

Open Future

Globalisation is dead and we need to invent a new world order

A book excerpt and interview with Michael O'Sullivan, author of "The Levelling"



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By K.N.C.

HAS THE world witnessed “peak democracy”? Is the future one in which open societies with free markets vie for influence in global affairs with authoritarian countries under state capitalism? The very questions evoke a nostalgia for a seemingly simpler past. For Michael O’Sullivan, formerly an investment banker and economist at Princeton University, it is more useful to consider the future.

Mr O’Sullivan’s book, “The Levelling: What’s Next After Globalisation” offers a roadmap. He sees a multipolar world forming but international institutions unprepared for this. He voices worries about a world of low growth and high debt—and calls for a “world treaty on risk” so central banks only resort to measures like quantitative easing under agreed conditions.

But his most intriguing framing of the issues is his comparison of today’s world and 17th century England’s Putney Debates, when the practicalities of a rights-based democracy were first enunciated by a faction called “The Levellers” (which inspired the book’s title). The world, he believes, will cleave into “Leveller” countries that hew to rights and freedoms, and “Leviathan” ones that are content with state-managed growth and fewer liberties.

As part of *The Economist*’s Open Future initiative, we probed Mr O’Sullivan ideas in a short interview. Below that is an excerpt from his book, on the end of globalisation.

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The Economist: Describe what comes after globalisation—what does the world you foresee look like?



Mr O'Sullivan: Globalisation is already behind us. We should say goodbye to it and set our minds on the emerging multipolar world. This will be dominated by at least three large regions: America, the European Union and a China-centric Asia. They will increasingly take very different approaches to economic policy, liberty, warfare, technology and society. Mid-sized countries like Russia, Britain, Australia and Japan will struggle to find their place in the world, while new coalitions will emerge, such as a "Hanseatic League 2.0" of small, advanced states like those of Scandinavia and the Baltics. Institutions of the 20th century—the World Bank, the International Monetary Fund and the World Trade Organisation—will appear increasingly defunct.

The Economist: What killed globalisation?

Michael O'Sullivan: At least two things have put paid to globalisation. First, global economic growth has slowed, and as a result, the growth has become more "financialised": debt has increased and there has been more "monetary activism"—that is, central banks pumping money into the economy by buying assets, such as bonds and in some cases even equities—to sustain the international expansion. Second, the side effects, or rather the perceived side-effects, of globalisation are more apparent: wealth inequality, the dominance of

multinationals and the dispersion of global supply chains, which have all become hot political issues.

The Economist: Was the death of globalisation inevitable or could (and should) it have been prevented?

Mr O'Sullivan: One problematic factor here is that there is no central body or authority to shape globalisation, beyond perhaps the World Economic Forum or maybe the Organisation for Economic Co-operation and Development. In many ways, the end of globalisation is marked by the poor and inconclusive response to the global financial crisis. In general, the response has been to cut the cost of capital and not to tackle the root causes of the crisis. As such, the world economy will limp on, burdened by debt and in hock to easy money from central banks.

The Economist: The book's title comes from the "Levellers" during Britain's Putney Debates in the mid 1600s. Who were they and what can their story teach us today?

Mr O'Sullivan: The Levellers are a hidden gem from British history. They were a mid 17th century group in England, who participated in debates about democracy that took place in a part of London called Putney. Their achievement was crafting "An Agreement of the People," which were a series of manifestos that marked the first popular conceptions of what a constitutional democracy might look like.

The Levellers are interesting for two reasons. First, in the context of the time, their approach was constructive and practical. The "Agreement" spells out what people want from those who govern them in a clear and tangible way. For example, they proposed term limits on political office and that laws regarding indebtedness are applied equally to the rich and poor.

Second, they are interesting for the way the movement was countermanded and then snuffed out by the military leader Oliver Cromwell and the Grandees (the elites of their day). Like so many idealistic political start-ups, the Levellers failed. This should encourage the growing number of new political parties, like Change UK and new candidates to be worldly-wise in how they approach the process of political reform and change.

The Economist: You foresee new international institutions to replace archaic 20th-century ones that are suited for a different time. How would they work? And can countries with such different values (ie, democratic, market-based "Levellers" and state-managed societies and economies, the "Leviathans") really cooperate?

