS PRESENT HERITAGE

WWII has been a global phenomenon of destruction, under all aspects, which had a long-lasting impact on our present society. Our society is largely based on the technologies created during WWII. Our present is technological. High tech is a dominant force, which permeates everyday life of individuals. It affects the way in which we all live. Technological innovation capacity is a powerful driver for the economic and geopolitical leadership of countries, a sort of "battlefield" for modern confrontations. Technological leadership is today far from being "militarily neutral". In several countries, and particularly in those which aim to achieve a global leadership, the Army, and in general the military effort is considered to be a privileged place for promoting cutting-edge technological innovations with loose budgets. Technologies developed for military (normally, dubbed as "defense") purposes, however, are frequently placed by governments in a larger framework of an integration of joint military and civilian efforts aiming at the advancement of a country's geo-economic and geopolitical leadership through the control of high technologies.

Historically, this strategy of public-private partnership in the development of cutting-edge expensive and ambitious high-tech research goes back to the Second World War, a conflict simultaneously characterized by a mass destruction never seen before, but also by an endless wave of new technologies developed for military purposes with immediate spillover on new products and services for civilian use. This integration resulted particularly successful in the case of the US, which thanks to this integration secured to itself an enduring economic and political leadership in the decades following the conflict.

Dresden was the most bombed German city during WWII, heavily wise, mainly by GB. It was bombed for 5 days straight, strategy to hit civilians. The picture taken after that event is a symbol of total destruction, which illustrated WWII.



The Second World War as a Global Phenomenon

The Second World War brought to the extremes some of the elements which had previously emerged during the Great War.

- The even more “global” reach of the conflict
- The unseen before depth of the “annihilation” process (symbolized by the Atomic Bombs on Japan)
- The long-term outcome: “Big Science” and new technologies

The global dimension

WWI was largely fought in Europe, but there were people taking part in it from all over the world, coming from the colonies. WWII was fought almost everywhere. Almost no country was spared. WWII activated many more people than WWI. WWI was still a war fought by armies, civilians participated but weren't targets. WWII was based instead on the targeting of civilians.

Differently from the Great War, fought mainly among Europeans and in Europe, WW2 took place in a much more global “scenario”, basically on the Eurasian landmass, the Pacific Ocean, the Atlantic and Northern Africa. Its reach and intensity activated an enormous amount of resources and mobilized millions.

As happened in the case of the Great War, the global «size» of the conflict meant the mobilization of industrial and financial resources to an unprecedented extent.

The global destruction

The war resulted in the global **destruction of both physical and human assets**. Due to the new fighting strategies and technique, the destruction of assets (civilian and industrial) and the targeting of civilians was considered even more important than the fights on the battleground (also for “morale”). While the physical assets were quickly replaced, the demographic consequences of violence, starvation, illness are still visible today.

The economic impact

All in all, the destruction of physical and human assets was counterbalanced by the production effort of the War years. An intense economic growth had indeed characterized the second half of the 1930s in all the belligerent countries, due to Government spending.

The war created economic inequalities between countries (ex of the US, which didn't suffer any human losses, or the UK which had less losses than the continental country).

The war years had a direct and considerable impact on GDP's growth rates and spending of the belligerents. Between 1940 and 1944 the World's GDP increased up to 40%.

The war made some countries richer (basically the US, from \$6k to \$9k p.c. GDP), some very poor, with clear long term effects (e.g. Eastern EU).

More important is the fact that the growth was not only quantitative but also largely “qualitative”.

Outcomes: short term effects

In the short-term, the War meant an even more intense effort in capital intensive industries. The application of scale intensive production to low-scale activities.

For instance: Boeing: 60 pcs per month in 1940 to 360 pcs per month in 1944.

Outcomes: medium-long term effects: new materials

New products were introduced by war necessity but then stayed.



A peculiarity of the War was the generation of a stream of innovations generated by scarcity and the impact of war on international trade. **The case of nylon** – Dupont 1925-1938. *From a substitute of silk to raw material for War production*

In other cases the war affected the supply of strategic materials. **The case of synthetic rubber** – Goodrich 1940

Military procurement had a direct impact on the so-called “big science”, with relevant future impacts. **The case of bombers.** → the symbol of mass destruction with “carpet bombing”. The bombers that were hitting mainly Germany and central European cities, were not located in continental Europe but in Britain. But if you want to hit the center of Germany, it is a technological effort. The strategy engenders technology: new materials, new fuel, new instruments, new pressurization technology.

The origin: military mass bombing strategy

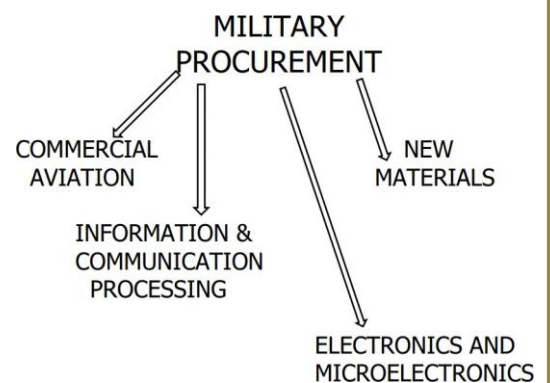
WW2 was “new” not only for its global reach but also for the introduction of new military strategies made available by (and in their turn, generating) new technologies.

Air warfare (fighters, interceptors, bombers and later missiles) was a key component of the new fighting techniques, aiming both at the destruction of physical capital and of military and civilians’ “morale” (see above).

Implications

In order to be effective, technology had to follow the strategy’s requirements.

- 1) Large dimensions of bombers (bomb tonnage): impact on engines’ efficiency and engine maximum power.
- 2) Medium-long range flights: impact on propellants and materials (lighter, as aluminum, plexiglas, plastics)
- 3) Surprise factor: impact on night flying instruments, infra-redtech, assisted flying, radar technology
- 4) Flying maximum height in order to avoid anti-aircraft weapons: impact on cabin pressurization, oxygen supply



Has the War to do with the present Globalization?

In the very short run, the war resulted in the global annihilation of physical and human assets in most of the countries involved however:

In the medium-long run, its effects were far reaching in terms of scientific progress...

...thanks to the presence in each belligerent of a “**military-industrial complex**” - a nation’s military establishment, as well as the industries involved in the production of armaments and other military materials. The Second WW created a strong alliance between the military and the industrial complex, private companies involved in the armament production. A big power is big when it has a developed and efficient military sector AND a private sector able to support the military. Today, explicitly, the Chinese government is talking of creating “military-industrial conjunction” which is the use of civilian or private sector or state owned companies, in order to advance in high tech sectors characterized by dual use of technology (something you produce for civilians but that can be immediately converted into something the military can use).

Much of these achievements went in the direction of fostering a new revolution in transports and communication, at the basis of an incoming globalization wave



REBUILDING A NEW GLOBAL ORDER (GLOBALIZATION RELOADED)

Why does this matter?

Today, international cooperation has many faces. In general, however, it takes the shape of international “institutions”, agencies, supranational organizations, but also agreements among countries in order to create, and manage, a cooperative global framework in which each nation can operate in a secure and safe environment. One of the most problematic aspects of the current and growing global uncertainty is indeed the status of crisis of the international institutions of global governance, most of which were designed about 80 years ago at an international conference held at **Bretton Woods, USA (1944)**. A better understanding of the origins and the meaning of the rise of global cooperation should shed light on the paramount relevance of these fragile devices essential for the World’s governance, and about the necessity of their maintenance and renewal.

Picture of Coventry: symbol of destruction, they had to rebuild the cathedral, but left the remains of the destroyed cathedral. This is the symbol of what was done at the level of institutions of Global Governance. These were not very well designed, and didn’t resist the unstable times of the 1930s (ex: gold standard)



The starting point: the dawn of a new order

From the geopolitical point of view, however, the War’s end was much more than the Axis’s defeat: it was a completely **new geopolitical order** of spheres of influence destined to evolve soon into a World Order [memo: the Cold War] lasting for four decades after the conflict.

