

Grzegorz W. Kolodko

GLOBAL CONSEQUENCES OF RUSSIA'S INVASION OF UKRAINE

The Economics
and Politics of the
Second Cold War



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I have adhered to my rule of never criticizing any measure of war or policy after the event unless I had before expressed publicly or formally my opinion or warning about it.

Winston Churchill (1874–1965)

*To those who fight for peace
without preparing for war*

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1

In a Dark Shadow

War!

What war? Peace! Only that in yet another part of the vast world, a local armed conflict has erupted on yet another frontier. It is getting all the publicity because it is in Eastern Europe, close to the rich West, whose interests and ideas are at stake. It is so loud about it, because a global power, this time Russia, got involved in it. In the same way that the Vietnam War was once so much talked about because it was fought by the powerful United States. They lost then and Russia will lose now. When? Even if not soon, time is moving fast. We should therefore keep calm...

Well, it is impossible to keep calm, although the further away from the Donbas and southern Ukraine, the further away from Poland and Eastern Europe, the easier it should be. But it is not, which is due to, unprecedented in history, transnational linkages, cultural, political and economic couplings, interconnections related to the natural environment in which we live and die, and the security of people dealing with the hardships of their daily lives far from the front line.

Indeed, there is much to be worried about, but above all one must try to understand as much as possible what is happening and why. For the web of complex interconnections is incredible, as never before in the history of mankind, because of the nature of both war and peace. The level of economic development, its variation, demographic and climate change, globalization of the economy and culture, the impact of science and technology on the lives

of individuals and societies, value systems and ways of thinking—all these co-determine the way things are. And—even more importantly—the way things can, and sometimes must happen in the future, which has never in our life been as difficult to predict as it is today. All the more reason to make an effort to grasp intellectually what is happening and what is at stake for whom. Then we will not only be closer to the truth about what is behind us but we will have more reliable information and interpretations to enable us to behave in the future in a reasonably rational manner in this irrational world in times of war and peace.

* * *

Just a while ago, my multifaceted book entitled “Political Economy of New Pragmatism: Implications of Irreversible Globalization”,¹ which deals with the political, social and economic problems besetting our world, has been published, and already so many significant facts and processes have taken place that it requires additional interpretation. The circumstances of the numerous issues of great significance discussed in the book have changed much from those of so recent a time when I was finishing that text in the spring of 2022. That is why additional comments are needed or simply an answer to the question of whether and why I sustain a particular opinion in the face of changing realities. In principle, I do sustain my opinions, but certain aspects appear in a new light—or in a dark shadow we have found ourselves in after February 24, 2022, when Russia made its despicable assault on Ukraine—which requires additional reflection and enriched argumentation. The issues that need to be discussed, the problems that need to be addressed and the threads that need to be commented on, are many. Hence this book.

Its contents revolve around what has already been the axis of theoretical and political reflections in the previous volumes of my trilogy on the world, only that now many new things are happening, and a lot of what is not new is happening differently. Still, though, humanity is facing epochal challenges. Meeting them requires lifestyle changes, while the functioning of the economy, different than before, must be correlated with those changes. All this determines the need to redefine the objective of economic activity. These epochal challenges stem from seven overlapping mega-trends which are symptomatic of contemporary times:

1. Demographic changes, especially the aging of the population and huge variations in fertility rates.
2. Environmental changes, especially the depletion of non-renewable resources and climate warming.
3. The scientific and technological revolution, especially the digitization of the economy and culture, as well as automation.
4. Non-inclusive globalization, especially increasing areas of exclusion and growing inequality.
5. The general crisis of neoliberal capitalism, especially the structural economic imbalances.
6. The crisis of liberal democracy, especially the accompanying polarization of societies.
7. The Second Cold War, especially the West-Russia tensions and the US-China conflict.

Undoubtedly, Russian aggression in Ukraine and its complex geopolitical and economic consequences are further confusing the already enormously complicated reality, increasing the area of uncertainty about the future that awaits us. All the more reason to reflect on what the future holds and why. Especially because some have become so involved in war and peace that here we are, in a reality that is better captured by exactly these two words—war and peace.

Notes

1. Grzegorz W. Kolodko, “Political Economy of New Pragmatism: Implications of Irreversible Globalization”, Springer, Cham, 2022.



2

This World of Ours Got into a Trap

History just goes on. Over time, when enough of it has passed, it turns out that the events of the past were not at all as they were described by their contemporaries, that something completely different was going on than many of those living at that time believed, because they believed what others told them, although they themselves understood little of what was happening, or because they let themselves be persuaded of obvious lies told for ideological or material reasons, or both. For example, we can read a fascinating book about the First Crusade, a scholarly account by a historian, from which we can learn what really happened on that occasion at the beginning of the twelfth century and who wanted what in this supposedly holy expedition, fought in the name of defending the only right, obviously, faith.¹ Historians still argue about the great revolutions: the American, French and Bolshevik revolutions, let alone the profound cultural, social, economic and political transformations unfolding before our eyes. We will not have to wait that long for a reliable account of the Ukrainian crisis, but surely history hopefully objective—will interpret it quite differently from the current political and media narrative, as well as the quasi-academic political science tale. Once again, let us remind ourselves that things happen the way they do because a lot is happening at the same time. This is also the case with the Russian–Ukrainian conflict—its causes, course, consequences and far-reaching implications. It is therefore worth realizing what is actually happening.