Mr O'Sullivan: A lot is made of the Cold War rivalry between communist Russia and America, and now some want to see a

clash of civilizations between America and China. The “Levelling” characterises a future where there are at least two approaches to public life.

The most distinctive approach to nations doing things in their own way will be for what the Levellers might call the “rights of freeborn men,” or the idea of the open society. The code of the Levellers presents a very clear political formula that Europeans and Americans will recognise for its values, though decreasingly in its practice.

The challenge to this code will come from the rising acceptance of less democratic ways of ordering society, in both developed and developing countries. A related clash will be the desire of a growing proportion of electorates to have a more open society as economies also open up.

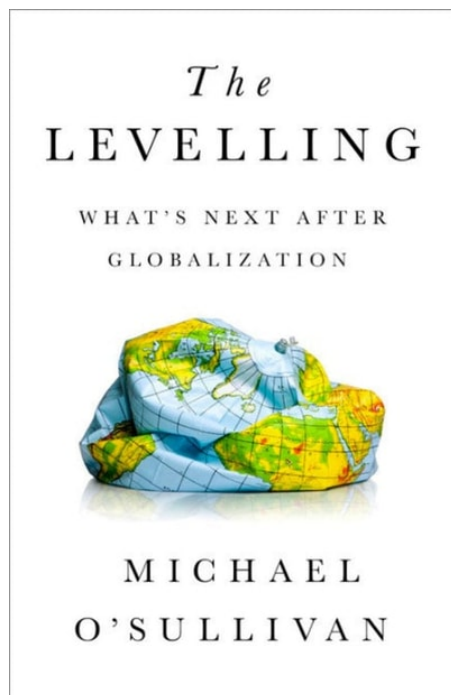
As the world evolves along the lines of Leveller-type and Leviathan-type societies, it is possible that in some countries, such as Russia, a Leviathan-like approach—that is, order in exchange for reduced democracy and rights—will be the accepted way of life. In other countries, most interestingly China, as its economy loses momentum and evolves, there may be a growing tension between groups holding the Leviathan view (supported inevitably by Grandees) and opposing Leveller-like groups (who favor equality of opportunity and a multiparty system). The role and views of women, especially in China, and of minority groups like the gay community will be pivotal.

The emergence of a new world order, based on large regions and coloured by Leveller and Leviathan modes of governance, echoes several periods in history. The challenge in the next few years will be for Leviathan-oriented nations like China to maintain economic stability so that rising unemployment, for instance, does not break the “Leviathan contract”. Equally, the challenge in Leveller countries will be to maintain open, fraternal societies in the face of political and potentially economic volatility.

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Good-bye to Globalisation

Excerpted from “The Levelling: What's Next After Globalization” by Michael O'Sullivan (PublicAffairs, 2019).



It may well be better that those who have grown fond of globalization get over it, accept its passing, and begin to adjust to a new reality. Many will resist and, like the thirty-five foreign-policy experts who published an advertisement in the New York Times on July 26, 2018, under the banner “Why We Should Preserve International Institutions and Order,” will feel that the existing world order and its institutions should be maintained. I disagree. Globalization, at least in the form that people have come to enjoy it, is defunct. From here, the passage away from globalization can take two new forms. One dangerous scenario is that we witness the outright end of globalization in much the same manner as the first period of globalization collapsed in 1913. This scenario is a favorite of commentators because it allows them to write about bloody end-of-the-world calamities. This is, thankfully, a low-probability outcome, and with apologies to the many armchair admirals in the commentariat who, for instance, talk willfully of a conflict in the South China Sea, I suggest that a full-scale sea battle between China and the United States is unlikely.

Instead, the evolution of a new world order—a fully multipolar world composed of three (perhaps four, depending on how India develops) large regions that are distinct in the workings of their economies, laws, cultures, and security networks—is manifestly underway. My sense is that until 2018, multipolarity was a more

theoretical concept—more something to write about than to witness. This is changing quickly: trade tensions, advances in technologies (such as quantum computing), and the regulation of technology are just some of the fissures around which the world is splitting into distinct regions. Multipolarity is gaining traction and will have two broad axes. First, the poles in the multipolar world have to be large in terms of economic, financial, and geopolitical power. Second, the essence of multipolarity is not simply that the poles are large and powerful but also that they develop distinct, culturally consistent

ways of doing things. Multipolarity, where regions do things distinctly and differently, is also very different from multilateralism, where they do them together.