Already before the end of the War, when the failure of the Axis project in Europe was evident (1943), it was obvious the necessity of the recreation of a new World Order based on completely new rules – different from those which had failed after the Great War – embodied by new institutions of global governance.

“We have come to recognise that the wisest and most effective way to protect our national interests is through international co-operation — that is to say, through united effort for the attainment of common goals.” US Treasury secretary Henry Morgenthau Jr, closing address at Bretton Woods Conference, July 22, 1944

Two examples: the ERP and the institutions of global governance

Changing mindsets: George Marshall’s speech (Harvard, 1947)

“The modern system of the division of labor upon which the exchange of products is based is in danger of breaking down. ... Aside from the demoralizing effect on the world at large...the consequences to the economy of the United States should be apparent to all. It is logical that the United States should do whatever it is able to do to assist in the return of normal economic health to the world, without which there can be no political stability and no assured peace. Our policy is not directed against any country, but against hunger, poverty, desperation and chaos. Any government that is willing to assist in recovery will find full cooperation on the part of the USA. Its purpose should be the revival of a working economy in the world so as to permit the emergence of political and social conditions in which free institutions can exist.”

The case of the European «recovery»

The preservation of Europe (as a whole!) was seen as mandatory for the World’s equilibrium. The European rebirth could be achieved only through the fastest possible process of industrial recovery.



The process had to be fast but also “collective”. European economies needed thus to quickly restore production facilities damaged by the War. Imports of capital goods and production inputs were thus a strategic necessity. **The European Recovery Program (ERP) – or Marshall Plan (1948-1952)**: 13 bn \$ (loans) transfers (in capital goods and inputs) to European nations – 2% of US, technological transfer – transfer of capabilities

A multi-purpose plan

The ERP had many purposes and far reaching effects. In the short run, it helped to avoid an overcapacity crisis in the US. In the medium run, it fostered a “regional” globalization which soon became an “Atlantic” globalization. In the long run, Europe started to consider itself (and to be considered) as a “common space” for “common trade” - even if under the US supervision and guidance. From the geopolitical point of view, a strong capitalist Europe was a key strategic component of the US → “**containment**” strategy against Soviet Union

From the European to the “global” economy

The European experience clearly showed that a full recovery was possible only leveraging on a macro regional or global framework based on the presence of efficient institutional arrangements governing:

- **International Finance:** Bretton Woods Conference (1944) – IMF, World Bank (development bank) and stable exchange rates
- **International Trade:** (GATT) General Agreement about Tariffs and Trade (1947)
- **Cooperation:** Organisation for the European Economic Cooperation (1948) (since 1961 OECD)

Restoring a Global Peace: United Nations

The restoration of the global economy (which was however mainly “Western”) was one (even if necessary) step. The second was the management of the new geopolitical “space”. The “four Policemen (trustees)” (USA, UK, China and Soviet Union) were the founding members of the **United Nations**, which was since the beginning structured in a different way from the League of Nation, with only five members in the security council (US, France, UK, URSS and China).

A new concept of international security (and of neo-imperialism...)

In the present complete world confusion, it is not thought advisable at this time to reconstitute a League of Nations **which, because of its size, makes for disagreement and inaction...** There seems no reason why the principle of trusteeship in private affairs should be not be extended to the international field. Trusteeship is based on the principle of unselfish service. *For a time at least there are many minor children among the peoples of the world who need trustees in their relations with other nations and people, just as there are many adult nations or peoples which must be led back into a spirit of good conduct.*

THE (FIRST?) COLD WAR

The CW was part of the process of reglobalization of the global economy after WWII.

November 9, 1989 - the “Cold War” was over, when the Berlin Wall fell, which marked the dissolution of the soviet Union.

Permanent confrontation: standoff at Check Point Charlie, Berlin 1961



Berlin was divided into sectors, where each of the “winning” powers of WWII (USA, URSS, France and UK) were represented.

In 1961, there was an issue related to the control of this checkpoint. For a few days, the US and Soviet army confronted each other (which we can see in the picture). It is a symbol of the CW, a **constant confrontation**, a clash between two main confrontators. It is a very peculiar kind of confrontation: **a war without a war**, it was a **permanent standoff**, a permanent confrontation between powers.

Features

The CW can be defined (in abstraction) as a status of **permanent confrontation** between **powers** without a **direct conflict** conducted by military force.

- As in conventional wars, however, the confrontation takes place in order to **achieve stable control over “territories in power”**. In its “modern” version, **“territory” is both geographic** (even “non conventional”) **but also economic, technological and ideological**
- In this perspective, the CW is a “geopolitical” concept: *modern geopolitics* is, indeed, about the control of “territories in power”.
- The emphasis was (and is) about **stable geographic partition, and division of space**: “blocks”, walls, fences, curtains, perimeters, barriers (trade), etc.

Cuba missile crisis: US were placing atomic armies in Italy and Turkey, so Soviets decided to place nuclear armies in Cuba. The US spotted the nuclear weapons, they felt directly attacked, in the American Ocean. JFK decided for a naval blockade → send the navy and block the access to Cuba for the soviet ships carrying the nuclear weapons. In those 13 days the world was really close to the third war (nuclear war). They ended up finding an agreement because of the fear of a direct clash.

CW was a dynamic and continuous attempt to establish power. Both the contentent wanted spheres of influence on significant parts of the world. Decolonization was a strong force that made the CW very important at a global level. It was not only a geographic division of spheres of influence, but also the creation of another economic sphere → Eastern European countries with the creation of the **Comecon** → the Council for Mutual Economic Assistance was an economic organization from 1949 to 1991 under the leadership of the Soviet Union that comprised the countries of the Eastern Bloc along with a number of socialist states elsewhere in the world. There was also a competition to conquer space, the first satellite and man mission made by the URSS, then the US went. The CW saw about the control of technologies (like now)

There was a divide as well between two models of society: **equal vs competitive societies**. Two completely different visions of the world were confronted.

Similarly to the previous conflict, the CW involved and targeted civilians everywhere. However, it did it in an even more “pervasive” way, touching all the aspects of every day’s “normal” life, from personal relation, to education, leisure and even sports.

Strategies

What made this conflict unique was the **impossibility of a “direct” confrontation**, either conventional or non-conventional, due to the concept of **Mutual Assured Destruction (MAD)** - since 1949, when URSS detonated its first A-Bomb.

The confrontation was impossible unless fought through conventional military means. There was a possibility to have limited nuclear conflict

For a short period of time (1943-1949), the atomic bomb was controlled only by the US. The US was completely untouched on its territory by the war. The idea that only the US could control the atomic bomb was unacceptable for many. URSS developed the atomic bomb in 1949. Fuchs was a physicist who graduated in Austria, he had to leave in the US, then UK where he worked in the British branch of the Manhattan project. Then he helped Russia because he was marxist.



The CW was therefore fought on a completely new battleground and required means and combat techniques radically new (think to the present US-URSS confrontation)

- technology, research and science: **technological leadership**
- Geo-economics (the interrelation among the control of resources, economic primacy, leadership in international trade and markets): **economic leadership**
- Politics, ideology and propaganda: **ideological leadership (soft power)**
- Intelligence and in-depth, systematic knowledge of the opponent: **knowledge/control leadership**

The first (?) Cold War: origins

Far from being one single event, the 20th century - the CW was characterized by **several phases**, and “fluctuated” over many geographic scenarios.

It started as a “pure” European phenomenon, but it progressively propagated to the Middle East, to Asia and Latin America, in coincidence with the decolonisation of the continent, to Africa.

The premise: **“incompatible universalisms”**:

- the US: preserve and expand its geopolitical power; restoring globalization; avoid a comeback of isolationism
- the URSS: the security against aggressions; expand socialism; punish Germany

These visions clashed very soon, even if the Soviet control over Eastern Europe was never in question.