For the fourth time in the twenty-first century, we are being told that the world as we know it has come to an end, that nothing will be like it was

before anymore. Such opinions prevailed not only in the media and political circles but also in numerous social scientific studies. This was the case after the terrorist attack by Islamic fundamentalists on the World Trade Center in New York on September 11, 2001. After the global financial and economic crisis of 2008–2010, the world was supposed to be very different from before. The same was said in the context of the devastating, still-lasting COVID-19 pandemic. This is also the case, even more pronounced, now in the face of Russia's aggression against Ukraine. Undoubtedly, each of these tragedies—with all the differences between them, one of the biggest of which is that the crisis at the turn of the first and second decades of this century was foreseeable, as I myself did—leaves a significant mark on the reality around us and strongly affects the future. Therefore, let me reiterate right away, that this world of ours got into a trap, but it can make its way out. It can, it does not have to. Continuity rather than change will dominate.

The changes that the Ukrainian tragedy entails need a lot of attention. The year 2022—probably the first since time immemorial without the silly season, because neither UFOs appeared, nor even the monster emerged from the depths of Loch Ness—is already clearly written in the pages of history. Unlike other exceptional years—recently 1989 was such, which was written in golden letters in connection with the Polish Round Table, the fall of the Berlin Wall and the end of that Cold War—this one is written in black letters.

John Maynard Keynes, I believe the greatest economist of the twentieth century, is reputed to have said that when the situation changes, he changes his views. Well, the situation has changed and some views need to be reviewed. In many cases, it is not so much that they need to be changed—as long as they were right before, at the time they were formulated—but the phenomena and processes of our interest need to be reinterpreted. They are contextual, thus the interpretation of what is happening and why must also be contextual.

It is not enough to be right; one still has to be right at the right time. It may happen that when we expressed a view or made a certain assertion in the past, we were right then, but we are wrong now because the circumstances on which our judgments and conclusions were based are completely different now. If someone claims in the middle of the day that the sun is shining as it can be seen, he or she cannot be criticized for it in the middle of the night with the claim that it is not true because everyone can see that it is the moon that is shining. Shock disorders—and this is what we are dealing with as a result of the reprehensible Russian attack on Ukraine—cause that in many cases a view that seemed or even was correct *ex ante*, before the shock, is no

longer so *ex post*. So, given that quite a few new facts have occurred, it is worth reviewing the interpretation of some of them.

I am taking a huge risk in writing these words. By putting my views on highly contentious issues concerning political and economic phenomena, which often change in ways that are extremely difficult, if not impossible, to predict in advance, under fire from critical readers and a wider public, I run the risk of making mistakes when it comes to sketching out alternative scenarios for future changes. Nevertheless, I take this risk out of a sense of my civic and professional duty. It is clear that when referring to the future in times where chaos often dominates over order, questionable assumptions have to be made. In doing so, I rely on a comprehensible knowledge of the facts and their interpretations in terms of social sciences, as well as specific modeling of the emergence of phenomena and the course of processes in the future.

In the second volume of the trilogy about the world, I attempted to show a future that has since become a thing of the past. It is therefore easy to verify what has worked and what has not. Then, just as now, I treat the future in two categories—inevitable and possible. At present, what is bound to happen is far less than what might happen. After all, in order to be able to sensibly move around the murky grounds of diagnoses, assessments and suggestions for actions, it is necessary to know what is really going on and what is at stake for whom in the ongoing games. That is why I am not heeding the advice to wait and only take a position when it becomes clear what will come out of all this; I am already presenting it now.

The Ukrainian catastrophe—for it is a major, multifaceted catastrophe for that country—is unfolding before our eyes and beside us. Yet again, history goes on. It is natural and fully understandable that we observe what is happening in a country close to us with great concern and interest, but how extreme our views can be. It is astonishing to hear totally mutually exclusive—and, worse still, making any dialogue impossible—opinions from people who are wise, educated and familiar with the world. While an eminent scholar, a member of the Polish Academy of Sciences who also lectures at American universities, says that “the fascist state of Russia must be destroyed”, his colleague, a member of the Russian Academy of Sciences who also once lectured at British universities, asks: “Can a serious researcher believe that Ukraine with its suppression of political opposition, closing down of mass media, limitation of cultural rights of ethnical non-Ukrainians (not only Russians), genocide-type policies against the Donbas and Lugansk, support (at least acceptance) of Nazi ideology and practices be a democratic state?”.

