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A RHYMED CHRONICLE OF THE WAR

Sergio Giovanni Mariotti - a famous economist, Professor Emeritus, Politecnico di Milano, the largest technological university in Italy and director of a program dealing with the problems of internationalization of the Italian economy, chose as the epigraph to his article, the phrase credited to the American writer Mark Twain: "History never repeats itself, but it often rhymes." Certainly, this is perceived as a statement that it is not specific historical facts that "rhyme" (coincide, echo) but the narratives built around them. And the publication of the author's proposed review of such narratives based on the method of *comparative historical analysis* (CHA) seems very appropriate for a publication on economic forecasting.

Professor S. Mariotti proposes the readers to look into the past to watch the future. And for many economists, in particular in Ukraine, this will be a look in the mirror: an opportunity to see how their own ideas - by analogy with the phenomenon of refraction in optics - can produce not bright flashes of economic prosperity, but dark spots of military conflicts. In this connection, back in the 19th century, the French economist Frédéric Bastiat noted: "When goods don't cross borders, soldiers will", clearly indicating that it is economic ties between countries that are an alternative to military conflicts, while protectionism and attempts to harm other countries' economies (which a little later was called the policy of "economic nationalism" and the principle of "*beggar-thy-neighbor*") is a direct path to inciting enmity and war. But economic protectionism and trade wars have returned. "Global protectionism" - as Professor S. Mariotti calls it has become a "new normal".

Thus, at the beginning of the third decade of the century, global economic growth was hindered by the protracted effects of growing trade protectionism, trade disputes between major trading partners, falling commodity and energy prices, and economic uncertainty in Europe due to the consequences of Great Britain's exit from the European Union. As American experts noted, each individual of the above mentioned problems was solvable for the world economy. However, collectively, these problems weakened the world economy and reduced the policy flexibility of

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* The New Normal –the name of a popular American comedy series about a homosexual couple and surrogate motherhood, which is traditionally used to denote phenomena that were not long ago considered unacceptable, but now are acceptable and even promising.



many national leaders, especially among the leading developed economies (CRS Report, 2021) [1].

So, one cannot say that by 2020 the situation seemed completely cloudless: the facts made it possible to consider the "trigger" of the global catastrophe either the financial and budgetary crisis in the peripheral EU countries (*PIIGS*), or the problems of the China's banking system, or the debt overload in the emerging markets, in particular Argentina, or even Ukraine. But in practice, the crisis arose as a result of the coronavirus pandemic. It is the pandemic that unleashed the hands of the governments, which had long felt the desire to directly intervene in economic processes, contrary to the traditional for the previous decades principle of non-interference in what is performed by the "invisible hand" of the market.

It seems appropriate to remind that - as another Italian professor - *Alessandro Roncaglia* - rightly observes - "the idea of the "invisible hand of the market" is a distortion of the history of thought; the fact that it has often repeated - and still repeats, especially on the part of theorists of general economic equilibrium, testifies only to their ignorance of the texts and historical superficiality" (Roncaglia A., 2001) [2]. Actually, according to *Andrew S. Skinner* - the famous Scottish researcher on the biography and works of A. Smith: "In fact, one of the most important functions of the state is to identify and remove obstacles to the effective functioning of the economy" (Skinner A.S., 1989) [3]. Hence the question is how to ensure the *efficient* functioning of the economy.

American President G. Truman once listened to advice on this topic from well-known economists, who constantly noted that "*on the one hand*, the state should not interfere in the economy, but, *on the other hand*, the state cannot ignore the consequences of unregulated processes." In desperation exclaimed: "Where can I find a one-handed economist?!". The problem is that the economy itself, like the economists, has two hands. In addition to Adam Smith's "invisible hand", there is also Friedman's "invisible hand", which directs in just opposite direction: "Individuals who try to promote only *general interests* are directed by an invisible political hand to promote *special interests*, which they did not intend to promote" (Friedman, M., Friedman R.D., 1980) [4]. That is why, reminding that the growth of protectionism and the state discrimination are the subject of sharp impassioned disputes among economists, S. Mariotti cites the words of the famous Turkish economist, expert in emerging economies D. Rodrik, which seem to be set in stone: "economists disagree about a lot of things, but the superiority of free trade over protection is not controversial". However, as it turns out, the opposite views are quite common among politicians - views of past centuries. And it is this relapse of the attempt to "turn back time" that opens the "Pandora's box", from which the ideas of returning to the political "concert" of the "great powers" and their rights to their own "zones of special interests" emerge like "jack-in-the-box"...

And now, according to S. Mariotti, "The "state as strategist"..., cemented by economic patriotism and national security, is the governing actor in the new system



of global protectionism, which is more articulated, adaptive and powerful than in the past. Understanding the determinants of global protectionism is hence of crucial importance, especially for policy purposes." Here I totally want to quote Shakespeare: "The rest is silence." Unfortunately, then the rumble of war began.

The Italian expert very aptly notes that "The war in Ukraine goes hand in hand with other manifestations that signal the non-zero probability of a future of severe economic and political instability and of possible large-scale, if not global, conflicts." That is, he means that the Russian-Ukrainian war, both in its causes and in its consequences has not only a regional, but also a worldwide and global dimension,

Given the article's title, one would expect that the author will try to analyze the root causes reasons of Russia's aggression against Ukraine (at least the economic reasons). However, taking into account his personal experience, he limits himself to the analysis of only the general reasons that created the atmosphere of war ("new normality"), without delving into the "rhymes" (echoes, context) of Ukrainian-Russian economic relations. Thus, probably, it should be done by other participants of the discussion that starts with publication of the Ukrainian version of Prof. S. Mariotti's article, - by those more familiar with the realities of these relations in the past and are able to "feel their rhymes" in the present.

The library of the Polish Academy of Sciences in Krakow keeps the "Rhymed Chronicle" - a literary-historical document describing the events of the liberation struggle of the Ukrainian people in 1648-1658. Annoyingly, the old rhymes/echoes of those times come to mind today, when Ukraine is once again waging a liberation war for its freedom and independence. But "there's nothing new under the sun" and the lessons of history must be learned. So its sad pages are not repeated or rhymed... Let a better life come up with new songs - joyful and optimistic.

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