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## Article

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## STRATEGIES OF ECONOMIC STABILITY IN UNSTABLE ENVIRONMENT

*The article deals with the problems raised in Sergio Mariotti's article on "A warning from the Russian-Ukrainian war: avoiding a future that rhymes with the past". The author supports the proposal for a broader view of the events and for the inclusion of a historical component in the analysis. At the same time, it is argued that a comparative historical analysis might be insufficient to solve such complex problems. The method of ascent from the abstract to the concrete is proposed, which allows considering systemic modern phenomena as a result of the entire previous historical development. On this basis, it is shown that the war in Ukraine is a concrete manifestation of the contradictions of globalization and localization, which historically originated from the jointly-divided labor and reached the apogee of their development in modern times. A hybrid "peace-war" system emerged and the process of changing the world order began based on the transition from industrial-market economy to information-network economy, which naturally increases uncertainties and contradictions. The policy of free trade and the policy of protectionism only are concrete manifestations of the contradictions of globalization and localization. It is shown that as a result of the aggravation of the contradictions of globalization and localization and their specific manifestations, objective tendencies to ensure the national rootedness of the sustainability of economic development arise. The generalization of such trends and their conscious use necessitates the formation of strategies of nationally rooted economic development, which will be relevant until the completion of a new technical and technological system and the formation of an information network based system of socio-economic relations. The article identifies the main features of the strategy of nationally rooted economic development relevant for the current conditions of Ukraine.*

**Keywords:** *strategy, hybrid "peace-war" system, information and network economy, national rootedness of economic development*

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Sergio Mariotti's article addresses one of the most urgent problems of our time, related to growing imbalances and instability, which was particularly vividly demonstrated by the Russian-Ukrainian war. The author is certainly right in stating that econometrics or other quantitative calculations will not help to reveal complex cause-and-effect relationships. Instead, he suggests using comparative historical analysis. On that basis, he manages to draw a number of well-founded conclusions regarding the assessment of unbridled "global protectionism", the slowdown of global economy in the long term and changes in the structure of global value chains, as well as to propose a few balanced approaches to the development of economic and industrial policies that would take into account the lessons of the past and the seriousness of future risks. All this is an important result, especially against the background of the dominance of functional approaches, which analyze the interrelationships between particular events of the present, without delving into history and producing ideas and policies that are inadequate to reality and lead to growing instability, conflicts and wars. The author rightfully emphasizes that "learning from the past should not be precluded, as it can help avoid dangerous paths from being followed that could lead to universally undesired outcomes in the future."

But a comparative historical analysis is not sufficient to reveal the entire logic in the movement of economy and society, which is based on internal essential contradictions that have developed throughout history and have now reached their worst. Globalization is the result of all previous historical development, which brings all its undeniable achievements and results to the present. It has always developed together and in conflict with localization as its opposite and has passed through a number of historical stages on this path. The conflict between various types of free trade policy and protectionism, as well as assessments of the state's role in economic development, are only partial manifestations of the objectively existing general contradiction between globalization and localization.

To understand such processes, one needs to apply the method of ascent from abstract to concrete, in which, according to H. Hegel's words: "at each stage of further definition, the general raises the whole mass of its previous content and not only does not lose anything from its dialectical forward motion, not only leaves nothing behind itself, but also carries with it everything acquired and enriches and thickens within itself" [1]. This method allows us to realize that globalization and localization develop from a single root, from a single cell, which is jointly-divided labor. It is from this cell, as proven by social science [2, 3], that the following historically develop: from the side of division - man, divided labor and the market, and from the side of jointness - society, labor cooperation and the state.

As a result of the above development, jointness reaches its highest historical result in globalization, while division - in localization. The contradiction between globalization and localization is a historical form of the development of the differences of the jointly-divided labor, which have existed from the very beginning even within the simple cooperation. In the latter case, the relation

between jointness and division is identity, which includes difference<sup>2</sup>. *People work jointly*. This means that all the work is *divided* between its performers and each one performs only part of the work, which must be combined with other parts. The determination of the of labor at the same time means its division, which is embodied in the category of *jointly*-divided labor. The development of the relation of jointness towards the global level and that of the relation of division towards the local level together represent an interrelated process that goes through certain lawlike stages.