From Collaboration to Confrontation - the “European” CW

Initially, three **areas of “friction”**: in Europe and the Middle East

- Germany: the Soviets were scared by a German “renaissance” (the fear of aggression) while the US (after Morgenthau’s plan failure) had opted for a German rebirth.
- Turkey and Greece: Stalin wanted control of the straits - and the access to the Mediterranean. The US (filling the British vacuum) opposed the Soviet “imperial” ambitions.
- Middle East (Iran): the access to strategic resources (oil)
- 1948 as a “symbolic” year: Czech coup, ERP, Yugoslavian split, Berlin Blockade, NATO

The internationalization of the CW

1949 marked instead a new phase in the dynamics of the CW.

- In Europe, the major event was the division of Germany into two separate political entities (FRG, GDR), a move which compelled the division of Europe between the two blocks (and ended into a “stalemate”)
- The soviets successfully conducted the first atomic test
- The Chinese Civil War ended with the victory of the Communist Party and introduced a new geopolitical scenario in South East Asia
- The Korean (proxy) War (1950-1953)

Cold War, Cold Wars

A further characteristic of CW was that the confrontation and tension was not “constant”, but was characterized by sudden accelerations and slowdowns, depending on a number of factors (largely depending on the nature of the political leadership of the two opponents).

For instance, during the 1960s, the confrontation heated up constantly - e.g. Cuban Missile Crisis, or constant tensions in the Middle East and South America (e.g. Chile 1973). Then, it slowed down at the beginning of the 1970s (détente and summits, Nixon-Kissinger administration), and heated up again at the end of the 1970s (Afghanistan 1978) and beginning of the 1980s (Reagan presidency).



The End of the Cold War

The CW had a further characteristic - it was hardly sustainable. It was expensive in terms of military expenses and budgets, and indirectly was also costly in terms of the subsidies and aid for the “satellites” in the 2 blocks.

One “realistic” explanation of the end of the confrontation points at its economic sustainability. Given the characteristics of its economy, the Soviet military budget was largely financed by the rents in Oil and Gas. The long trend in the decline of oil prices played a determinant role. Therefore, the USSR was less and less able to control its satellites, as the Polish uprising (1981) clearly demonstrated. But when the global market for energy boomed...

Is the present US-China confrontation a “new” Cold War?

The CW took place in a world which was economically divided whereas our world today is economically integrated. However, the areas of confrontation are the same → technological ideological cultural.

Now the US is still a democratic system with much more polarization/radicalization/populistic tendencies. China is characterized by a system that has been moving in the opposite direction of balance of power → only one person controlling the government.

WAR AND SOCIALISM, ECONOMIC BACKWARDNESS IN

EASTERN EUROPE

“The end of history” according to Fukuyama

- The end of the cold war would bring centuries of geopolitical rivalry to an end and there would be a largely unipolar world in which the major powers would refrain from waging war on one another.
- In addition, the fall of communism would have represented the end of global ideological struggles.

The end of an era of global calamities and global conflict

New globalization: *Washington consensus* (belief that opening up to free trade and building consensus behind liberal economic policies) + *Pax Americana* (international peace after WWII).

Widespread belief: end of history meaning the end of eastern europe → europe “reunited” (even though it has never been united before, this can be claimed only about Germany, but in general it is the idea of european countries grouped under the same umbrella of european political and economic institutions)

The history of the last 30 years proved that Fukuyama was wrong: history didn’t end, Europe became institutionally more and more united but political and economic divisions still remain today, causing problems to European institutions as well.

When Russia began war in 2022: western scholars commenting on this new war said things like “*war returned to Europe*”, “*biggest conflict since WWII in Europe*” → but this is not true: there have been 12 major conflicts that together caused at least half a million deaths and millions displaced. Last 30 years were a period of peace for Western Europe, not the whole europe.

Particularly in multiethnic regions of the former Soviet Union: these conflicts, because of their severity, had a very big impact, economically/socially/politically on the whole region.



One of the things that remained unique in Eastern Europe within the European context is a much higher frequency of violence and war: it characterized Eastern Europe, but did not involve Western Europe.

The other is relative backwardness in socio-economic terms → economic growth and modernisation → institutional reforms did not bring convergence. There's still a very big gap in wages between west and east.

Looking at labor productivity in the EU, one can see that there is still a very clear gap between the “former west” and “former east”, with the exception of Germany: the level of economic welfare typical of Eastern Europe is more similar to that of regions that Western Europeans would consider poor countries.

Maps tend to exaggerate the relative economic position of eastern countries for 2 reasons:

- 1) It's important to remember that only part of eastern Europe is a member of the EU, and also it's the most developed and most politically stable country in the last 30 yrs. (looking at other western regions, there would be even bigger gaps)
- 2) The other issue is that, when we measure GDP per capita in order to measure economic well being across regions, we are adjusting for differences in the price level. E.g. When you say that Lombardy is more than 120% of the European average in GDP per capita, and Hungary is 60%, it doesn't actually mean that on average a person from Lombardy earns and produces twice as much as a hungarian. This is because the price level in Lombardy is twice as high as the price level in Hungary. So when we actually look at nominal GDP per worker, the map looks exactly like Europe after the end of the cold war. It shows that this euphoria about fast convergence in economic efficiency, productivity and welfare that would take place thanks to the introduction of western political institutions, integration in the European Union, and European common market, proved to be wrong and too optimistic.

This East-West division in Europe has a very long history; when talking about Eastern Europe it is important to highlight that this difference is historical, it didn't originate in the Cold War (even if it played a big part) or in 1945: the history of this division is much longer.

Late state formation

Historians start this story by pointing out that state formation (establishment of christian monarchies and states) came in Eastern Europe many centuries later than in Western Europe. By the end of the 9th/10th century, there were several major christian states in Eastern Europe: including Hungary, Poland, Serbia, Bulgaria.

However, this state formation was disrupted by external invasions: first the Mongol invasion in the 13th century, which destroyed many small states; secondly the Ottoman Empire invasion from Anatolia into Central Europe until the 16 century and South-Eastern Europe until the middle of the 90s.

Even when these threats of invasion ceased to exist, the eastern half of Europe was involved in rivalries between different empires, which were engaged in territorial expansion rather than nation building. This led to economic backwardness, but also simply to lack of consolidation of borders and nationalities.

“Long” 19th century

When we switch to the “*long*” 19th century, what you see in terms of state building is much different: much of Western Europe, in the 19th century, was a space of nation-states, there was an increase in



consolidation of nation states, which meant that nation states supported liberal political reforms and modern liberal economic policies that supported industrialisation and economic globalization.

In Eastern Europe, liberalism was suppressed because the 19th century led to the **consolidation of empires**: existing empires spent their energy on suppressing all emerging national movements to consolidate their rule + used the instruments of modernity (like railways) to better integrate their empires and imperial markets + they were much more isolated to trade than western economies.

