

Transformation of the Global Economy in the Environment of the Transfer to  
the Multipolar World

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The Linear Logic of the World Economy Structure’s Development

The market economy is atomistic by nature. Its basis is formed by network, horizontal ties between individuals independently taking economic decisions. Surely, there are also hierarchically structured groups of people. Vertical relations reflecting various roles of the participants in taking decisions and bringing them into life are predominant inside such collective formations.

One of such significant groups acting in market economy is a capitalist company, the functioning of which is ideally subjected to one aim – the maximization of profits. At the same time, it is not difficult to notice that origination of any company is mediated by an individual choice – it is made by its every employee when they are employed. Though companies are themselves being the participants of horizontal market interactions with other subjects of economic activities.

The state is another most important source of hierarchical relations in market economy. From the point of view of nature of the examined form of economic structure, the functions of this authority for the society management seem rather limited: they come down to protection of private property rights and guarantee of carrying out deals made by natural persons and legal entities. In this sense, the state’s powers are subjugated to the task of effective functioning of exchange relations, being of network character in their essence. In case of such understanding, the geographical borders of states do not seem so important; the important thing is that the performance of the above-mentioned state’s functions should be provided on any territory.

Already Karl Marx paid attention to the fact that the international character of the capitalist society is related to its atomism. Hence his well-known quotes about proletarians having no Fatherland and class interests of capital dominating over its national interests. According to the theoretical provision fitting well in the narrative, the economic relations are the basis, and the state subjugated to the interests of the ruling class – capital together with culture are included in the superstructure of the social system.

The principal secondary nature within the framework of the examined approach to the issue of the state borders' configuration does not mean that their certain shapes have no real economic consequences. Any state's necessity to mobilize means to finance the activities directed to perform the above-mentioned minimalist functions, inevitably leads itself to origination of taxation systems different in different countries. This in its turn becomes the reason for differences in the environment for carrying out economic activities in different states, and that directly affects the forming in them price ratio and as a result the transnational flows of goods, services, financial resources.

In the course of the technological progress, accompanied by expanding of the production scales, such a heterogeneity of the environment for economic activities on the globe is more and more conflicting with the very nature of the market economy. If the institution of state is meant only to provide the required conditions for the market's functioning, then the natural reaction to the more and more expanding transnational economic relations should be the aspiration of nation-states to achieve formation of one common for the whole globe legislative and regulatory environment for business by joined efforts. In the financial system, this ideally implies consecutive movement to establishment of the unified global taxation system as well as complete refusal from using customs duties and all kinds of limitations for trans-border movement of the factors of production. In case of such an approach, the increase of the extent of homogeneity of the market environment is viewed as a direct and inevitable

result of the technological process. As a matter of fact, this is the “linear” nature of this approach.

It is interesting that a similar conclusion about the inevitable disappearance of “state barriers” under the pressure of the technological process and formation of a uniform economic space was expanded by V. I. Lenin to the principally different social system – socialism. Really, his well-known quote about the “global cooperative of nations” is nothing else but the socialist variant of “the end of history”. Though here it is necessary to keep the following in mind.

In contrast to capitalism, socialism by definition is not an atomistic society. The fundamental relations within its limits are not horizontal (between individual economic agents) but vertical (between members of the association and association as a whole). As a consequence of that, transfer from local interests of certain countries to the common interest of “the global socialist community” turns out to be not so simple <sup>1</sup>.

### The Real Course of the Global Economy’s Development

The real course of the global economy’s development fully confirmed the thesis on the internalizing force of the technological process. Consecutive build-up though with well-known fluctuations of all kinds of international economic relations is viewed over the long historical period of time: trans-border flows of goods and services, capital and labour. At a certain stage, this process leads to the origination of transnational structures, within which inter-company distribution of labour becomes international.

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<sup>1</sup> This became apparent when the world was divided into two socioeconomic systems. The conclusion about as if objective aspiration for the autarkic development of centrally planned socialist economies that was rather widespread in the Western economic science, is definitely an exaggeration. However, the experience of the countries from the Council for Mutual Economic Assistance that united a considerable part of the socialist world countries, undoubtedly certified that exactly the nation-states were the main subjects of international economic relations, speaking in them on behalf of respective nations. In that environment, there were no opportunities for gradual increase of the homogeneity of conditions for economic activities: they could become such only in case of refusal from nation-states as such. However, in a wider context it corresponded to the Marxist idea of historical inevitability of the institution of state dying.