The contradiction between globalization and localization is the most developed form of the distinction of jointly-divided labor. Before the development of the international division of labor and the economic development of the world space, the contradiction of globalization and localization developed in an implicit form, and only the era of great geographical discoveries and the formation of the world market turned this contradiction into an open and very intensive process, which undergoes certain lawlike stages of development.

At the stage of implicit existence, the contradiction between globalization and localization develops within countries and manifests itself as a contradiction between the market (which develops based on the division of labor and the realization of private interests) and the state (which develops based on the realization of jointly interests of the members of society). Further, the division of labor goes beyond national states and creates global market, while the countries always remain national and, in this sense, local entities, limited to certain territories, and material and human resources. Under these conditions, *the main contradiction of modernity becomes the contradiction between, on the one hand, globalization, which develops due to informational and financial technologies, and, on the other hand, the localization of material and labor resources, which are unable to move in space with the speed of information and financial flows*. This contradiction moves, and manifests and resolves itself in various forms and spheres. Subjectively, it manifests itself most acutely in the contradictions between transnational and international corporations and national states, between the unipolar world and the multipolar world, between globalization and regionalization, between human being as a biological creature localized in space and time, and a social entity operating without space and times limitations (for example, Aristotle, Smith, Ricardo, and Marx are participants in the current philosophical and economic discourses, although they no longer exist physically).

The development of globalization in its explicit forms at *the first stage* was based on international trade and labor migration (including slave trade), while diverse industries remained spatially localized in the countries where they had emerged. At *the second stage* of the historical development of globalization, financial capital emerges without associating itself with any of its functional forms

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<sup>2</sup> Hegel called such a simple difference absolute. He wrote that it is "not a difference due to something external, but a difference that *correlates with itself*, therefore a *simple* difference. It is important to understand the absolute difference as a *simple* difference." [4]

(production, commodity or even monetary form). However, financial capital can change and take on different forms, being localized in space and time in accordance with its own interests (to transfer production to other countries, and to build enterprises outside the country of its origin, but where it is more profitable, etc.).

Finally, at *the third stage* of the development of globalization, where the main resource and product becomes information, whose living environment the global network and virtual space, globalization as the opposite to localization begins to coincide with it, creating a unity of opposites as a process contradiction. For example, information in the global network is everywhere and always and at any particular point and now. Spatial and temporal characteristics of physical objects are "removed" (that is, disappear and are stored at the same time) in a single virtual space-time. This opens up unprecedented opportunities for synergistic interaction between past and present, and between all local components of the globalized world.

At the same time, there appear unprecedented risks of destructive and ruinous processes, which too become global. Global terrorism, globalized military conflicts, and destructive psychological, ideological and other processes create not only risks to development, but also threats to the very existence of humanity. The specific consequences of all the above mentioned processes depend on their flow and forms of resolution of the contradictions occurring in the course of globalization and localization.

Initially, at the first stage of explicit globalization, developed countries usually benefit, since they have a higher productivity of labor and capital, which gives significant competitive advantages. The subjects of globalization first of all include transnational corporations (TNCs), which receive the main benefits. They are supported by national states-globalizers, which are the countries where TNCs are based. Underdeveloped countries entering the open international market, due to their lower competitiveness, suffer from unequal competition and have to specialize in products with lower processing level, where competitive advantages are not so much manifested. Gradually they turn into raw appendages of more developed economies.