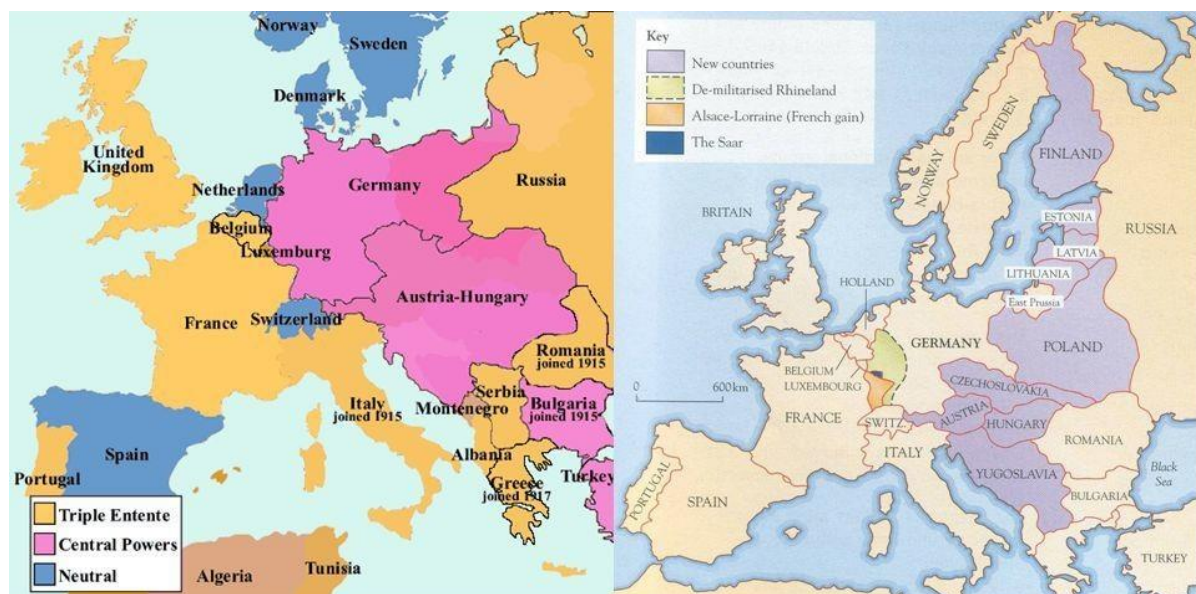
The “long” 19th century was shattered by the two World Wars. However, the impact between Eastern and Western Europe was completely different.

In 1945, Eastern European countries started in a much worse position, not only due to their historical development prior to WWI, but also because of the much worse death impact, especially of WWII.

After 1945, you see different forms of **integration** but as historians know, different integration models led to the consolidation of existing models in different parts of Europe.

Book “*The European rescue of the nation-state*” (Milward): the main **motive of the reconciliation** between Western European powers like France and Germany and the building of common European institutions was actually to rescue the nation-state model which had been threatened by the world wars, especially WWII. Western Europe became a more integrated place but more integrated based on the cooperation between the well established nation-states (western european ones), for their benefit.

1914 vs 1919



From the comparison of the 2 maps, one can see the level of shock the 2 WW meant to Eastern Europe.

1919: Western Europe is pretty much the same, while in Eastern Europe, the empires are gone → new nations, states, with new ideologies, disrupting the pre existing trade systems in the region.

Post 1945 period: Cold War

Once again, apart from changes within Germany, very little if any border changes in the west, but very significant border changes in Eastern Europe, largely driven by the resurgence of russian imperialism, which first and foremost pushed the borders of Soviet Union westwards, reoccupying the Baltic Republics' territories, reoccupying territories belong to Romania, Czechoslovakia ...

There is a lot of literature on economic development after the conflict. They usually use primitive measures of exposure to conflict: poor measures.

There are **5 Ds**:

1. Deaths (loss of human capital)
2. Physical destruction (both of productive assets and infrastructure)
3. Displacement (of people)
4. Dislocation (of otherwise available economic assets/agents) → (i.e. firm may survive but other firms with which you may have partnered or collaborated might be gone)
5. Disintegration

You can take any of these Ds, and see that the impact on Eastern Europe was vastly bigger than any other region of the world, with a much larger rate of civilian and military casualties, in WWII many regions in which the loss of human lives reached 20/25%.

E.g. Hungary: a very small country in the interwar period but lost more people than Britain.

E.g. Poland lost about 20% of its population, so did the baltics.

Then you have mass displacement of people especially after the war.

Mass disintegration also because of border changes and economic disruption in the region itself..

Peace treaties did a lot of damage in Eastern Europe as well: after WW, the dissolution of large territories of empires caused great economic problems and the next 30 years led to frequent border changes → significant forced displacement of people → 50 MLn, and most of that 50 MLn ended up in post-war Germany and Austria increasing the stock of human capital. + Expulsion of ethnic Germans as a form of collective punishment for the Nazi war crimes.

Post-war socialism

Large post war famines: big famine in the West of Soviet Union, large epidemics, crazy inflation and therefore many economic historians began to argue that we have to rethink the origins of central planning and state management of the economy in Eastern Europe: yes it was politically imposed by the soviet union, but a high level of state management and the elimination of the market economy (at least temporarily) practically had no alternative given these conditions.

Enormous number of economic assets and businesses without owners, partly because of the expulsion of ethnic Germans but also due to the holocaust (killed 6 MLN of jews, 5.5 of which were residents of Eastern Europe). Also, loss of managerial and entrepreneurial roles → no engineers, accountants, managers. Then, also regional markets completely disintegrated as well → businesses lost partners.

So we can say that, at least early on, the **nationalization of economic assets and command economy**, with a form of state management, had no alternative. The strongest evidence for this is that these policies began before the imposition of the soviet model in eastern european countries.

What happened politically in eastern Europe after WWII?

Some countries had very strong communist movements that became so popular by the end of the war, that they won the elections in 1944/45 (Bulgaria, Czechoslovakia, Jugoslavia).

Then, there were national unit governments in other countries that had clearly socialist economic and social agenda even if not necessarily socialist in composition. What was common in all of these countries was to eliminate the market economy in large part, i.e. **nationalizing the economy**.

Popular land reforms confiscated all large properties (also church properties), transferred to peasants' households. It's important to highlight that even the private part couldn't function as a private mkt (because all was controlled by the state)

Then came a **transition to central planning**: central plans were introduced in 1948/50, following the soviet union model of Stalin. → Violent period. It's important to note that the extension of state control was slow and gradual. The nationalization of small scale industry took place until the mid 50s and then the collectivisation of agriculture lasted until the early 60s (finished in 1963).



The planned economy

How to explain this transition economically?

There was a hierarchical central planning system: what party of the economy to strengthen was determined by the party in leadership. Then there were 5-years-plans that determined the main output targets for critical industries, usually based on the work on a planning commission. Then there were annual detailed plans for each firm prepared by industry ministries.

The fulfillment of plans was critical to the functioning of the planned economy and it was achieved with different means: any form of sabotaging the plan was punishable with prison and death as well. On the other hand if you fulfilled the plan regularly you could get promoted, you could also become industry minister.

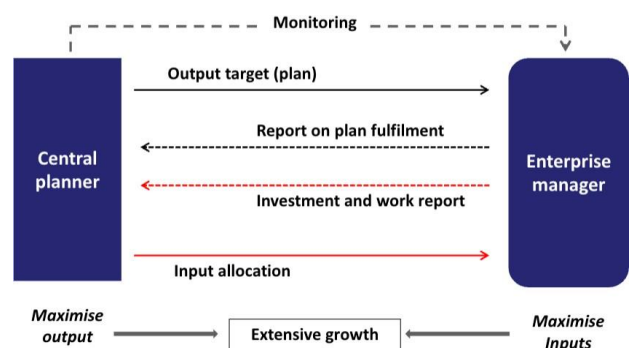
Inputs were allocated to firms based on the output targets. The economy was geared towards maximizing output not efficiency. Especially in the critical industries, because they had a soft budget constraint. As long as you were fulfilling the plan you could get extra resources from the state. In the 1960s/70s: these plans didn't work because the main idea of central planning is that you need a coherent central plan, and if people deviate, it doesn't work anymore.

Understand how the planned economy really works:

In a market economy, typically the mkt gives signals to your enterprise and the CEO responds to these signals, forcing him to make production more efficient (producing higher level of goods with less inputs/ max output with given sets of inputs). So, in a market economy, firms are oriented towards efficiency maximization.

But this is not the case in central planning: here the market is replaced by the central planner who sets the output targets to the firms and based on that determines the allocation of inputs (including labor). Then the enterprise manager reports plan fulfillment, then plans are readjusted periodically. To make sure the enterprise manager doesn't cheat, there is a monitoring system as well →not easy to cheat.