The general result of such a development of events is more and more close interweaving of national production and economic systems and the formation on this basis of the more and more integrated global economic and technological system. At the production stage, the degree of such integration is manifested in such natural indicators as the share of the received from abroad raw materials, services of physical capital and labour in creation of certain kinds of products. In the environment of the market system, the derived from them economic indicators of the internationalization process are the shares of cost of foreign goods in the retail commodity circulation in the country, foreign capital in national investments, export and import of goods and services in the gross domestic product, etc. At the same time, the tightness of mutual international production and economic ties objectively cannot be the same in various sectors of the global economy. In this case, we see the effect of both special features of spatial location of producers and consumers, and levels of technological development of various areas.

It is more difficult in case of the institutional side of the production's internationalization process, reflecting the degree of the homogeneity of the conditions for economic activities in different parts of the globe.

In the environment of free competition capitalism, the process of homogenization of the global economic space developed fairly quickly. The two factors played an important role in it. First, the economic role of the state decreased consequently during this period in comparison with the age of centralized feudal states. This role gradually came down the performance of the two above-mentioned functions – protection of property rights and provision of the effect of sanctions in case of infringement of contract obligations (the state as a “night guard”). The requirement in resources necessary for carrying out these limited functions was relatively unimportant (it will be enough to say that in the early 20<sup>th</sup> century the usual share of the state's expenses in the gross domestic product amounted to approximately 10 percent), and because of that

the existing differences in tax rates and customs duties only limitedly affected the choice of domestic and foreign partners. Second, the most important factor providing the high level of homogeneity of global economy during that period was the existence of actually unified monetary system on the territory of the whole globe based on the value of gold, the gold standard.

The state of affairs started changing with the transition of the market economy into the stage of imperfect competition (“monopolistic capitalism” in Marxist terms), which became evident in the last quarter of the 19<sup>th</sup> century. The role of state in particular changes in this environment: it gradually changes from the “night guard” into the most important subject of economic activities. Maintaining socio-political stability becomes its task inside the country, and protection and promotion of the interests of national capital on the international scene. Interweaving of internal and external functions turns the state into a powerful tool for providing competitiveness of national economy.

Strategic competition of capitalist states becomes a new phenomenon for the global economy. It leads to strong inter-state collisions, most dramatically manifested during World War I and later World War II. The result was disintegration of the global economy into two socioeconomic sectors for a fairly long period of time – capitalist and socialist. Relations of three kinds different in their socioeconomic content form within the global economy – inside each sector and between them.

Transition to the stage of imperfect competition capitalism is accompanied by considerable changes in the world monetary system that ends in complete transfer from the gold standard to credit (fiat) money. The important result of this process is appearance of the state’s new powerful tool for influencing the economic life of the society – the monetary policy. Such a development of events is not accidental; it directly derives from the changed role of the state. Considerable decrease of transaction expenses was the factor pushing to introduction of new national monetary systems, it was provided by

them. The possibility to realize these advantages appeared in connection with the economic power and derived from it trust that the institute of state acquired in the new environment. However, the consequences of changes in the monetary field were not limited by that.

Disappearance of one common – gold – basis of the world monetary system disturbed the homogeneity of the global economy in this field and from the point of view of the “linear logic” meant institutional regress. The negative consequences of the fragmentation of the global monetary space were softened by making the US Dollar the world reserve currency. Serious advantages proceeding from such a position of the national currency for the United States make this system dependent both on the degree of responsibility of the country-emitter’s to the rest of the world, and – in a farther perspective – of the ratio of economic powers in the world.

In view of the reasons, the analysis of which is beyond the subject of my report, the sector of the centrally managed socialist economies stops functioning in the early 90s of the 20<sup>th</sup> century, and the economic activities everywhere subjugate to the market laws. During this period, the idea of inevitability of the globalization process based on liberalization of all sides of economic activities – production, trade, finance – is acknowledged practically universally. The powerful development of transnational structures and related to their functioning formation of international value added chains is also viewed as certification of the role of nation-states being “doomed” to progressive decrease.

It would seem that the world economy’s development returned to the “linear logic” determining the steadfast movement of the global economy to the fully homogeneous state – “the end of history”. It is not accidental that discussions of formation – even if not in the very near future – of the one world government have increased dramatically exactly during this period.

However, it is not difficult to notice that such a “comeback” became a result of not so much the actions of forces “not dependent on the will and mind”

of certain actors as the focused determined efforts of the most developed states: liberalization of economic activities allowed them to secure their leading position in the world at this stage. In fact, the de-etatization was about the states not referred to the countries of the “Golden Billion”; the power of the latter ones even increased. Though one cannot but acknowledge that in the medium term the profits from the process of globalization – access to up-to-date technologies and forms of carrying out economic activities, familiarization with higher consumption standards – were witnessed in less developed countries as well. Long-term negative consequences of the process of globalization for them are becoming clear only now: dependent position in transnational value added chains, limited opportunities for independent economic policy, vulnerability to sanctions imposed by the most developed states.

