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Economics 115:World Economy

Prof. Delong

Contemplating The Short 21st Century (2016-2100).

Economic Systems:

I would submit that the political economy of the world in the short 21st century will vary by country. In the United States, the government has always taken a pragmatic approach towards economic development by creating a conducive environment that spurs innovation and entrepreneurship. As Delong and Cohen argued, the backbone of the United States economy has been a bet on manufacturing, technology, infrastructure, commerce, corporations, finance and banks, and government support for innovation. America's leadership in all of these areas have helped enable its position as a world power. And even as China creeps behind it as a rising world power, the United States, who will not easily give up this position, will continue to pursue expansion and growth in all of these economic domains.

For most of the 20th century or at least since the Great Depression, the United States has leaned toward a mixed economic system of capitalism with somewhat socialist characteristics, or better described as social democracy. Based on the lessons from President Franklin Roosevelt's administration New Deal policies to curb the depression, It is reasonable to say that laissez faire will have little place in the next century of economic organization in the United states. Since the decline of laissez-faire during the depression, emphasis has shifted towards full employment rather than inflation. Regardless of the system of economy, the legitimacy of any government lies

in its ability to create full or near full employment for its citizens. Employment is closely related to people's livelihood, economic development and social stability.

Severe unemployment has shown to carry a revolutionary undertone. Almost any government will lose its legitimacy in the face of mass unemployment, as we have seen throughout the 20th century, and as Delong pointed out, unfortunate elements can come out of severe unemployment. It is a potential outcome that is liable no matter the type economy system. Dictators like Adolf Hitler and Spain's Generalissimo Francisco Franco came out of the Great Depression. Herbert Hoover was defeated in his second run for presidency largely because of his passive behavior during the Great Depression. Consequently the short 21st century is unlikely to see an economic arrangement where any government's response to unemployment is weak and passive. Such a government would knowingly or unknowingly be risking its future, if it had any.

This is even more true for a one-party state like China. The single party's legitimacy has been underpinned by its ability to provide work for most of its 1.4 billion people. China has described its economic system as being socialism with capitalist characteristics.

Asia in general is positioned to see tremendous growth in the next century. By 2030, the region is expected to contribute roughly 60% of global growth. Asia-Pacific will also be responsible for the overwhelming majority (90%) of the 2.4 billion new members of the middle class entering the global economy. The bulk of that growth will come from the developing markets of China, India and throughout South-East Asia and it will give rise to a host of new decisions for businesses, governments and non-governmental organizations. The pressure will be on them to guide Asia's development in a way that assures the region's long term growth.

Global Democracy and Capitalism:

It is important to imagine what the trajectory of democracy would be like in the next century. According to Winston Churchill, democracy is not the best system of government, but it is the best system we have. The question is will there be countries operating democracy by the end of the short 21st century? I believe that democracy will still persist through the next century. Democracy has always had challenges and I think in the age of technology, democracy faces even more significant threats to its legitimacy than before.

Some have entertained the idea that China being a non-democratic rising power could pose a threat to other democratic states. I think that China has its sights more on becoming an economic superpower than interfering with democracy in other nations. And it has demonstrated to the World that economic advancement is possible without being a democracy. The world has seen instances of some threats to democracy and democratic representation in recent times in the United States, Europe and elsewhere. There has been the use of social media by interested groups to spread disinformation in a strategic and coordinated fashion with the intent of undermining public trust in institutions or persuading beliefs in things that are not true; the role of proprietary closed platforms run by profit-driven organizations in disseminating informations to citizens, and collecting information from them or about them.

These platforms were not designed to be ‘digital commons’, are not equally accessible to everyone and are not run for the sake of promoting social welfare or broad-based civic participation. Organization’s profit motives, business models, data-gathering practices, processes and procedural opacity and power and— therefore, resilience against government regulation undertaken for prosocial purposes, make them poorly suited to promoting democracy. In addition, the growing role of surveillance by digital platform owners and other economic actors

that collect and transact digital trace data as well as by state actors, and the increasing power of machine learning-powered surveillance technologies for capturing and analyzing data, threaten the public's ability to engage safely and equitably in civic interactions. All of these culminates in what is now public concern that information and the trust environment will further deteriorate due to misinformation tactics such as video fakes and cheapfakes.

Nevertheless, the prospects for how democracy will evolve in the next century is not completely gloomy. I am equally optimistic that effective solutions to these challenges will evolve because humans are adaptation machines and people will likewise adapt technology to combat the problems that face democratic society.

