

THE VISION OF CENTENARIANS AND THE WAR IN UKRAINE

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The first anniversary of Russia's invasion of Ukraine and the related demonstrations have awakened the interest of international public opinion. While it is true that the topic regularly features in the world media, and certainly in the Western media, it is also true that a form of dangerous habituation creeps into the distracted minds of those who do not directly hear the hiss of bombs touching their days. The catastrophism of a year ago seem to have receded, along with the cost of energy. And the information supports lines that are often already drawn, making a detached analysis of the ongoing transformations difficult. It is curious that two centenarians, Henri Kissinger and Edgar Morin, who have traversed the political and intellectual vicissitudes of the last century and retained influence in the current one, should come out of the woodwork to offer reflections that contain the full weight of their experience and relationships.

Henri Kissinger, born on 27 May 1923 in Fürth, Germany, was US Secretary of

State during the presidencies of Richard Nixon and Gerald Ford between 1969 and 1977 (in 1973 he received the Nobel Peace Prize). His foreign policy was based on untiring permanent negotiation with the aim of weaving the balance between powers, which is the true instrument to guarantee peace. Kissinger was convinced that, during the Cold War, American military superiority was shrinking with the rise of other powers in the world. It was therefore necessary to resort to diplomacy to structure international coexistence and avoid the risk of an atomic war. The old Harvard professor's concerns were indirectly expressed in his latest book, published last year, which deals with the subject of leadership. "The leader," Kissinger writes, "is needed to help people go, from where they are, to where they have never been and, to times, they can barely imagine

going”.¹ Indirectly, with this publication, the former Secretary of State highlighted the current lack of leadership. And he did not fail to manifest this with the start of the conflict when he took the position that the war in Ukraine should not become a war on Russia. On the contrary, according to him, Moscow should not be isolated, but reintegrated into a future European system so as not to give it away to Beijing. And he implied - angering Volodymyr Zelensky - that a young state like Ukraine could accept sacrifices for European and world stability. But now the centenarian 'realist' has changed his mind. "Before this war," said the former Nobel Peace Prize laureate, "I was against Ukraine's membership in NATO because I feared that it would be exactly the beginning of the process we are experiencing now. Now that the process has reached this level, the idea of a neutral Ukraine under these conditions is no longer meaningful (...) I believe that Ukraine's membership in NATO would be a positive outcome."² In a certain sense, the indefatigable

negotiator recognises that the time for diplomacy and the search for balance is now subservient to the outcome of war.

Edgar Morin, born in Paris on 8 July 1921, is a French philosopher and sociologist whose intellectual journey has led him to develop a complex interdisciplinary approach. For Morin, the new war is taking place at a time when a thought incapable of conceiving the complexity of phenomena dominates everywhere, a mechanistic phenomenon that fragments what in reality is closely connected. It is a thought incapable of recognising the unprecedented character of the human condition in our time, which emerged unexpectedly and deflagrating in 1945 in Hiroshima, with the explosion of the first nuclear weapon, which made humanity capable of annihilating itself. And all this happens in a planetary context that is increasingly interconnected but not united. Reviewing the various wars in which he has been directly or indirectly involved, Morin concludes that 'war of Good entails in itself Evil'.³ That is why he is reluctant

¹ Henry Kissinger, *Leadership, Six Studies in World Strategy*, Pinguin Press, New York, 2022, p. xv.

² Danilo Taino, "Henry Kissinger ci ripensa: 'Ucraina nella Nato la soluzione migliore'", *Corriere della Sera*, 3 febbraio 2023.

³ Edgar Morin, *Di Guerra in guerra, Dal 1940 all'Ucraina invasa*, Raffaello Cortina Editore, Trebaseleghe, 2023, p.24.

to bow to what he sees as one-sided information. Solidarity with Ukraine cannot abstain from the interests of other powers including, first and foremost, the United States. Morin believes that 'it is surprising to see so little conscience and so little will in Europe, especially in imagining and promoting a policy of peace'.⁴ According to Morin, the very idea of peace is condemned by the Western media as 'Putinist' and on a par with the Munich capitulation.⁵ Instead, Morin is convinced that there is a relative balance of forces, which creates the objective conditions for compromise, while the subjective conditions of mutual hatred go in the direction of intensifying and worsening the conflict. For the French sociologist Putin is a despot capable of realism. "The conditions for peace," Morin writes, "are clear: the recognition of Ukraine's independence either with a neutrality statute, or with its integration into the European Union and thus with a guaranteed military. As a quid pro quo, the separatist region of the Donbass should not return to Ukrainian sovereignty, where its Russian-speaking population would be

oppressed and repressed: it could be subjected to a referendum under international control, or recognised for what it is: historically Russified. However, since its economic importance is considerable for Ukraine, one could imagine a Ukrainian-Russian condominium over its industry."⁶ Whereas for Crimea, which is 84% Russian, 'logic would like it to return to Russia'.⁷ In Morin's plan, Ukraine's material devastation should be compensated with international aid including Russia, while the ports of Mariupol', Berdiansk and even Odessa could become free ports on Ukrainian territory.

