

# Prospects

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## The point of view

### Argos the hundred-eyed giant

Last August, the University of Chicago published an indicator measuring economic policy uncertainty in the world's largest countries between 1997 and 2019<sup>1</sup>. The findings were clear: we are experiencing historically high levels of uncertainty, five times higher than between 1997 and 2015 and eight times higher than between 2013 and 2015. But wasn't 2015 only yesterday? Yes, but since then we've had Brexit, Trump, Italy, the trade war... and everything else. The world has been changing fast, and because of this we (by which I mean citizens, companies, states, central banks, etc.) are now living in an environment invaded by uncertainty, much more so than in 2009. This affects how we feel, think, act and make decisions.

Uncertainty distorts perceptions in ways extensively documented by psychologists. On the one hand, it prompts reflexive fears, the rejection of change and a wait-and-see attitude in hopes that things will return to normal. On the other hand, it gives rise to negative attitudes that place undue importance on extreme scenarios. In addition, judgement wavers with each harrowing new development, resulting in short-term overreactions. Uncertainty is scary, and fear is a powerful thing, prompting people to doubt or flee and radicalising their behaviour.

This climate is, of course, conducive to the effects of influence in a world that has become "liquid"<sup>2</sup>, overloaded with information from the web. In finance, this means volatility, risk premiums, risk-taking and safe havens, as well as changes in the "functions of preference" that govern our decisions (e.g. have central banks incorporated policy-related distortions into their reaction functions?). In economics, it means little investment, precautionary savings and less growth potential.

All of this leads us to a methodological prerequisite that is essential to clear thinking and decision-making at times of uncertainty. Let us assume that our analyses are distorted by perception effects (for those of you who are not convinced, now's the time to order some books on behavioural economics<sup>3</sup>!).

A question remains: why so much uncertainty? Political events are hardly a new phenomenon. Yes, there is Trump and his tweets... but that alone is not enough. And we need to be wary of focusing too closely on Trump, which tends to result in bypassing critical thinking. There are multiple overlapping reasons for the uncertainty we see – reasons that reveal what events have in common.

The first reason is that the political cycle playing out in the world is deconstructing traditional politics. This makes forecasting difficult, with a divided electorate, small majorities and the formation of unlikely coalitions that no longer necessarily correspond to voting along social class lines, but rather to pro- or anti-populist protest votes that can bring together people from different backgrounds; Hannah Arendt analysed these unstable alliances<sup>4</sup>, lodged in the vacuum opened up by distrust of traditional parties.

<sup>1</sup> S.J. Davis, *Rising Policy Uncertainty*, , 2019 <http://faculty.chicagobooth.edu/steven.davis/>

<sup>2</sup> Zygmunt Bauman, *Liquid Times: Living in an Age of Uncertainty*, Polity press, 2007

<sup>3</sup> Richard. H. Thaler, *Misbehaving - Les découvertes de l'économie comportementale*, Seuil, 2018

<sup>4</sup> Hannah Arendt, *Les origines du totalitarisme*, 1951

The second reason is that the internet has changed the nature of politics, favouring insurrection<sup>5</sup>, contagion and outsiders (it has been shown that social media place a premium on new entrants). Similarly, the polarisation of public opinion is making voters less sensitive to the economy and more receptive to emotions, which are politically powerful. But an angry man cannot easily be slotted into a formula... Lastly, this polarisation is fuelled by the current direction of debate over the question of values. The United States is riven by this issue, to the point where political pundits are wondering whether the country is still governable, with two halves of the population each hating the other and parties no longer able to reach any compromise.

The third reason goes deeper, lying just beneath this polarisation: continuing peoples' uprisings, strong men and geopolitical upheavals all point to the same thing – a crisis of models, meaning and certainty (that annoying word, “paradigm”!).

We all know it: “the collective narrative has changed”<sup>6</sup>. We are living through a time of multiple ruptures – what crisis specialists in the military call a “crisis of foundations”<sup>7</sup>. We have a crisis of democracy<sup>8</sup>, which has failed to deliver on its promises of equality; a crisis of the liberal model, which has concentrated wealth in some areas while impoverishing others; a demographic and resource crisis, with the outlook darkened by the Anthropocène<sup>9</sup>; and a crisis of US hegemony.

What we are seeing, then, is not a political crisis but rather a regime crisis<sup>10</sup>. And this crisis manifests in disruptive events, which explain the structural uncertainty. In fact, disruption is impossible to anticipate, as not only soldiers but also doctors tell us (think of an aneurysm), since it represents a break from the usual environment and its scenarios. More accurately, we might even say it breaks the environment...

Moreover, it arises “outside the system” (an exogenous shock, as the rating agencies like to say) – which is an intellectual conceit, since it builds up inside the system but remains hidden. It is the product of “multiple and overlapping”<sup>11</sup> maturing factors (concerning the economy, society, demographics, collective beliefs, technological developments, etc.). Disruption is the result of truths that only emerge with time, “decanted”<sup>12</sup> by society, in the same way individuals might discover they have changed without noticing – the fruit of what Nietzsche called “rumination” or what François Jullien calls the “second life”, the Chinese principle according to which things and beings are quietly transformed. Disruption is not, therefore, opposed to transition.

In conclusion, how should we think about times of disruption? As we have seen, we must start with the assumption that we have our own blind spots. However, “in thinking about disruption, we must above all think freely – i.e. extricate ourselves from mainstream thinking and intellectual conformity”<sup>13</sup>. This means opening up to multiple novel scenarios that sometimes appear to lie beyond the realm of the possible. In short, we must have the hundred eyes of the giant Argos, appointed by Hera to watch over one of the fickle Zeus's former mistresses...

The good news, though, is that times of disruption are also times of reinvention. ■

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<sup>5</sup> Pierre Rosanvallon, *La contre-démocratie. La politique à l'âge de la défiance*, Seuil, 2006

<sup>6</sup> Alessandro Baricco, *The Game*, Gallimard, 2019.

<sup>7</sup> Général Lucien Poirier, *La crise des fondements*, Economica, 1994

<sup>8</sup> Chantal Delsol, *La démocratie dans l'adversité*, Éditions du Cerf, 2019

<sup>9</sup> *Atlas de l'Anthropocène*, Atelier de cartographie de Sciences Po, 2019

<sup>10</sup> Yascha Mounk, *Le peuple contre la démocratie*, L'Observatoire, 2018

<sup>11</sup> LCL Olivier Enraygues (dir.), *La Rupture stratégique*, Étude de l'IRSEM n°48, février 2017.

<sup>12</sup> François Jullien, *Une seconde vie*, 2017/ *Les transformations silencieuses*, 2009, Grasset Une fissuration profonde, faisant soudain « lever un nouveau possible conduisant à un basculement ».

<sup>13</sup> Voir 10

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