

## Preface

We live and thrive in an era of economic globalization weaving national economies into an international network. It is not the first time. The two decades before the outbreak of World War I constituted such an era, but the war turned internationalization into economic nationalization, ugly political nationalism and perverted racial theories legitimizing genocide. This underlines why economic globalization is not confined to economics, but indeed has strong bearings on politics and serves as a memento for all of us that more is at stake than just trade and investment.

Many people, especially the young ones, see economic growth and economic globalization as the only world order, broadly speaking a peaceful world even if there are limited armed conflicts. They may know from the study of history that “once upon a time” it was quite different, but they have not felt it. Hopefully they have picked up another lesson from history: these blessings cannot be taken for granted. The global financial crisis originating from the US housing market has brought this message home.

Economic globalization is unquestionably the best economic model to produce growth and wealth, but that does not mean it is beyond criticism and challenges. Indeed looking around and picking up political signals strong voices can be heard that economic globalization may be good, but it is not necessarily the only model and not necessarily a model benefiting everybody. Rising inequality both between richer and poorer countries and inside countries give rise to worries.

My interest in global economics or international economics as it was called in 1962 when I entered the gates of the University of Copenhagen arose from this combination of economics and politics. I was born in 1944, when World War II still raged at full steam, and even if I do not recall the war, memories of post-war conditions has not been erased. In the 1950s and 1960s Europe underwent reconstruction and development but also entered a strong drive for integration — again combining politics and economics.

Since then uppermost in my mind has been the preoccupation of how we can safeguard an international, even global world against the many forces — extremism, protectionism, nationalism, and egoism — to name a few that would only be too happy to push us all back into the world as it was before 1945, i.e. dominated by nation-state rivalry swinging the door open for economic depression, political engineering thus casting the lives of millions of people in doubt, and ultimately war.

The only way as I see it is to deepen our understanding of economic globalization to better gauge what is going on and correct distortions and unwanted side effects.

During the 18th and 19th centuries, classical economists such as Adam Smith, David Ricardo and John Stuart Mill wrote about political economy. I have borrowed their label because it is much more telling than current economics which, regrettably, has fallen into the trap to operate in a mathematical context, frequently offering good opportunities to dig deeper, but at the cost of losing sight of the general view to combine various aspects. I believe in interdisciplinary analysis and almost all my essays fall under this heading instead of specialized economics. Some of my fellow economists may find that I tend to operate on thin ice, but the advantage is to draw other insight into the game than what pure economics offer.

A long service of 37 years in diplomacy combined with some academic activities gave me an opportunity to compare theory with how things are actually being done. This has been a fantastic opportunity.

Only a couple of months after my nomination as State-Secretary the Soviet Empire fell apart and Central and Eastern Europe wanted

to join the European Union. China started to become an economic world power, raising the challenge of integrating that great country into the global economy. In 1992 the first economic reforms were launched in India. The framework for global trade was changed into the World Trade Organization. The Europeans moved towards a Single Market and a Single Currency. These are just a few of the vital changes I saw from my desk. They put their marks on my thinking. How could it be that a world dominated by a standoff between two superpowers suddenly changed into a totally different picture? Why did China change track and would it be successful? Could India make it into the group of countries with self-sustaining growth? What is going to happen to the nation-state, sovereignty, and domestic monetary policy? When the sub-prime mortgage crisis struck, a number of other questions arose, among which the stability of the global system was the crucial one.

Now we see that scarcities are starting to dominate global economics. For more than 200 years we have lived in a world with growing wealth. Over the last 30 years a reduction of poverty in a scale unheard of and beyond what the large majority would have dared dream of has been achieved. But how do we adjust to climate change, global warming, food prices going up, energy in short supply and water not readily available?

For the last 25 years we have believed in the market forces, thinking they would get it right and lead the world into a sustained upwards business cycle. Since summer 2007 we start to question that philosophy, but at the same time we do not know how to retool the global model.

I hope the reader will enjoy the essays and form his/her own opinions about what needs to be done. All politics is the sum of the will of the individuals so it is up to all of us to shape the future of mankind.

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*Singapore, January 2009*