What's important is that the central planner was interested in maximizing output whereas the enterprise manager was interested in maximizing the inputs. **Again, the economy was geared towards output maximization and resource hunger and this led to extensive growth that tried to achieve economic growth by using more inputs instead of using them more efficiently.** → common critique of the socialist system.



Then planning moved across borders with the “*Council of mutual economic assistance*” (1949) : officially a reaction of the Marshall plan, but in reality it was an instrument of economic imperialism of the Soviet Union. Especially initially, it was not an economic integration between countries, but a system of bilateral trade agreements between the Soviet Union and other satellite nations.

One issue is that it exploited a model that may have worked for the Soviet economy, which however was very different from that of other European countries. The Stalinist model was developed for a large country rich in natural resources, with large labor surplus, but after WWII many Eastern countries were smaller and had less labor (due to killings of the war), and they relied much more on external trade.

Once Stalin died, these autarchic policies gave way to kind of bloc autarchies (more trade agreements between different smaller countries). Then from the late 60s, beginning of a gradual opening to trade with western countries considered acceptable by the Union (like West Germany, Italy, France). This



led to important episodes in business history like joint ventures agreements in automobile sectors for example.

Falling behind

Looking at economic growth (annual growth of GDP per capita adjusted for inflation), from the 1950s to the 1960s, Eastern Europe actually followed the general western trend: i.e. high growth and gradual slowdown from the 1970s onwards. More specifically, dividing between “*European core countries*” (France, Germany → fairly developed, with a small share of labor force in agriculture) and “*Western peripheries*” (Ireland, Finland, Southern Europe → less industrialized, still with a large primary sector), one can say that Eastern Europe was able to keep up with western core (not catch up, but still not falling behind). The real clear underperformance was in relation to western peripheries: countries like Spain, Italy, Finland, Ireland ... converged very successfully because of high growth until the 1980s to more advanced Western European nations and they grew much faster than the Eastern peripheries.

Eastern European economic crisis, specifically in the 1980s: growth in many countries stopped, in some even turned negative → leading to the eventual collapse of communism.

Idea of **convergence**: if there is strong convergence across countries, you'll see that with an initial low level of GDP per capita (i.e. of economic development) you had higher growth rates; whereas if you were relatively richer from the beginning, you had lower growth rates. That meant that overtime, the initially less developed countries of Western Europe could converge with initially more developed countries of Western Europe. In 1990 there was practically no difference in economic development between Italy and France. However, Eastern European countries clearly underperformed. They had much lower growth rates than Western European countries that started from a similar level of economic output at the end of WWII.

Why did socialist economies fail?

Many explanations about why socialist economies failed → famous idea of Kornai (Hungarian economist): this output maximization and resource hunger created a “*shortage economy*”: an economy in which everyone was geared towards producing more, but was fighting for scarce resources. Allocation of resources and investment became inefficient, leading to a growing technological gap with western countries.

Krugman claimed there was “too much perspiration and not enough inspiration”: i.e. there was high accumulation of capital and infrastructure but not enough innovation and entrepreneurship tendency/creativity.

The new perspective that economic historians try to add is that this traditional view of Eastern European backwardness caused by socialism and central planning is a bit a-historical because no one really took into consideration what happened before 1949. One of the problems of Eastern Europe was a very difficult process of post-war reconstruction, due to lack of human resources. The socialist “failure” at the end of the 1980s, when growth came to a standstill, had more to do with a decline in investment rather than a decline in efficiency and productivity.

One of the promises of socialist industrialisation was to transform agricultural economies into industrial economies. One can see that the share of agriculture in the labor force was being reduced everywhere, but there was never a time when socialist collectivisation and socialist industrialisation could drive this process faster than similarly less developed western economies based on some type of market economy model.

Structural change was even faster in the 70s and the 80s, and if we take a look at the share of agriculture in the total labor force in Europe, we can see that the Eastern European periphery reached the same point the western core reached in 1959, only in 1989.



The limits of growth

Partly WWII and post war settlements removed about 55 Mln people from Eastern Europe, limiting post war recovery.

Investment-led growth model, which consisted of investing a lot in the economy to increase employment and move from primary sector to industry, was limited by the scarcity of labor → which once again limited recovery. Post war recovery meant not building new capacities/new industrial factories, but waiting for the population to recover enough to use the existing capacities → this immediately led to a technological gap with the west.

Disproportionate loss of human capital: Eastern Europe high human capital sectors suffered from holocaust .

E.g. Post war Poland lost 70% of employees in finance, 70% of lawyers and about 2/3 of industrial managers → lack of skills to rebuild the market economy. This also meant there was a limited capacity for innovation and underperformance in education and scientific research (so quality of schooling declined).

COMECON: issues

Comecon became more trade promoted, whereas growth slowed down.

The defense burden was a big issue only in the USSR, due to the mobilization of working age men to the military.

A critical problem was the access to advanced western technology. Limited by a western policy: “COCOM”. This policy started with the establishment of NATO, which published lists of industrial goods that had different degrees of importance for military technology, which were increasingly limited (some even banned) to Eastern Europe. (you could sell a license to Eastern Europe, but not the newest, you had to sell older ones → so for example fiat was selling in Eastern Europe car models that were sold in Western Europe 10 years before. This was true also for all types of domestic utensils that had components that could be partly used for military applications).

So, more than trade, the biggest impact of the cold war was the limited access to modern western technology in key. Finally the most dominant explanation about what went wrong in the 1980s is that the 1980s crisis in Eastern Europe was not about Eastern Europe, it was a global shock led by the rapid increase in oil prices of the 1970s following the 4th Arab-Israeli war → this created a massive problem for emerging market economies, massive defaults in latin america, sub saharan Africa, South Asia, just like in Eastern Europe.

It had a different impact on South-Eastern and Central European economies because the majority of them imported oil and natural gas from the soviet union, Their industries dependability on cheap imports of hydrocarbons from the soviet unions → and therefore they had to respond to the crisis with austerity.

Austerity: stopped importing, brought down consumption but also investment in public infrastructure and public welfare.

On the other hand, in the USSR initially the impact was positive : however its own mkt within the COMECON started collapsing and this meant the soviet economy began to shift from a relatively developed industrial economy specialized in machinery/steel/chemicals .. towards a less developed one. This also led to the reallocation of investment to peripheries where hydrocarbons were produced.

What happened after socialism?

In the socialist period : only one country had a significantly better performance post socialism: Poland.



Partly because of a very bad performance in the 1980s (if you took it out you would have the same trend as other countries). In general, all countries performed really similarly, no matter if under the socialist regime or not.

If we talk about economics in Europe, the benchmark is always the Germans: Germany was always the number one source of the FDI.

Other countries there is either no catching up or relative decline compared to the core economic center of the EU (little convergence despite institutional reform, liberalization and European integration).

How can we explain this?

We can say that war and disintegration returned after 1990 → Yugoslavia + USSR were dismembered through many regional wars and civil wars in the 90s. According to western arguments, the emergence of Russian neo imperialism (in reality it wasn't "neo", it was a pretty constant phenomenon)

After WWII, there was massive depopulation, to some extent death (mortality crisis, particularly true for former Soviet republics especially among middle aged men → depression and alcoholism after unemployment, this led to premature deaths of millions of middle aged men) + the European single market increased immigration to Western Europe.

Economic integration and economic reforms based on western models had a positive impact, which was however offset by the problems of Eastern Europe. Yes, there was a lot of transfer of capital and technology transfer, but at the same time, depopulation and especially immigration to the west, meant a constant loss of human capital and a big surge in economic inequality → which meant that most of the growth that took place, actually went to the top 10% of the income distribution and didn't improve the lives of the largest part of the population.

If you want to single out one factor that is significant to explain the rapid rise of economic and national populism in Eastern Europe in the last 10 yrs, it's exactly dissatisfaction: dissatisfaction of relatively less educated and relatively low wage voters with the economic achievement of the transition and European integration. Because they benefitted very little from this growth.