The Plutocracy and Economic Inequality:

The proliferation of global wealth during the 20th century has enabled the rise of plutocracy and an exacerbation of wealth inequality in the world today. The plutocrats have money and with their money they have been able to acquire power and influence across national boundaries. How serious is the situation? Wealth has become concentrated at the top because of income inequality, higher rates of saving among the wealthy, and the accumulation of assets. The wealthy have also invested a large amount of equity in businesses, stocks and other financial assets, which have handed them disproportionate benefits. A projection produced by the House of Commons library suggests that if trends seen since the 2008 financial crash were to continue, then the top 1% will hold 64% of the world's wealth by 2030. Even taking the financial crash into account, and measuring their assets over a longer period, they would still hold more than half of all wealth. The consequences of wealth inequality amounts to rising levels of corruption

or the plutocrats enjoying an unfair level of influence on governments policy as most already do today.

In imagining the future of plutocracy in the world, DeLong argued that “the big problem of the post-1990 public sphere is not so much that the rich speak with a loud voice, but that others whose voices if aggregated would be more powerful do not speak, or are not heard at all. ” Hence the problem with plutocracy is that the majority who indeed if they came together would be powerful enough to limit the influence of the plutocrats. But have the masses allowed the plutocrats to acquire so much power that it is almost now impossible to stop the plutocrats' reign? Or have the benefits of capitalism, especially in the global north, put the masses in such a position that they seem to have a conflict of interests ? I think that through the short 21st century, global inequality is likely to fester and expand to the extent that the majority realize the aggregate power that they can muster, and make demands on their governments to limit the influence of plutocrats in their polity. It is not likely that the plutocrats will bring themselves under control, the only way is for them to be brought under control by the citizens who directly and indirectly via the supply and demand relations of a capitalist system helped them amass wealth. If they are not brought under control, they are already positioned and except for exceptional circumstances, the only way to go is up.

The Feminist Movement:

Over the long 20th century the feminist movement, which was started in the United States and spread through Europe and the rest of the global north, established its legitimacy, garnering significant momentum. It is fair to state that as far as the feminist movement is concerned, the only way is forward. The world would be naive to imagine that female power will recede anymore. In the United States, women will continue to contest for and occupy more political roles. We have seen women as governors and congress women. Women have also had positions at international levels such as the former head of the International monetary Fund, Madame Christine Lagarde. Since 2005, there have been over 20 female heads of states across the world. The heads of governments in Germany, New Zealand and Finland today are women. It is reasonable to conjecture that we might see a woman president of the United States in the short 21st century.

Likewise, the world can also expect the feminist revolution to reverberate across the globe in Africa, South America and Asia pacific in increasing fervency, as this is already happening. Women will continue to push for policies that ease the burden of social reproductive labor that disproportionately falls on women. Indeed, the short 21st century will also be significantly defined by women and their representation in the world.

Africa and Demography:

By the time Paris, London, Berlin, Rome, Lisbon and Brussels had done their worst, the ‘Scramble for Africa’, as it had become known, saw some 10,000 political entities across Africa carved up into 40 colonies or protectorates. But Africa has turned a corner. The continent is now more peaceful and its 54 countries are more democratically governed than at any time in its history. Since 2008, the GDP of the continent has expanded by nearly 40 per cent, with a total

economic output about the same size as the UK's, at a little over \$2 trillion. That, of course, is spread among 1.3 billion people—of whom an impressive 60 percent are under 25. Evidently, the continent presents a positive prospect for the next century.

By 2050, the combined economy of Africa will be worth some \$29 trillion – ten times as much as today. Data from the Pew Research Center offers a clue as to why: it says the continent's population will rise from 1.3 billion to 2.5 billion in 2050, and on to 4.3 billion in 2100, with those gains mostly in sub-Saharan Africa, which is expected to triple in population. By comparison, Asia's population will peak around 2060 at 5.3 billion and fall to 4.7 billion by the end of the century. The population of Europe, meanwhile, will rise to 710 million in 2050 and fall back to 630 million by 2100.

I think Africa has a reasonable opportunity to chart a new economic narrative in the short 21st century. Observers have purported that the problem of Africa is its population but I disagree with that. China currently has more population than Africa, that alone implies that population could not be the challenge for Africa. Africa also has the youngest population demographic in the world. So it has the human resource and is equally endowed in natural resources. With young, growing populations and cities that are projected to become the largest in the world, the African continent has good economic potential – that international entrepreneurs and investors would find Africa hard to ignore in the next century.

The challenge for Africa would be leadership and the strength of its institutions. Africa stands to gain a lot from investments in education and infrastructure, stable democracy, human rights, civil liberty and the rule of law. All of which are serious growth challenges for the continent.

