



MY VIEW | VOX HETERODOX

MINT CURATOR

For our world in flux: Some hard lessons in history from the 1930s

We need enlightened leadership and a new architecture for international cooperation to curb the risk of repeating past errors



DEEPAK NAYYAR
is emeritus professor of economics, Jawaharlal Nehru University



GETTYIMAGES

The world is in a state of flux. Economies are going through difficult times, if not crises. Politics within countries is contentious, if not polarized. The geopolitical divides are visible, and sharper than they have been for decades. International relations are strained, and there are several potential flashpoints. It would seem that our world in the third decade of the 21st century presents a picture which has striking similarities with the world one hundred years ago. The potential implications are indeed worrisome.

There are several symptoms of the difficult times we live in. The coronavirus pandemic prompted repeated lockdowns across the world, leading to sharp contraction in output and employment everywhere. The economic recovery has been slow. In many countries, national income in 2022 just about returned to its 2019 levels. The recovery has been K-shaped, so economic inequalities have continued to rise. The pandemic also disrupted integrated global production networks, while stifling international trade and investment flows.

The situation might have improved in early 2022. But that was thwarted by the Russia-Ukraine war, which disrupted global supply-chains in food, fuels and fertilizers. The sharp rise in food and fuel prices, pushed inflation to double-digit levels in most countries. The response of central banks, driven by orthodoxy, has raised interest rates, which will stifle investment and dampen consumption, instead of curbing inflation that is caused by supply-constraints rather than excess liquidity. In fact, the prospect of recession in the world economy looms large. The continuing war in Ukraine has enhanced uncertainty and risk in the economic and political spheres, making markets nervous, inducing large international firms into relocation and re-shoring of production. Globalization is at risk.

There is also a political backlash in the form of resurgent nationalisms riding on the back of populist or chauvinist sentiments. In rich countries, nationalist-populist political parties, or far-right xenophobic populist leaders, exploit fears about openness in immigration and trade as a threat to jobs, making racism explicit. In poor countries, nationalist-populist political parties or leaders exploit religious beliefs or ethnic divides to create an identity politics seeking to exclude the perceived 'other'. Such populist-authoritarian regimes, often elected by people themselves, now straddle the world across countries and continents.

There are many strong parallels with the world that existed a century earlier. The preceding era of globalization, 1870-1914, which seemed unstoppable at the time, was brought to an abrupt end by World War I. In 1918, when the war ended, soldiers returning home from Europe transformed the Spanish Flu into a worldwide pandemic that cost

50 million lives. Even as the United States entered the roaring 1920s, Europe struggled with problems of reconstruction, slow growth and hyperinflation. Economic inequalities between and within countries rose. This was conducive to the rise of nationalism and militarism. Benito Mussolini captured power in Italy, subverting democracy, and transforming dictatorship into fascism. Unequal terms in the Treaty of Versailles, which required Germany to pay financial reparations, disarm, lose territory and give up all its colonies, did have economic and political consequences.

In October 1929, the Great Crash in stock markets of the US led into the Great Depression. It was not long before this spread worldwide and persisted through the 1930s. Economic troubles led to political instability in many parts of the world. The political churn spurred nationalism and militarism in some countries. By 1930, the Nazis were the second largest political party in Germany, and in 1933, Adolf Hitler was appointed chancellor. By 1934, he was chancellor, president and fascist dictator. The Great Depression also led to the rise of militarism in Japan during the 1930s. Economic nationalisms surged almost everywhere as countries adopted 'beggar-thy-neighbour' policies, restricting imports to protect domestic output and employment.

Both Germany and Japan, rising powers that were latecomers to industrialization and empire, aspired to a larger role in a world dominated by the US and Great Britain, even if it was in transition

from Pax Britannica to Pax Americana. In this quest, during the late 1930s, Germany pushed Europe closer to World War II, which was declared in September 1939. Japan did so in December 1941, when it attacked the US and the British Empire in Asia. It is an irony of history that Japan had joined the Allies in World War I, invoking its 1902 alliance with Britain, to capture Germany's colonial possessions in Asia and the Pacific.

There are striking similarities between this past and our present. The financial crisis of 2008 spread worldwide through contagion. The Great Recession followed in its aftermath, disrupting the smooth sail of globalization.

The covid pandemic was perhaps the proverbial last straw for globalization. Inequalities in income and wealth between and within countries are unprecedented. Slow growth, persistent inflation and a possible recession might exacerbate discontent among people.