China, in particular, is interesting in the context of the switch from globalization to multipolarity, not least because at the 2017 World Economic Forum the Chinese president claimed the mantle of globalization for China. China benefited greatly from globalization and its accoutrements (e.g., WTO membership), and it played a vital role in the supply-chain dynamic that drove globalization. However, trade flows into China increasingly betray a move away from a globalized world and toward a more regionally focused one. For instance, IMF data show that in 2018, compared with 2011, Cambodia, Vietnam, Laos, and Malaysia traded more with China and relatively less with the United States. These countries, together with Bangladesh and Pakistan, have allowed themselves to be enticed by trade- and investment-based relationships with China and are now in its orbit.

However, China is itself not globalized: it is increasingly hard for Western companies to do business there on equal terms with Chinese companies, and the flow of both money and ideas—out of and into China, respectively—is heavily curtailed. Flow of people is another indicator. Flows within China are dynamic and are perhaps more managed than before, but flows of foreigners into China are miniscule by comparison to other countries, and China has only recently established an agency (the State Immigration Administration created at the 2018 Party Congress) to cultivate inward flows. So as China has become a major pole, it has become less globalized and arguably is contributing to the trend toward deglobalization.

On a broader scale, without picking on individual countries, we can measure the extent to which the world is becoming multipolar by examining aggregate trends in trade, GDP, foreign direct investment, government budget size, and population. All of these are much less concentrated, or more dispersed, than they used to be, and increasingly they are collecting around several poles. For example, in the five years from 2012 to 2017, total foreign direct investment into Australia from China increased at a rate of 21 percent per annum, compared to 6 percent from the United States to Australia, suggesting that Asian investment in Australia is picking up.

[...]

Even if multipolarity is based on the growing dispersion and regionalization of economic power, it is also expressed in other ways, notably military power, political and cyberfreedoms, technological sophistication, financial sector growth, and a greater sense of cultural prerogative and confidence. These are not as easily measured as economic multipolarity, but some clear strands are emerging. To try to synthesize what a pole entails, we can point toward several initial factors: size of a country's GDP, size of its population, the existence of an imperial legacy, the extent of its regional economic role, its military size and sophistication (e.g., absolute spending, number of fighter jets and ships), its place on the UN Human Development Index relative to its region, and its participation (or not) in a regional grouping (such as NATO or the European Union).

Under this schema the European Union, the United States, China, and potentially India are poles, but Japan and Russia would not qualify as distinct poles. Russia, for instance, scores well on certain aspects of multipolarity (e.g., militarily), but in its current state it may never become a true pole in the sense employed here.

[...]

The path toward multipolarity will not be smooth. One tension is that since the Industrial Revolution the world has had an anchor point in terms of the locus and spread of globalization (Britain in the nineteenth century and the United States in the twentieth century). The fact that there are now at least three points of reference introduces a new and possibly uncertain dynamic to world affairs.

The potential is high for friction, misunderstanding, and conflict among the increasingly different ways of doing things across the major poles. Essentially, multipolarity means that instead of speaking a common language, the major poles speak different policy languages. Trade-based tension is an obvious possibility here. Another form of tension is the crisis of identity created for countries that are not wholly within one of the poles—again, Japan, Australia, and the United Kingdom are the prime examples—and the crisis of ambition for countries, such as Russia, that want to be poles but lack the wherewithal to do so convincingly. At a more grassroots level, the implications of the end of globalization as we know it and the path to multipolarity will become a greater part of the political debate. At the margin, the flow of people, ideas, and

capital may be less global and more regional and in time could be reinforced by a growing sense of regionalization across the main poles. In a negative way, a more multipolar world may be the watershed that signals the peak of democracy and

potentially the beginning of contests within regions for competing views of democracy, institutional strength, statecraft, and control.

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