How can we postulate and expect negotiations and dialogue between politicians and generals when even intellectuals are unable to talk to each other? This makes it all the more necessary to seek the truth, search for meaning, strive for reason and resist lies, hypocrisy and downright stupidity.

What is also astonishing is the verbally fully consistent opinion of the rectors of Russian universities from St. Petersburg to Sakhalin, as many as 287 of whom, the Rector's Corps of the Russian Federation, signed an open letter a week after the start of the "special military operation", or simply the war invasion, in Ukraine, expressing their strong support for President Putin's decision "to finally end the eight-year confrontation between Ukraine and the Donbas, achieve the demilitarization and denazification of Ukraine, and thereby protect itself from growing military threats." As they write, "Now more than ever, we must demonstrate confidence and resilience in the face of economic and information attacks, effectively rally around our President, by our example strengthening the optimistic spirit and faith in the power of reason among young people, instilling hope for an early peace."² How can one talk about the power of reason in such a mindless way?! What does military power have to do with the logic of reason? Doesn't it come as a surprise that such content can be expressed by scientists, professors and rectors in a country whose culture has given mankind such memorable figures as Pushkin and Dostoyevsky, as Tchaikovsky and Shostakovich, as Repin and Kandinsky? After all, greatness and vanity need not go hand in hand, even if they are separated by centuries.

When I asked a fellow rector, who did not sign the letter, how such a pathetic act by people of above-average intelligence and knowledge was even possible, he wrote me back: "They really think so (minority) and they are afraid of the consequences (the rest)." Another prominent professor, when asked whether they took this stance out of fear or because they happen to think so, replied: "I think it is both – partly genuine beliefs and partly the compliance with the party line." I also think the same, but I do not give credence to the idea that the Kremlin's brainwashing is so effective that it can convince thinking people of obvious nonsense.

Thoughts are one thing, rector functions are another; the paths of reasoning of the same people who are both intellectuals and administrators can diverge radically. It required civil courage not to sign such a letter. The mechanism that operates in states that use psychological terror to ensure the public's obedience is working. Surely, this letter must have been slipped to the rectors by someone standing close to the Kremlin (it could even be some overzealous rector or a handful of them) and a list of those who did not sign it was automatically created. And almost all of the universities whose rectors are

among the “authors” of the letter are state universities. At each of these, the authorities must care about the promotions of their employees, their salaries from the state budget, research grants, funding for equipment and modernization of the campus and investments for its expansion, diplomatic support in establishing foreign cooperation. It is hard to be an opposition hero when life’s hard circumstances lead to cowardly conformism. The claim that an act such as this unfortunate letter can help “...not to forget about our main duty – to conduct a continuous educational process, to instill patriotism in young people, the desire to help the Motherland”,³ is more than doubtful. Let us remember that we can educate in different ways and with different results.

Notes

1. Peter Frankopan, “The First Crusade: The Call from the East”, The Belknap Press for Harvard University Press, Cambridge, Massachusetts and London, 2012.
2. “Rossiyskiy Soyuz rektorov vystupil s obrashcheniyem” (“The Russian Union of Rectors made an appeal”), Ministerstvo nauki i vysshego obrazovaniya Rossiyskoy Federatsii (Ministry of Science and Higher Education of the Russian Federation), Moscow, March 5, 2022 (https://minobrnauki.gov.ru/press-center/news/?ELEMENT_ID=48060; access 05.03.2022).
3. Ibidem.



3

Nothing Justifies Russia's Invasion of Ukraine

Until the very last moment, I thought that Russia was not going to attack Ukraine. I assumed that President Putin understood that Russia would lose a great deal on the world stage from such an act and that he himself would lose the power and esteem he still enjoyed at home. I was wrong; I was not the only one.¹ It turned out that by failing to learn the correct lessons from the past, Russia can act as foolishly when invading Ukraine as the Soviet Union did when it invaded Afghanistan in 1979. Supposedly, Putin not only did not have enough responsibility but also imagination and, probably not fully understanding what he was really doing, he was greatly mistaken about the international reaction to his conduct. Yet, the supposition that he will lose power and his national esteem still remains to be seen.

Nevertheless, just as I assumed *ex ante*, I believe *ex post* that this mean act was avoidable. There was no objective determinism or inevitability of the military attack on Ukraine and it could have been avoided, although we do not know until when this was still feasible, and there will always remain controversy as to how this could have been achieved. The dispute over these issues is not only historical, as views are quite widely promoted that it will not end with Ukraine and that Russia may go further in its military actions. If this could indeed be the case, the question immediately arises as to what to do and how to do it so that it still ends up in Ukraine.

Alternative history—that famous what if...—is of great use in both economic analyses and political considerations. There have been several twists and turns in the past decade in both Moscow and Kyiv, and after each of