Because of that we can say that most of the region remained trapped in economies characterized by low productivity and therefore low wages.

Depopulation (table): it shows the population declined by 7%, mostly because of migration

Growth and inequality

The bottom 50%, even in the best case scenario, earned only about the 20% of the growth that took place in national income (GNI) between 1989 and 2018. In some countries practically none.

This means that the bottom 50%, lives practically in the same standards of living they lived in 30 yrs ago.

With a few exceptions, the red bar is bigger in all countries than the blue bar, this means that of all the income growth that was generated in these 30 yrs, the top 1% got more of that than the bottom 50%.

Conclusion: economic decline of Eastern Europe relative to Western Europe was largely predetermined by the consequence of the wars. Fell behind due to exogenous shocks much more than due to economic institutions.

And that explains why the radical institutional change didn't bring what it promised in the 90s: because the positive impact of re-globalisation and re-integration in Europe were (and still are) undermined by a permanent loss of human capital, and economic integration is disrupted by frequency of war



THE ORIGINS OF THE EU

Overview

For most of its existence, the EU has grown up and became a mature reality during the cold war.

The EU grew up in a period of global restoration of globalization, in a situation of relative political stability → security umbrella of NATO. Development of strong institutions → illusion that political competition was going to be substituted by economic competition. The EU political elite believed that globalization would go on forever with no inflation.

After 2008 (Georgia), Crimea (2014) and Ukraine things completely changed. The EU has been able in the first phase of the Ukrainian war to act as a geopolitical power, able to react to the threat of an energy famine but has been fighting a war by other means vs Russia.

Creation of an economic space that has been dominated by the EU as a centripetal force (many countries willing to join) → successful but...Ukraine is willing to join not only an economic community but also as a community of liberal democracies.

Will the EU be able to become a political actor in the international scenario? Ursula von der Leyen has in mind that something has to change → not only an economic union under the umbrella of Europe. The competition is now geopolitical which means to achieve control over spaces of power which are not only territories but also energy, raw materials... → competition for the ranking in the world order
five continental empires → India, China, Russia, USA, EU

1. **Review:** The post WW2 Cold War context between the Technological and Institutional progress and the Cold War
2. **Historicize:** The Recreation of a Global Integration process after WW2
3. **Conceptualize:** Europe as a Laboratory for Governance and Different Economic Systems
4. **Discuss** the Cecchini text on “Europe 1992”

Making Peace, 1945-1946

Potsdam Agreement, 1945: Allied occupation of Germany

Operation Keelhaul, 1946: repatriation of displaced persons

Paris Peace Conference, 1946-1947: lessons from WWI

Lengthy discussions about reparations, terms of peace agreement, commitment to minority rights, end of Italian empire, border changes

Axis powers were allowed to join the newly created United Nations (1945) – much different approach than after WW1. The German Question: solved with the CW by the division between the Comecon (1949) and the European west.

The Paris peace conference was a success because it was managed in a completely different way with respect to Versailles peace agreement (smash Germany with sanctions which created a sense of punishment and willingness to recover and avenge for this punishment + global economic crisis).

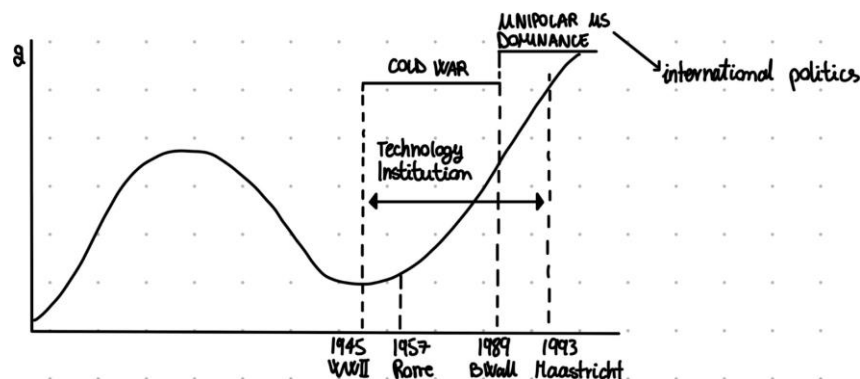
→ status that Europe achieved → idea that economic integration grants peace. to have a strong Europe economically integrated could avoid having conflicts. → first step was American, Marshall plan (European recovery fund), basic underpinning of EU community, followed by initiatives

Economic integration could take place only in a situation of relative geopolitical stability/ equilibrium which was underway in different directions → cold war (forced stability due to threat of nuclear war), new systems of international alliances.

Schuman plan → birth of the European coal and steel community → first example of a joint supranational initiative to create a common market → limits to national expansion of production capacity. Coal and steel were the two resources linked to war and peace. ECSC created first body of government



Political instability + shock in the energy sector (political story, creation of OPEC, international cartel, price of oil goes up and this was weaponized, oil became a weapon) → war between Iran and arab states, Iran revolution



Postwar World Order
Global Institutions and
Agreements: Bretton

Woods

- IBRD (now World Bank) and IMF
- GATT, **1947**: promote international trade by reducing tariffs (now WTO)

Europe was considered a fundamental component of the peace restoration through economic integration

Aid and Development

- European Recovery Fund (Marshall Plan), **1948-1951**
- Huge extension of recovery funds from US
- Organization for European Economic Cooperation (OEEC)

Common Defense in the wake of the Cold War

NATO (North Atlantic Treaty Organization): military alliance created in **1949**, Collective security system, Motivated by the threat of the Soviet Union –complemented by Western European Union (1948 - UK, F, BE, NL, LUX)

Pleven Plan: provide for European security by creating a common army, **1950** (never into effect, French opposition)

Schuman Plan: achieve peace and prosperity in Europe by jointly managing coal and steel, **1950**

European Coal & Steel Community

Established in **1951** by the Treaty of Paris. Six members: France, Germany, Italy, Benelux states. First supranational agreement

Common market for Coal and Steel – free market principles, no State Aid. Logic was to make war on the continent “materially impossible,” to quote Schuman. Created 4 supranational institutions: High Authority, Common Assembly, Special Council, Court of Justice . Promote peace in Europe and the world. And reinvigorate development in the region

Treaties of Rome, 1957

After the ECSC member states agreed to go further. Formed two new commitments with the Treaty of Rome

- European Economic Community (EEC)
- European Atomic Energy Community (EURATOM)

European Economic Community (EEC)



Specific Goals

- ensure the economic and social progress of members by joint action to **eliminate trade and other barriers** between them through a common trade policy, ensuring fair competition;
- improve citizens' living and working conditions;
- ensure balanced trade and **reduce the economic and social differences** between the EEC's various regions;
- abide by the principles of the UN charter;
- pool their resources to preserve and strengthen peace and liberty and **call on other peoples of Europe** who share this ideal to join them in these efforts.

Global Economy 1950s - 1970s

Globalization restarts

- Bretton Woods system of currency convertibility (1944) – creation of the IMF and IBRD (**Dollar gold peg/fixed exchange rates for other currencies**)
- Global trade facilitated by the GATT and regional agreements
- “Global South” increasingly integrated into supply and value chains
- Multinationals on the rise from US, EEC, and Japan

But Economic Downturn

- Postwar growth boom “economic miracles” started to wane
- Inflation on the rise in the West, especially in the US
- In **1971**, the US withdrew from the Bretton Woods agreement, separating the dollar from gold peg and from other currencies
- **1971** Tehran Agreement among OPEC (1960) countries. Oil price increases. **1973** Yom Kippur War and oil embargo by OPEC. **1978** Iran Revolution and a second oil crisis.

Rescuing the EEC

1982 Copenhagen: EEC Council Summit

“The European Council fully endorses the need for a comprehensive strategy for achieving a marked improvement in the employment situation through the creation of **durable new jobs**. The implementation of this strategy must be continued, comprising a broad range of interlinked and mutually supportive economic and social policies, both at the Community and national level.”