The Frenchman's detailed plan is not at odds with the American's balancing realism. But it is with the latter's latest stance. One wonders why Kissinger, whose influence on the American government is important, has now changed its mind. Is it a question of strengthening the US negotiating position, or has it really been decided on the other side of the Atlantic to go all the way, definitively weakening Russia and risking

⁴ *Ibidem*, p. 99.
⁵ *Ibidem*, p. 100.

⁶ *Ibidem*, p. 102.
⁷ *Ibidem*, p.102.

the consequences of a war that may get out of hand?

The markets suffered last year, but this year the stock indices are back above the levels of that tragic 24 February, at least when it comes to Europe, the region that incorporates the battlefield. Frankfurt, Paris, Milan, have surpassed the highs of twelve months ago. Various factors have contributed to pushing the markets and revising their catastrophism. From a military and political point of view, the belief that Ukraine can win the war or, at any rate, not lose it, has gradually taken hold. The fear of a widening of the conflict with a nuclear escalation was reduced to a vision of a regional war. The mild winter allowed fears of an energy shock in the Old Continent to be put aside. The European Union, albeit with difficulty, managed to maintain a high level of cohesion. The individual states also managed to find alternative routes to Russian gas. But probably underlying the markets' success is the belief that they have neutralised Putin's main economic weapon: inflation.

The Federal Reserve has succeeded by raising interest rates from almost zero to 4.75% in a few months, imposing the

strength of the dollar even at the cost of destabilising world growth. Jerome Powell, its chairman, was forgiven by the markets for his delay in raising rates, reconfirming his leadership. Also important was the role of Joe Biden, who used the tools in his power to push energy prices down. The markets seem to be singing victory. Putin, they think, from a financial point of view has already been defeated, because with inflation resuming its path towards 2%, there is hope again of being able to finance the transition to a new green and digitised economy. Rates, which have been rising so fast, will soon reverse course and begin to fall.

But now, after this initial phase of euphoria, a new perception is creeping in that did not fail to affect the stock markets in February: inflation is more complex than we used to think in the last decade, when the dominant theme was rather deflation. So perhaps rates will continue to rise and probably find a comfort zone at levels that are still high relative to the more recent past. Futures markets no longer anticipate two downward reductions by the Fed by the end of the year. On the contrary, they now expect rates to rise to 5.4%, when

they had imagined 4.9% as a target at the beginning of February.

The pandemic first and the war in Ukraine later have raised inflation expectations that could be described as cyclical. The virus stopped production, especially in China, often blocking goods at ports. Bottlenecks were created in the production and export of products. Prices of goods as well as of finished products went up. China, still the factory of the world, extended the Covid restrictions during 2022, thus helping to keep prices at a high level. With the arrival of 2023 and the reopening of Beijing, goods began to flow again and cyclical inflation to slow. In the US from a peak of 9.1% in June 2022 we are now at 6.4% (CPI). Different is the case Europe, at the mercy of energy prices, and with a rate hike policy more difficult to mediate between the various members of the European Central Bank (ECB): in Germany prices rose to 8.7% in January (8.1% in December), while in Italy they fell to 10% (11.6% in December). Nevertheless, 5-year inflation expectations (according to relative forwards) are around 2.5% for both the dollar and the euro.

There is another aspect of inflation that is more difficult to define, which takes on a structural character. In this sense, the price of energy, for example, is only partly cyclical, linked to the dynamics of supply and demand. It is also structural, insofar as not enough has been invested in new wells in recent years, convinced that oil would soon be replaced by green alternatives. China's shutdown in 2022 has kept the price down, but this year Xi Jinping's country will also feed back into global demand.

The demographic variable will structurally change the dynamics of wages. The phenomenon has been known for some time but is now accelerating: many baby boomers have taken advantage of the pandemic to withdraw from work. There will be a shortage of young people in advanced economies. This will cause structural inflation that is difficult to quantify today. Reshoring, i.e., the return of activities previously relocated to other countries to where they were originally located, will have a structurally inflationary effect. It will overlap with the energy transition which, in the first phase, will cost money, although in the long term it will manifest all its convenience, both

economic and environmental: but how long will it take to reach the new equilibrium? On the opposite side are technology, artificial intelligence, and digitisation, which will have a deflationary structural impact that is difficult to quantify today.

Markets will continue to monitor changes in cyclical and structural inflation. Volatility will remain high until the contours of this dynamic are clarified. In the US, the path seems very far ahead; the current level of rates has probably already succeeded in putting a ceiling on cyclical inflation, which is reflected in traders' (forward) forecasts. For this reason, the dollar also has little room for appreciation, especially against the euro, which has lagged in rate dynamics: the range could develop between euro/usd 1.05-1.10. But the real uncertainty will be how to price in structural inflation: the longer the war in Ukraine lasts, the greater the impact, which could force central banks to move up that 2% inflation target. Putin would regain his momentarily blunt financial weapon. What will the cynical markets, who love risk but fear uncertainty, prefer? A path like the one outlined by Edgar Morin, towards a

peace to be built, or Henri Kissinger's showdown.

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