Globalization:

Globalization has been on the defensive even before the COVID 19 outbreak swept the world. Undoubtedly, with this outbreak, some observers believe that the free movement of goods and services will suffer a permanent hit from this pandemic. This is an overstatement in my opinion and could not be further from the truth. Admittedly, globalization is currently down but that is not the end of it. The argument for globalization's impending demise is that the system is already strained to the breaking point. Even prior to the pandemic, globalization was challenged by a rising wave of populism spurred on by economic discontent in Europe, the United States, Latin America and elsewhere. Moreover, the pandemic came during a period of heightened interstate strategic competition and trade wars, eroding the trust that serves as the bedrock for globalization. In this sense, the pandemic is just the latest and, as the argument goes, the final hit. The argument sounds logical and even rational but that does not make it valid. A further argument is that globalization is partially to blame for why the virus has become a pandemic. The fact that a virus could originate from China and spread so quickly around the world is due to the ease of human movement around the world. Which by extension is globalization.

Globalization, however, always has had its discontents and has weathered other serious crises before. The trend persisted despite two world wars, one Cold War and, more recently, a global war on terrorism. It survived epidemics and pandemics, too—the Spanish flu in 1918, SARS in 2003, H1N1 in 2009 and 2010, and most recently Ebola. The recent backlash against globalization is not a new phenomenon, either. Globalization has sparked mass protests for decades, yet still it has persisted. Even recent setbacks to globalization—like Britain's prolonged

three and half year exit from the European Union that cost two prime ministers their jobs before it was accomplished—arguably underscore globalization’s entrenchment, as much as its fragility. I believe there is a future for globalization through the end of the next century, as much as there will be populist narrative against it.

I think that in the next century, there is likely to be more pandemics but in any case, the primary reason why globalization will persist—perhaps in a modified form—is that the underlying drivers of the trend remain intact. Countries will need goods and services from one another, just as they have for thousands of years. Some states will require natural resources; others will require access to cheap labor; and others access to certain talents, skills and capital not resident within their own borders. They will need to trade, just as they have done for much of recorded history.

Contrary to populist narrative that globalization is a threat to jobs, the evolution of technology and automation in the next century will be a more potent threat to jobs, that type for which globalization has often been scapegoated for. Technological change in automation and artificial intelligence will be at the forefront of manufacturing in the capitalism of the next century. This will present a challenge of employment for workers in nations because the path of technological change has always been to remove labor from having a lot of significance in the dynamics of capitalism. To this end, over the next century the institution of labor will likely see a drastic decline. So, technology more than trade will be the main culprit for the loss of jobs in the next century. And smart governments who would like to help their citizens would do better to prepare them to upskill and reskill for transition into other roles. Automation is already displacing routine jobs even in “cheap labor” countries like China, Thailand etc.

It is assured that regardless of the direction in which the world travels in the short 21st century, China has established its legitimacy as a global player in the world economy. Over the past four decades, China has made clear to the world that it is open to the globalization of science, technology and finance and economics. However, it is not open to the globalization of political ideology. The communist regime has shown that it has every intention to uphold and adhere to communist ideology first. It is unlikely that China's political system will undergo any drastic change in ideology in the short 21st century. Having attained such unprecedented economic growth under a communist regime, there is little motivation for the people to seek another alternative system good enough to assure the same level of growth that the country has seen, except perhaps if the Chinese economy were to turn drastically negative.

Global Warming:

As much as it would disappoint the conspiracy theorists who denounce the reality of global warming, I believe that the world will experience far-reaching implications of global warming in the short 21st century. If society continues to rely on fossil fuels to the extent that it is currently doing, then carbon dioxide (CO₂) concentrations in the atmosphere are expected to double from pre-industrial values by about 2050, and triple by about 2100.

During the next few decades and beyond, global warming is expected to cause further increases in atmospheric moisture content, more extreme heatwaves, fewer frosts, further decreases in the extent and thickness of sea ice, further melting of mountain glaciers and ice sheets, shifts in rainfall, increases in most tropical and high-latitude regions and decreases in many subtropical and mid-latitude regions, further ocean warming, and further rises in sea levels.

The magnitude of expected change will depend on future greenhouse gas emissions and climate feedback.

Global warming is already a significant threat to the planet's stability, and it is going to force the attention of the naysayers and the powers that be. The world does not require further proof than we already have. From Australia's wild fires to the Tornadoes and Hurricanes of the United States and Earthquakes in Puerto Rico, it is high time the world came to a consensus on global warming. The decisions we make on carbon emissions over the coming decades will affect our climate for a long time to come, as emissions will profoundly impact the rate of future climate change.

World War and Nukes:

In the long twentieth century, at the onset of advancements in science and technology, nations were eager to show their military capability. The first and second world war gave nations that opportunity and the whole world bore witness to the annihilation and subjugation that an all out warfare can produce. Consequently, I think it is unlikely that nations would be willing to enter any physical warfare in the short 21st century. Considering the military and nuclear might that countries possess today that would be a near apocalypse for all of mankind if it were to happen.

Conclusion:

Just as the history of the 20th century was economic, the trajectory of the next century is not likely to be less economic. So come the end of the short 21st century, the students of UC Berkeley's Econ 115 or whatever it will be called in their time will look back and say indeed that the history of the short 21st century was economic.

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