At the second stage of explicit globalization, when the basis of globalization begins to be financial capital, which moves its production to countries with lower production and labor costs, developed countries too can suffer from globalization - as a result of the transfer of production to other countries, and increased unemployment (like, for example, Detroit in the USA, which, by the way, was one of the factors of the Trump phenomenon in the USA, who used these contradictions in his election campaign). At this stage, the contradictions of globalization and localization expand the scope and intensity of their manifestation. They show up acutely not only in international economic relations and underdeveloped countries, but also within developed countries. Transnational corporations increasingly become international in origin, while various international economic associations emerge, entering into both domestic and fierce external competition. For this



purpose, the political power of states is used, which leads to further politicization of economic contradictions and makes the situation increasingly tense and conflictual. On this basis, other contradictions are intensifying (like international, inter-national, inter-civilizational, socio-cultural, ideological ones etc.). Armed conflicts and local wars emerge with a tendency to expansion and turning into a world war. The unfolding of these processes marks the transition to the third stage of globalization.

At this stage of globalization, which is based on the transition from industrial-market economy to information-network economy, globalization is largely moving into virtual space. Economic relations between people, economic entities, and the state are move into virtual space, while in the real world, the relations between people and things (technical-technological relations) remain. For example, when a person receives his salary or pension on payment card, and then uses it to pay in a shopping center, as a result of which the producer receives revenue on his account, then all economic relations (movement of created value, money, pricing, obtaining profit, etc.) take place in virtual space, and what happens in reality includes the technical-and-technological process of creating a useful thing, its delivery to a shopping center and its use by a consumer (all this is in direct terms the relations of people to things, not economic relations between people).

At this stage, the very foundations of the industrial market economy are destroyed, giving way to the foundations of the information and network economy. Cardinal transformations primarily concern the bases of the economic system, such as the dominance of private ownership on the means of production and material goods is replaced by the dominance of universal ownership on information, which becomes the main resource and product of production; self-employed (free) work in various forms gradually replaces hired work; incomes received based on the distribution by value and capital are replaced by basic and rent-premium incomes [5].

Human increasingly turns into a network person, whose consciousness is fragmented by network structures dominated by various ideas, values and behavioral patterns. Goal setting also becomes dependent on networks, which means human's gradual loss of his subjectivity. Such transformations tear the social space into various, including hostile, irreconcilable fragments, blurring the social structure and creating conditions for the aggravation of contradictions, conflicts and wars. Given that these processes are currently taking place in the global space and concern everything (economy, social life, public consciousness, culture and ideology), the contradiction between globalization and localization reaches its pinnacle and inevitably takes on the character of a global hybrid war, in which armed conflicts are interspersed with economic, civilizational, informational, ideological and other wars woven into the fabric of social life. And for a certain time, this becomes a norm. A hybrid "peace-war" system is emerging.

Russia's war against Ukraine was a spatial localization of not only military, but also economic, social, political, ideological and civilizational confrontation of global



forces. The complexity and peculiarities of the situation are due to the localization of the following factors on Ukraine's territory: this country's domestic contradictions, accumulated since independence; the contradictions between USA and Russia as the two main and most powerful military powers capable of guaranteed destruction of both each other and the whole; and the contradictions of the EU with Ukraine and Russia regarding Ukraine's accession to the EU. All this happens based on general trends that have already appeared as components in the emerging new world order and will continue. The most important trends include the reduction of the USA share in global output and the aggravation of domestic economic and social contradictions in this country; increasing internal problems in the EU; China's further economic strengthening and its growing role in the globalized world; increasing share and role of the countries of the East in the world economy; reduced role of the US dollar in the world financial system and the gradual emergence of several currency zones (US dollars, euros, yuan, rubles) with a parallel expansion of the use of stablecoins in international settlements; strengthening contradictions and emergence of a new polarity and configuration of the main world centers; redistribution of real power in the global space among national governments and international, often monopolistic, corporations; growing role of digital technologies in all areas of society's life; changing structure of the spatial localization of productions associated with the introduction of digital technologies and geopolitical factors; increasing social stratification in developed countries due to the introduction of new technologies that simplify work and crowd out workers from production; increasingly networked social relations and the emergence of a networked person with eroding subjectivity and increasingly networked motivation, which creates ample opportunities for mass manipulation of public sentiments; the growing alienation of elites from the interests of broader population and the resulting tendency to change the current patterns of political power; reduced role of international law and strengthening power elements in international relations; and the reformation of international organizations as a component of the emerging new world order [6].