The Ukraine war could have global implications, as Russia, not quite a Union of Soviet Socialist Republics, strives to regain its seat at the world high-table. There is a pronounced shift in the balance of economic power, from the West to Asia, and from the US to China, which now seeks superpower status. Collective action is the only way to address the many challenges. But history suggests that established dominant powers are reluctant to cede economic or political space to latecomers.

Enlightened leadership and a new architecture for international cooperation are essential.

QUICK READ

The geopolitical and economic shake-up being seen globally has striking similarities with an upheaval in the early part of the last century that we could take important lessons from.

As the global order crumbles, collective action is the only way to tackle our many challenges and this calls for enlightened leadership so that cooperation determines crucial outcomes.

Exasperated US recruiters do have themselves to blame too

They should check if their own practices suit a tight labour market



SARAH GREEN CARMICHAEL
is a Bloomberg Opinion editor.



Complex recruitment processes can be a put-off for many candidates ISTOCKPHOTO

Executives in the US looking forward to a softening labour market with some relief—at last, it will be easier to hire people—might be in for an unwelcome surprise. In a survey by the Conference Board, 57% of CEOs said they're having problems attracting qualified workers. While that number has declined from the final quarter of 2022, it still means that more than half of companies find it hard to hire.

For years, business leaders have complained about their struggle to fill jobs. Usually, they blame the economy or workers, or even the US education system. And sure, there are some jobs that are truly tough to fill, whether because there are few who can do it, few ready to accept low pay for it, or few who want to do it.

But there is a more obvious reason hiring is hard: Many recruiters just don't do it well. Too often, they alienate prospective hires by subjecting them to a tortuous vetting process. They reject promising candidates who don't meet their impossibly long list of requirements. And they overlook qualified internal candidates for outside talent.

The prevailing attitude toward applicants seems to be, 'You'll be lucky to work for us at Heaven Sent Corp.' But executives having difficulty filling jobs—and the US has 3 million more open roles now than in 2019—should consider how the application process looks from a candidate's point of view.

That's exactly what Uber CEO Dara Khosrowshahi did when he posed as an Uber driver. When the ride-hailing company had trouble attracting new drivers, Khosrowshahi and other executives got behind the wheel—and quickly realized they needed to revamp things to compete for workers.

At full-time desk jobs that come with salaries and benefits, applicants can expect to confront a marathon of interviews, assessments and screenings. Between 2009 and 2019, employers nearly doubled the time they spent interviewing candidates, according to data from Glassdoor.

In recent weeks, I've seen screenshots of multipage questionnaires that applicants have been asked to complete. I've heard of hiring processes that stretch over months and include meetings with more than two dozen interviewers. It isn't unusual for candidates to be asked to take personality assessments or complete sample assignments. Some could take hours.

And compounding all of this, says Peter Cappelli, a professor of management at the Wharton School: Companies today fill about 80% of open roles with outside hires, compared with perhaps 5% or 10% a few decades ago. That means as painful as the

hiring process is for a single candidate, it's even more onerous for the managers evaluating multiple applicants.

Companies also want new staffers to come ready-made with the skills they need to do the job without any training. But those unicorn candidates often do not exist, especially not at the salaries that most employers are willing to pay, says recruiter Laura Mazzullo, founder of East Side Staffing. That's a message that many senior executives are reluctant to hear from their Human Resource departments.

Companies need to bring more discipline to the hiring process—from start to finish. Sure, the first draft of a job description can include a wish-list of 42 different skills and attributes candidates should have. But the final version should focus on what's actually needed to do the job.

Interview processes should unfold over weeks, not months. A handful of structured interviews is more revealing than a dozen free-wheeling conversations.

And although judging candidates by sample tasks can bring some fairness to a process often warped by personal biases, the tasks need to be short enough that candidates can complete them in an hour—something that will also help hiring managers evaluating dozens of them.

One way to combat poor hiring practices is with data. Companies should keep track of how long they have had a role open, says Mazzullo, as well as how many candidates they have considered and how many offers they have made. Following up with people who have withdrawn from consideration can diagnose issues with the process.

Cappelli also recommends keeping an eye on how new hires are performing so that managers can answer the most important question: Did that Herculean recruiting effort actually pay off?

An advocate of long hiring processes could argue that they not only weed out less serious candidates, but also give potential employees a chance to kick the tires on the organization. But more often, the succession of interviews is a red flag, a signal of corporate flab.

When an employer spends six months or even a year trying to fill an open role, one has to ask: Is it really the labour market? Unless it involves data science or diapers, probably not. **©BLOOMBERG**

MY VIEW | PEN DRIVE

Taiwan matters more than we'd like to tell ourselves

RAHUL JACOB



is a Mint columnist and a former Financial Times foreign correspondent.

