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The fracturing of the global economic consensus

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Markets may have rallied on Donald Trump's potential trade "deal" with China, but the corporate world isn't buying it. That's one of the key points I took away from several days spent last week at a summit for global chief executives. They were busy preparing for a new world order that many believe will involve a stand-off not between two countries (the US and China) but between three systems — liberal democracy and free markets, state-run capitalism and cyber-libertarianism.

Call the trio the Washington consensus, the Beijing consensus and what I will dub the Zuckerberg consensus after the Facebook founder. Corporate leaders know the first is under threat, and that much of the world blames big business for its demise. They agree that they must help come up with a more inclusive form of free-market capitalism if they want their way of life to survive.

I heard more talk of "investing in human capital" and "prioritising sustainable markets" in the first hour of the AT Kearney-sponsored gathering than I had at any such shindig in recent memory. However, it's hard to take the latter promise too seriously at a conference held at a luxury resort in Spain, where the record heat was uncomfortably juxtaposed with the amount of CO2 emissions that must have been required for participants' travel.

I don't mean to be too tough on the global elite. Summit participants have invested millions, maybe billions, of dollars in public health, education and climate change. As the head of one consumer goods group rightly put it, "you can't have a healthy business without a healthy community". Many conversations centred around managing the social impact of tech-based job disruption. But there was no consensus on how to fix capitalism, let alone liberal democracy. There was also frustration about all the finger pointing at business by politicians looking to score populist points. "I don't have to justify my contribution to society," said one EU executive. "My business is my contribution."

CEOs agreed that we will not return to the open markets of the 1990s. They see the US-China trade conflict as the beginning of a clash of civilisations that will last for decades and divide the world. Beijing's state-run model was the object of both envy and scepticism. Many western CEOs expressed the former, contrasting China's long view with the pressures they faced due to quarterly earnings reports and increasing pressure from activist shareholders.

But some executives from developing countries worried about the price they would pay for dependence on mercantilist Beijing. CEOs from Asia were split. Some felt China's increasingly repressive surveillance state would prove too brittle, while others believed that its Belt and Road infrastructure programme would be the foundation of an entirely new and benign order benefiting east and west alike.

Nearly everyone agreed on the need for deeper understanding of China. As one participant put it, “we need to move from Cartesian to Confucian thinking”. But more than a few were betting that companies rather than countries would lead the new order — in particular, platform giants that have more scale and power than most nations. They could start to leverage their advantages in ways that mimic governments, taking as their “citizens” a younger generation of digital natives who have lost faith in traditional institutions.

Facebook’s planned launch of a digital currency, Libra, was a hot topic. One participant cited statistics showing that young people trust cryptocurrencies more than traditional stock exchanges. Meanwhile, the Bank for International Settlements and others like Christine Lagarde, IMF head and now the nominee to be the next president of the European Central Bank, fret about fintech’s threat to the global financial system.

A few digitally savvy participants saw Libra as only a first step into areas where governments (at least in the west) haven’t been able to effect change. Facebook could, conceivably, provide online education, or become an employment platform for legions of workers in a new global gig economy.

One participant, pointing out that liberal democratic governments simply can’t move fast enough to keep pace with technology, wondered whether “technology platforms might be the new Westphalian states”. In the middle of this session, the person sitting next to me passed me a slide on the “geopolitics of platforms” showing a regional breakdown of the equity market share of tech platforms — 70 per cent in the US, 27 per cent in Asia, and 3 per cent in Europe. Looked at in this way, perhaps the US still has more power relative to China than one might think. But as another participant put it, “countries are only relevant if they can tax companies”.

Platforms, of course, are not easy to tax. This is one of the issues that public policymakers throughout the developed world are wrestling with. It is also one that underscores the inexorable rise of corporate power over the past 40-odd years.

As one participant replied when I asked if he thought Facebook chief operating officer Sheryl Sandberg could still run for US president one day: “Why should she? She’s already leading Facebook.”