All this means that the world has entered a period of instability, which will largely define the features in the behavior of economic entities and will determine new strategies for survival and development. Certainly, the theory of free trade is abstractly correct, and its practical implementation, under the conditions of free movement of goods, capital and labor, complemented by a proper worldwide system of social protection, could lead to an efficient and rational location of production and a balanced and fairer income distribution. But in reality, such a system neither exist nor is being formed. With significant gaps in terms of development and output, free trade is mainly beneficial for developed countries, while the less developed ones have to apply protectionist measures to preserve their subjectivity and sovereignty in order to prevent structural degradation.

The shaping information and network based economy, by placing the most important globalization processes into virtual space and by greatly aggravating the development instability, changes the essence of the problem of spatial localization

of production. This raises a need to work out new development strategies aimed at creating balanced national economic complexes relying on the most complete use of national raw and labor resources and on the creation of as many links as possible for the latter's processing towards final products with proper domestic and foreign demand. This is a *strategy of nationally rooted economic development*, which becomes a basis of stability and security in the unstable environment and allows solving the task of entering the global economic space as an equal partner, not a poor relative. This approach differs from both free trade and protectionism because it is based on a purposeful process of creating chains of national production, rather than simply protects national producers with the use of customs tariffs and other instruments, or relays on free movement of goods and capital, basing entirely on market forces. Actually the proposed approach partially uses both above mentioned concepts. Implementation of a similar strategy in the post-war recovery of Ukraine's economy involves the following.

In the course of reconstructive recovery, it is important to clarify and satisfy in practice Ukraine's own interest, taking into account all this country's geographical, geopolitical, historical, mental and other characteristics, under the changing conditions of the emerging new world order. Solving this task includes three main components:

- 1) to understand Ukraine's own core interests, which are essential for the existence of this country and its state and need not necessarily coincide with the interests of political elites and certain population groups;
- 2) to clarify the objective trends of global technological, economic, social, political and spiritual development and its main vectors
- 3) to find ways of entering the global world that allow realizing Ukraine's own interests in the most effective way.

Ukraine's own interests consist in the following:

- 1) preservation and development of Ukrainians as a community of people living on this country's territory. The difficulty to realize this point lies in the fact that, according to S. Huntington, there is an inter-civilizational fault line that crosses Ukraine's territory [7]. This became one of the factors of Russia's war against Ukraine and constitutes a permanent problem that has internal manifestations and whose acuteness is supported from outside;
- 2) finding ways to use Ukraine's own geographical, resource, historical, mental and other features as advantages in this country's socio-economic development and in its international competition.

Undoubtedly, the choice of means to attain the above mentioned goals involves mastering the entire global experience of post-war recovery [8], which is quite diverse, and whose study shows the futility of mechanical copying and the need to find a method adequate for the post-war conditions of Ukraine. The reconstructive character of the recovery of Ukraine's economy of Ukraine does not mean any reproduction of the old structure, but the construction of a new one based on modern technologies and modern approaches to spatial localization of production. Reconstruction of the socio-economic system should be aimed at



creating proper conditions for effective employment, growing incomes, overcoming poverty, reducing social stratification and creating favorable conditions for business and investment. Under Ukrainian conditions, this necessitates the use of non-traditional mechanisms of financial support for solving such tasks.

Among the most important guidelines of changes that will determine the conditions of recovery, the following two can be identified: development of the information and network based economy, which includes the spread of information-and-digital and neural network technologies, causes significant changes in property relations, forms of work and distribution of production results (changes in the forms of realization of intellectual property, development of joint use, cluster-district type of living space organization, remote work, unconditional and rent-premium income types, etc.); and focus on energy efficiency, environmentally friendly production, and "green" economy [9].