For most businesses, risk diversification is a good thing. Yet, late last year, Morris Chang, who heads Taiwan Semiconductor Manufacturing Corp, the world's largest semiconductor company, sounded downbeat as plans to break ground on a new plant in the US proceeded apace. Globalization and free trade, he insisted, were almost dead. He grumbled that the US government's plans to bring semiconductor manufacturing home were "doomed to fail." Yet Chang knows better than most that, controversial as industrial policy is because it usually comes with higher costs, his new plant in Arizona reduces the risk that Beijing will enjoy dominant control of chip production if it were to attack and overpower its tiny neighbour.

This week, it was the turn of French President Emmanuel Macron to underplay that worrying possibility. Macron went further in a reference to Taiwan when he said Europe should not fall into a "trap" and become involved in "crises that are not ours."

Commentators in China said Macron was "brilliant." Pity Taiwan. With a population of just 24 million and an army a fraction the size of China's, it needs the world's support. Instead, multilateral agencies and global leaders have pandered to China's claim that it is a renegade province by not recognizing Taiwan as an independent country with a vibrant democracy. Macron's blunder and Chang's grumble about the costs of moving production overseas are just the latest examples of such short-sightedness.

As Beijing has stepped up its military exercises near Taiwan over the past several days and increased its disregard of Taiwanese airspace by sending fighter jets repeatedly into it, Taiwan's president Tsai Ing-wen, a brave woman in an impossibly difficult job, sounded all the right notes on a recent visit to the US, but this was undermined by a simultaneous visit to China by the leader of opposition Kuomintang party (KMT), Ma Ying-jeou, who was president of Taiwan between 2008 and 2016 when the KMT was in power, played to China's script by recalling its past humiliation by foreign powers.

This is a theme that China has milked from Mao to its present modernity. But President Xi Jinping has a particular dislike for the

West, as evidenced with him strengthening his alliance with Russia in a summit with President Vladimir Putin. In 2009, on a visit to Mexico before he was even president, Xi Jinping memorably voiced it thus: "There are some well fed foreigners who have nothing better to do than point fingers at our affairs," he said. "China does not, first, export revolution; second, export poverty and hunger; third, cause troubles for you."

And yet, since Xi became head of the Chinese Communist Party more than a decade ago, Beijing's credit policies to boost infrastructure projects for its state-owned giants has created debt traps for many developing countries. Beijing promised to govern Hong Kong as a semi-autonomous, liberal financial centre when the city was handed back to it by Britain in 1997. But, in December, Jimmy Lai, the city's leading newspaper publisher, was sentenced to almost six years in

prison, allegedly for violating a lease contract for the headquarters of the tabloid he used to run. Several so-called pro democracy Hong Kong activists and legislators are in jail or have sought asylum overseas.

Optimists about Hong Kong's future after it was returned to China in 1997 said that Beijing had an incentive to keep its promise to allow Hong Kong's free-market economy and free press because this would help the project of an eventual peaceful unification with Taiwan. Over the past few years, as with

all its neighbours including India, China has decided intimidation works better. Its conventional arms lead over Taiwan is enormous and growing; to pick just one example, China has 400 naval ships, Taiwan just 26. A recent in-depth report in *The Economist* says this asymmetry has been worsened by the Taiwanese military buying the wrong kinds of weapons such as expensive F-16s instead of con-

centrating on anti-missile defences, for instance. That report suggests some of its army officers also appear to lack the resolve that such an unequal fight would demand. Ukraine-styled heroism that goes on for more than a year in the event of an invasion looks unlikely for all these reasons. In addition, the KMT might win the general election next year and pave the way for a *de facto* Hong Kong-style change in sovereignty for the island republic. When I visited Hong Kong last month, its capitalism seemed almost as vibrant as before, even if its media has been self-censoring. There were fewer expatriate business people and a movie distributor had to cancel showings of *Winnie the Pooh* in March because memes have likened President Xi to the cartoon character. After the horrors of Russia's invasion of Ukraine have played out on our news feeds, few have the stomach for a prolonged battle in Taiwan—as Macron's comments suggest. The disturbing human rights implications of this are troubling enough, but Taiwan is also the epicentre of global semiconductor production, with a 90% share of very advanced semiconductors. For many reasons, we should all be worried as this geopolitical tragedy plays out.

QUICK READ

After the prolonged fighting in Ukraine, the threat Taiwan faces from China may feel like an overload, but what happens there matters to all of us more than we would like to think.

De-globalization is already hurting trade and an invasion of Taiwan could put the world's high-end chip supplies at risk and also confront us with yet another human rights catastrophe.