Objectives:

- Re-establish economic stability
- Reduction of interest rates and support for productive investments
- Create employment and professional training opportunities
- Labor flexibility and mobility
- Pursue a vigorous energy policy
- Strengthen the European Monetary System
- **Strengthen common market**

Progress & Obstacles

Obstacles: **An effective common market existed in the EEC already (1968)**, meaning there were no tariffs or quotas for goods moving between member states, but **barriers to trade remained**, including national **technical standards** set by member states, which impeded the flow of goods

New Commission in 1984 (effective in 1985): Jacques Delors, President (former French minister of Finance)

White Paper on Completing the Internal Market (1985)



- “3 Pillars” to remove physical, technical, and fiscal barriers to trade – enable the four freedoms (**goods, services, capital, labor**)
- To be implemented by of 31 December 1992
- Achieved through a new approach: **European standardization**

Cecchini, Europe 1992

Paolo Cecchini: Italian, born in Perugia in 1927. Law degree from the University of Turin in 1950. Worked for several international banks, specializing in foreign investment, foreign exchange, financing of major industrial projects. Position at the OEEC in 1958. Joined the Commission of the European Communities in 1960, working for the external relations directorate. Deputy Director General for internal market 1977-1986. Private consultant for the Commission from 1986. Wrote the “Cost of Non-Europe”

What are the **objectives** of the 1992 Program according to Cecchini?

Why is a Single Market **necessary** for the Community?

What is at **stake** if Europe does not complete an internal market?

Single European Market

“**Completed**” in December 1992. **Maastricht Treaty**, into force November 1, 1993. Laid the **foundation** for the Economic and Monetary Union (EMU): for common economic policy, single currency – and for the European Union (EU) established in January 1993. The collapse of the Soviet Bloc hastened the Plan’s objectives. Single Market remains the cornerstone of the EU even today

15/11: Global Freedom, Global Problems: the decolonization process and its consequences

Decolonization: a periodization

Decolonization is the defeat of the «**imperial illusion of permanence**».

Long durée vs. specific, periodizations, long and short: i.e.: 1494-.... (Treaty of Tordesillas); 1776-.... (the US Declaration of Independence); 1919-... (Treaty of Versailles); 1945-1975?

Global and interconnected process, but contingencies and specific temporalities.

We will focus on 1945-1975

We are discussing here the moral collapse of imperialism cannot be limited and circumscribed in a specific perimeter.

1945-1975

Why do we focus on this period?

- Absolute and unprecedented global character of World War II: when Hitler decided to invade Poland, there had already been thousands of casualties in China. Colonies were involved as well (Brazil, India, New Zealand)
- Simultaneous although not synchronous process, from Japan (1945) to Portugal (1975), but in those 30 years you have the final collapse of most empires → Japan spoke an anti western and anti colonialism language in order to justify its expansion. The Portuguese empire collapsed when the country was made free.
- Radical reshaping of political geography
- New cosmopolitan/universal language of rights (Atlantic Charter, Universal Declaration, UN Resolution 1541)
- From an imperial world to a world of sovereign states (Nation-states? Artificiality?) ü Interplay with the (global) Cold War



Sovereignty taken away from empires and given to newborn states

New universal and cosmopolitan language of rights for the simple fact of being born. → justify decolonization and are driven by decolonization.

Decolonization contributed to the globalization after WWII.

Declaration of Independence of the Democratic Republic of Vietnam (1945)

Ho Chi Minh: “All men are created equal. They are endowed by their Creator with certain inalienable rights, among them are Life, Liberty, and the pursuit of Happiness. This immortal statement was made in the Declaration of Independence of the United States of America in 1776. In a broader sense, this means: All the peoples on the earth are equal from birth, all the peoples have a right to live, to be happy and free”

UN declaration on the granting of independence to colonial countries and peoples (1541, December 1960)

The General Assembly,

Mindful of the determination proclaimed by the peoples of the world in the Charter of the United Nations to reaffirm faith in fundamental human rights, in the dignity and worth of the human person, in the equal rights of men and women and of nations large and small and to promote social progress and better standards of life in larger freedom,

*Conscious of the need for the creation of conditions of stability and well-being and peaceful and friendly relations based on respect for the **principles of equal rights and self-determination of all peoples**, and of universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language or religion,*

*Recognizing the **passionate yearning for freedom in all dependent peoples** and the decisive role of such peoples in the attainment of their independence (...)*

*1. **The subjection of peoples to alien subjugation, domination and exploitation constitutes a denial of fundamental human rights, is contrary to the Charter of the United Nations and is an impediment to the promotion of world peace and cooperation.***

*2. **All peoples have the right to self-determination;** by virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development....*

Decolonization and globalization: driver of integration

- Universality/Humanity → no barriers, no hierarchy
- Globalization Cold War (and Cold War Interventions, like Americans going to Africa)
- Cultivated connections and collaborations (non-alignment, tri-continentalism, Global South, New Economic Order, “Asian-African” bloc at the UN et al)
- Race solidarity: from Little Rock to South Africa (“global civil rights”) especially against the global north → race doesn’t stop at national borders, it is a common denominator that goes beyond borders
- Sovereignty and international law → if decolonization acted as a multiplier of sovereign states, this means there are much more sovereign actors and you need to be a sovereign actor to apply to international law, the number of people that fall under a unified system of law expands. key precondition to be subjected to laws of the international community.
- Violence → key component as it was a fundamental element of the colonial experience. hierarchy relied on violence. there were very different paths, some were peaceful other ere much more violent
- Postcolonial global revolutionary hubs (Cairo, Dar es Salaam, Accra, Havana)



The ex colonies initially wanted to create somewhat of a Union against the colonial countries. This proposal was explained during the Bandung conference in Indonesia → anticolonial commonalities → new forms of collaboration beyond national borders.

Decolonization coincided with globalization → internationalization of internal conflicts

global civil rights → race solidarity linking different people

decolonization fostered forms of integration

Bandung's final communiqué (1955)

“The Asian-African Conference discussed the problems of dependent peoples and colonialism and the evils arising from the subjection of peoples to alien subjugation, domination and exploitation.

The Conference is agreed:

(a) in declaring that colonialism in all its manifestations is an evil which should speedily be brought to an end;

(b) in affirming that the subjection of peoples to alien subjugation, domination and exploitation constitutes a denial of fundamental human rights, is contrary to the Charter of the United Nations and is an impediment to the promotion of world peace and cooperation;

(c) in declaring its support of the cause of freedom and independence for all such peoples, and

(d) in calling upon the powers concerned to grant freedom and independence to such peoples.”

Indian Prime Minister, Jawarhal Nehru, 1955: “If I join any of these big groups I lose my identity ... if all the world were to be divided between these two big blocs what would be the result? The inevitable result would be war”

→ idea that the postcolonial countries could create a non alignment reaction to the CW

Decolonization and globalization: driver of fragmentation

- Geopolitical fragmentation (multiple, often artificial sovereignties. Empire as a vector of globalization/integration)
- Economic protectionism (import substitution, protectionism, nationalization, etc.)
- Postcolonial bond often very tenuous, within new polities and among new states (intra-state and civil wars) very fragile, within new polities and among new states (intra state and civil wars)
- Effective sovereignty/independence? Re-colonization? Persistence of imperial patterns ? → many of those countries saw legal independence. persistence of imperial patterns. Many states would argue that the promise of decolonization has often been unfulfilled
- Self-determination, sovereignty and human (i.e.: individual) rights (right to life, etc) and the international community has a responsibility to defend those rights (responsibility to protect) → the international community can violate sovereignty of states to protect civil rights

Decolonization often went against globalization as it promoted fragmentation in many forms.