The focus of the state's efforts should be a *structural policy* aimed at creating an economic architecture capable of ensuring a modern design of socio-economic development. All other types of policy should be tied to the structural policy, primarily the *fiscal, monetary and investment policies*. Structural policy should be based on a combination of *strategic planning and market self-organization*. It is based, on the one hand, on the identification of principal final products: 1) products that ensure human life (food, housing, medicines, and long-term consumption items), 2) products that are distributed as a result of the emergence of the new technological system (electronic and technical devices, information and digital technologies, etc.), and on the other hands, on the availability of resources (including natural ones) necessary for the production of the above mentioned items, and is aimed at creating as more capacities as possible for their production in Ukraine. Monetary support for investments in the new items is carried out through a combination of the government's targeted lending and attracting private capital (general rule: if there are resources for production, there can be no problems with financing). Targeted long-term lending can be carried out in two ways: at the expense of funds issued through a state-owned credit institution at a low interest rate (with the involvement of commercial banks only as operators that receive a normal profit on their expenditures, not on the loan's amount of the loan); and at the expense of budget funds. Considering the fact that emission money is issued for the creation and movement of new value, this will not bring about any excessive increase in inflation

Such a strategy of nationally rooted development is necessary for Ukraine. It is partly implemented in other countries, though not as an elaborate strategy, but as a forced reaction to significant disparities and contradictions. For example, reshoring can serve for electoral politics and political power, as argued by S. Mariotti, or be used by populist nationalism, or it can be a real element for solving the tasks of balancing the economy and be considered in the context of ensuring nationally rooted sustainability of development. And it is not about specific measures themselves, but about their place and role in the overall strategy. With

the growing uncertainty and instability, the sustainability criterion is higher than the economic efficiency criterion, which was clearly demonstrated by the situations during the COVID-19 pandemic, the martial law, etc. In the next two decades, when a new technical-technological structure and the corresponding information-network system of socio-economic relations will be established, the tendency towards nationally rooted development will pave its way. And after that, a need will emerge for international regulatory management, for the introduction of global rules, including as regards competition, taxes and subsidies, etc., which S. Mariotti and, for example, T. Piketty write about [10]. If humanity survives in the global hybrid competition, the above processes will take place, but not now.

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## СТРАТЕГІЇ ЕКОНОМІЧНОЇ СТІЙКОСТІ У НЕСТАБІЛЬНОМУ СЕРЕДОВИЩІ

Дискутуються проблеми, що піднімаються у статті Серджіо Маріотті "Застереження російсько-української війни: уникнути майбутнього, яке перегукується з минулим". Підтримується пропозиція більш широкого погляду на події та включення в аналіз історичного компоненту. Разом із тим стверджується, що порівняльного історичного аналізу для вирішення таких складних проблем недостатньо. Пропонується застосування методу сходження від абстрактного до конкретного, який дозволяє розглядати системні сучасні явища як результат усього попереднього історичного розвитку. На цій основі показано, що війна в Україні є конкретним проявом суперечностей глобалізації та локалізації, що історично виростили із сумісно-розділеної праці й досягли в сучасності апогею свого розвитку. Виникла гібридна система "мир-війна" і розпочався процес зміни світового порядку, в основі якого лежить перехід від індустріально-ринкової до інформаційно-мережевої економіки, що закономірно продукує посилення невизначеностей і суперечностей. Політика вільної торгівлі та політика протекціонізму є лише конкретними проявами суперечностей глобалізації та локалізації. Показано, що внаслідок загострення суперечностей глобалізації та локалізації та їх конкретних проявів виникають об'єктивні тенденції до забезпечення національної укоріненості стійкості економічного розвитку. Узагальнення таких тенденцій і свідоме їх використання обумовлює необхідність формування стратегій національно укоріненого економічного розвитку, які будуть актуальними до завершення становлення нового техніко-технологічного укладу і утвердження інформаційно-мережевої системи соціально-економічних відносин. Охарактеризовано основні риси стратегії національно укоріненого економічного розвитку, актуальної для умов України.

**Ключові слова:** стратегія, гібридна система "мир-війна", інформаційно-мережева економіка, національна укоріненість економічного розвитку

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