It is paradoxical but the decline of the process of globalization of the world economy also started by the will of the developed Western states. The reason was exactly the change of the balance of powers on the global arena (first of all, the rise of China) as well as the negative consequences for the said states of the previous staking on leaving the real sector of economy and complete liberalization of financial activities. The 2007–2009 global financial and economic crisis was the “trigger” here that led to cardinal changes in their economic policy.

#### Fragmentation of the Global Economy as the Economic Side of the Process of Transition to the Multipolar World

A certain number of researchers think that it is unjustified to speak about the reversal of the process of economic globalization. At the same time, they as a rule refer to the fact that the well-known decrease of the number of transnational economic ties after the global financial and economic crisis is temporary.

It is quite possible to agree with the latter statement: there is every reason to believe that the scientific and technological process will be accompanied by expanding of production activities’ scales in future as well, and also the areas of

product sales and application of the factors of production, including beyond nation-states. However, in case of such understanding, the process of globalization does not in any way differ from what has been defined by the term of “internationalization of economic activities” in economics for a long time already. It seems that it becomes qualitatively specific only in case if it is connected, as it was mentioned above, with the movement to a more homogeneous economic (market in today’s conditions) environment. And exactly with this point of view there are grounds to say that the period of fragmentation of the global economy’s structure has come to replace economic globalization.

It is evident that the global economy’s entering this period does not accidentally coincide with the more general process of transition from the unipolar world to the multipolar world, practically being its component part. This process is by necessity characterized by fierce competition of states (“strategic competition”) in the course of which not only purely economic interests but cultural and civilizational ones will be manifested (and are already manifested). Taking into account a big number of states in the world, and them considerably different from one another by the level of development, resource, scientific and production potential, the period of the global economy’s fragmentation will be characterized by the increased level of uncertainty, danger of large-scale inter-state conflicts. It is confirmed by the today’s events in the Ukraine and the Near East.

The difficulty of the process being experienced is defined by the variety and non-triviality of tasks to be solved by all countries in the course of it.

The understanding of state interests (including as to the allocation of resources taking into account the international distribution of labour) will be seriously corrected. When taking decisions on the advisability of enhancement of international specialization and possibilities to increase the production’s



efficiency, a considerably bigger importance will be given to evaluation of risks related to increase of dependence on partners from other states.

The aspiration to create areas of stability allowing to maximally use the economy's potentialities at the expense of the scales opened by the technological progress, will help to form coalitions of states characterized by the increased degree of homogeneity of the economic space. Such integrational associations in their turn will claim to be the "poles" of the new multipolar world.

The process of reformatting the global community as a whole and global economy in particular will inevitably lead to renewal of the international economic cooperation institutions both within the framework of certain groups of states and the whole globe. Such trends are already clearly visible today in the monetary field. The composition and comparative role of reserve currencies are changing, digital currencies are introduced not related to national financial authorities, the use of "soft" national currencies in trans-border settlements of payments is becoming more active, the possibilities of formation of new "international currencies" are actively reviewed. In this connection, it is important to keep the following in mind.

As it is well-known, one of the main issues of the group choice is the inevitably appearing "cyclicity": in order to take rational decisions, the group members should decide how they are going to take them. It is clear that in such an environment the balance of interests may not be the result of a multistep iterative process. And what is more, such a balance itself may turn out rather shaky: not only changes in the interests of certain group members but also in their ideas of what interests should be coordinated may lead to disruption of this balance. Luckily, there is also some power operating in the established groups, as a rule giving the minimally required sustainability to the reached agreements. Refusal from them is often fraught with bigger losses for the group members than problematic profits from their change.

Thus, one should expect a long period during which a new structure of the global community will be formed as well as institutions mediating inter-relations of its actors both at the global level and within separate coalitions. Changes in the arrangement of the world economy will be one of the important parts of this process. Both single states and their associations are to expect a difficult search for their places in the new architecture of the global community. It is evident that the process will be of a complex game character.

BRICS plays an important role here. Today, the consolidation of states in this organization is determined by their common understanding of the necessity of restructuring on the basis of the new principles of the global community as a whole and global economy in particular. Surely, they are already striving now to build their relations on this new basis and thus take upon themselves the functions of the most important pole being in the process of establishment of the multipolar world. However, it can be assumed that in the course of these principles' acquiring the universal character, the today's BRICS partners will find themselves as members of various international coalitions – future poles of the global community. Apparently, the historical role of BRICS in this regard consists in playing the role of the main testing ground for working out new, just principles of relations for various states and their coalitions within the global community.