Decolonization can be studied in many ways, but nowadays it's mainly bottom-up (one of the historiographical questions)

THE AGE OF LIBERAL CONSENSUS

Today we live in a “watershed moment”, a historical contingency in which the World's political and economic order is heavily challenged. Many old “certainties” are crumbling, turning into “uncertainties”. Among them, one is particularly resounding. After the fall of the Berlin Wall, and the dissolution of the Soviet Union, the World turned “flat”, quoting Francis Fukuyama. “Flat” meant that



once the “Opponent” only one dominant ideology triumphed, Free Market Capitalism. It seemed to have many fruits in its cornucopia: economic growth, wellbeing, income convergence, but also freedom for the enslaved, liberty and democracy. In the 1990s policies and initiatives aiming at improving the diffusion and functioning of Free Market Capitalism spread all over the World, becoming another “global” phenomenon. Liberalizations, privatizations (the sale of State-owned assets), the demise of State intervention in the economic sphere, the acceleration of global trade, of global finance and in general of globalization was considered ultimately the key to growth and prosperity for almost everyone – into an essential and necessary political framework: liberal democracy. The “recipe” was condensed into “principles of action”, a practical political and economic philosophy better known as “Washington Consensus”. However, the cornucopia proved to be almost empty at all. Globalization created more inequality than equality. Global finance collapsed in a World recession in 2008. Income convergence remained an unaccomplished dream. The nexus between free-market capitalism, economic growth, development and democracy is questioned by the fact that, apparently, authoritarian regimes have been able to score better results than liberal democracies. Liberalism and liberal values are, according to Russia’s Vladimir Putin, “obsolete”. The Age of Liberalism and of the Washington consensus is with us and the rest of the World, on the above mentioned “watershed”. We do know very little about the future, but we can try to understand what’s going on in our present, better understanding what happened inside that cornucopia.

The Bear, finally, disappeared

The end of the Cold War coincided with a radical transformation of the post-WW2 bipolar World order, in an unpredictable (and unpredicted) way. The dissolution of the “Soviet Empire” took place only two years after the fall of the Berlin Wall, and was preceded, and followed, by a wave of democratization in the (formally independent, but one-party-rule) satellites in Eastern Europe and the Balkans in 1989. Between 1990 and 1991 the former Soviet Union followed, starting from the Baltic Republics to the final act of dissolution, on December 26th, 1991. Germany had been reunified in 1990.

Fall of the Berlin wall → November 9 1989. Police left without orders at the checkpoints, it was due to a miscommunication. In 1989, the soviet system had already collapsed, economically → soviet union was less and less able to support its international policy and cohesion of the eastern bloc. The price of oil went down, some claim it was a political choice of the USA and Saudi Arabia to hit the soviet union. URSS was not even able to put into practice the Brezhnev doctrine.

The Soviets sent tanks regularly when something was going to create a perturbation in a country under its control. When in the 1980s anticommunist sentiments started to spread in Poland (relevant country) with the first wave of strikes in Danzig everyone was expecting the russian tanks. but no tanks were sent, no repression, poland went on with the protests, protest grew and poland gained independence.

After the fall of the Berlin Wall, basically all the former URSS dominated European countries abandoned URSS, and then politically transformed from one party rule regimes to liberal democracies. Germany was unified, but the dissolution of Yugoslavia started a decade of ethnic conflicts and wars.

The End of History

The “ruinous” fall of the opponent, left only one possible alternative: the model of “Western liberal democracy”, coupled with free-market capitalism. This could be the last “stage” in the history of mankind, when liberal parliamentary democracy establishes itself as the most efficient form of government, granting freedom and development (human and economic).



The end of communism was leaving on the floor the dead body of communism and only one possible alternative.

Triumphant Capitalism

In the 1990s “capitalism” established itself as the “dominant” model, not only in economic, but also political terms.

In the former Soviet bloc, the establishment of capitalist market systems became the first goal of the new ruling class to be achieved as soon as possible – with mixed results and social impacts. In China the process of reforms started in 1978 went on progressively and slowly, but restlessly – culminating in 2001 (WTO). In the West, the question was now: “which kind of capitalism”?

From Geopolitics to Geoeconomics

The end of the confrontation meant the emergence in the 1990s of a sole geopolitical leader, the US. The nature of the confrontation challenged, from the control of the geographic space to the control, or dominance, of the economic sphere...but always inside the realm of capitalist societies based upon the models of western liberal democracy

Which Capitalism? «Stabilize, privatize, liberalize»

In the 1990s emerged, at a global level, a consensus among the main international governing bodies in Washington (e.g. IMF, WB) about the way in which the “liberal democracy model” should be translated into stable economic systems for both developed and developing countries, and a set of shared “policies”. Some of these “pillars” were in place even in China...and “traded” in exchange of inclusion (e.g. EU admission) or aid (IMF, WB)

The “Washington Consensus” (John Williamson, 1989)

- Low government borrowing.
- Diversion of public spending from subsidies to important long-term growth
- Implementing tax reform policies to broaden the tax base and adopt moderate marginal tax rates.
- Selecting interest rates that are determined by the market.
- Encouraging competitive exchange rates through freely-floating currency exchange.
- Adoption of free trade policies.
- Relaxing rules on foreign direct investment.
- The privatization of state enterprises.
- The eradication of regulations and policies that restrict competition or add unnecessary barriers to entry.
- Development of property rights.

Focus: Global Privatizations since the beginning of the 1990s

During the 1990s, deregulation and privatizations (that is the sale on the market of assets previously under the control of the State) spread everywhere.

- Western Europe (from 1985)
- Eastern Europe and Russia (from 1990)
- China (from 2000)

Globalization’s comeback: trade and capital flows

Since the early Nineties, the «Washington Consensus effect» has had a visible impact in restoring international World economic integration, including the “Chinese effect”.

Migrations and Globalization



A truly global phenomenon, international migrations (IMs) have characterized the present globalization wave. According to the UN, between 1990 and 2010 the most developed regions were the recipients of the majority of immigration flows. A truly global phenomenon, international migrations (IMs) have characterized the present globalization wave. According to the UN, between 1990 and 2010 the most developed regions were the recipients of the majority of immigration flows. The impact of IM is multidimensional (political, social, economic) both in the countries of birth and of destination. IMs (causes and effects of) allow us to better understand the dynamics of globalization.

Globalization and its discontents

Three decades after the fall of the Berlin Wall the “Washington Consensus policies” are still in place, but increasingly questioned and criticized, particularly by the developing and underdeveloped countries and by stagnating developed countries. The Consensus proved to be inadequate in the crisis (2007-8) and recession. Moreover, the “new globalization” phase failed in keeping important promises the Washington Consensus had made:

- Rapid economic growth in transition and developing economies. Failures in South America and Africa
- Political convergence towards Western liberalism: rapid development in autocracies instead, and the challenge of fundamentalism (See V. Putin, “Liberalism has outlived its purposes”, FT, April 2019)
- Convergence in incomes and living standards (equality)

Globalization and inequality

The “new globalization” has been accompanied by another phenomenon, that is:

- the reduction of inequality among countries at the global level starting from the end of the 1990s (see Branko Milanovic “The Great Convergence”, Foreign Affairs, July 2023)
- the rise in inequality levels of wealth distribution within countries (full agreement):
 - After 1989 the total labor force doubled from 1.5 to 3 bn. Relocations, offshoring and competition on low -medium skill segments
 - Inside developing countries growing gap between skilled and unskilled, and unskilled hollowed out by migrant workers
 - Rising inequality may generate an ideological and political backlash against globalization

Globalization vs «Defensive Nationalism»

Rising inequality may lead to an ideological (and political) rejection of the components of globalization – a process not very different from that taking place before the Great War.

- The rejection of trade integration and of the institutions promoting integration in general – e.g. EU
- The rejection of global mobility (rejection of migrants)
- The rejection of globalism in open support of “defensive nationalism” (different from nationalism *per se*) → defend my country from an external attack
 - The rise of populism (right and left-wing) – the people vs. élites as the sociological and political translation of inequality status.



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