Welcome to the post-New World Order

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Veni, vidi, vici. ("I came, I saw, I conquered") Julius Caesar, 26 BC. Donald Trump, 2017. However, the new U.S. president confronts a landscape far more daunting and turbulent than the Roman emperor and his legions faced two millennia ago--namely one which is supplanting a decades-old, idealism-based global governance that originally arose from the ashes of the Second World War.

The world order that emerged after 1945 was one of even greater opportunities, as ideological barriers came crashing down a quarter of a century ago, unlocking vast labor pools that received their first taste of the free markets.

Just as with the remarkable technological strides that were occurring over the years, and not least because of them, wealth spread exponentially, propelling large swaths of mainly developing nation populations and bringing them within "material reach" of their first-world peers.

However, over the last decade what was once a well-defined middle class started to gravitate towards the lower middle segments of the income distribution and the income gap widened continuously, with greater wealth becoming increasingly concentrated in the hands of a shrinking base.

Not surprisingly the growing and percolating discontent of working class populations bubbled over, and the emerging forces of "conservative populism" swept across populations, nations, continents like wildfire with its infectious call to seek a more equitable distribution of wealth and restore a more "homogenous" form of cultural identity from a more distant past.

The big losers in this changing political milieu have been the mainstream center-right and center-left parties. They appeared to be totally disconnected, had lost touch with key segments of their populations.

Most of the discontent and anger of alienated voters was directed towards the "usual suspects": China's economic clout, global trade, complacent technocrats, and the resource draining/job-grabbing migrants. The underlying causes, however, were something else. While manufacturing jobs continued to be gobbled up by more competitive emerging markets, advances in technologies were also playing a significant role in the disruption.

The underlying cause behind the tight employment/tepid growth paradox turned out to be productivity. As Northwestern University economist Robert Gordon argues in The Rise and Fall in American Growth, we have hit a ceiling in productivity growth and where we are may well be the "new normal". Solving the chronically below-average productivity rate mystery will require taking a closer look at the technology-induced structural transformation of the economy.

A more mercantilist U.S. economic policy along with a foreign policy seesawing between muscularity and isolationism would cause a lot of damage on global relations by instilling fear and mistrust A further strengthening of the dollar would, for example, squeeze credit, particularly in emerging markets that remain heavily exposed to dollar borrowings.

In China, it will mean having to further deplete its already diminished foreign reserves to further defend the yuan at a delicate moment when the authorities are trying to stir the economy towards a soft landing.

The “tax-like” effect of rising oil prices will also be exacerbated by the stronger dollar, especially for importer countries that have also seen their currencies weaken substantially during the last month. That will act as another economic drag by indirectly curbing consumption, forcing central banks of many of these countries to apply more restrictive monetary measures.

With signs of a firmer recovery, improving employment in the Eurozone and austerity measures that are clearly taking a backstage, Europe stands a fair chance to perform well this year. In the political realm, 2017 is also going to be an election year for France, Germany, the Netherlands and possibly Italy. This means that quite a few sources of instability will be lurking around.

Commodities will likely maintain their gains of last year and could even rise further, especially if the U.S. recovery picks up and China’s economy further stabilizes. The main beneficiaries will continue to be the emerging market economies that rely substantially on commodity exports, such as Russia and Brazil.

There is a good chance that the U.S. will eventually take over the helm as global engine of growth, but that will very much depend on how President Trump plays his cards. In this new chapter, the world has become a wealthier place and global poverty has shrunk in absolute terms. Progress and stability will depend upon more than judicious management of fiscal, monetary and social policies. It will take vision, leadership, cooperation and a firm commitment by industries and workers to upgrade their skills to improve their competitiveness in our globalized world.

The actions taken today, more than ever before, will have direct consequences on shaping the post-New World Order for the many decades to come.

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