

THE GLOBAL SYSTEM'S CRISIS AND FORECASTS FOR ITS PROSPECTS

Science has three main functions by definition: description, explanation and forecasting, but social sciences have their own special features. In their case, both description and explanation have their values to this or that extent and forecasting is extremely difficult because of complexity, developing character and reflexiveness of the society. It's possible to see five main stages of social forecasts together with the society's development from the Enlightenment till our times.

At the first stage that lasted till World War II, forecasting was first of all the issue of the philosophy of history and was related to fixing certain trends in historical development. However, in principle, forecasts for some or the other geopolitical events do not justify themselves. For example, the general feeling en masse just before World War I was inclined to agree that wars would gradually disappear, and World War II and the attack on the USSR were unexpected even for Stalin.

The second stage of forecasting development took place between World War II and the 1970s, when the special course of studies – futurology – originated as well as the system of methods used in forecasting economic, political and other processes, by states, corporations and think-tanks. That was during the Second Industrial Revolution, when forecasting was related both to directive planning in socialist states and indicative planning in developed capitalist states.

The third stage of forecasting was provided by unrolling neoliberal capitalism, with acceleration and complication of various processes, when previous processes and plans most often do not prove correct leading to transfer of power to the market and non-state subjects. At the same time, rational planning, expectation, choice are becoming the characteristics of the “economic man” (homo economicus), a neoclassical “economics”.

When we're speaking about geopolitical forecasting, there are astounding failures in a giant number of cases, even in forecasts by men of genius or strong

groups of experts and intelligence services. The United States intelligence services did not manage to forecast the Islamic Revolution in Iran. Gorbachev promised “more socialism, more democracy” in the USSR but instead a restoration of capitalism of the oligarchy-type took place; and in December 1990, outstanding American experts conducted a roundtable discussion in the U.S. Department of Defense (Pentagon) dedicated to the future of the USSR. They unanimously consented that a probability of disintegration of the Soviet Union did not exceed 20%. Several months later, the reality completely disproved it. American analytical centers could not foresee the rapid growth of China and its turning into a U.S. alternative either. After the USSR disintegration, the United States were full of expectations that the 21st century would become the century of America but it turned out to be an illusion, and all wars they waged – in Vietnam, Iraq, Afghanistan, Syria – turned into the ruin of their hopes.

Currently, the crisis of traditional approaches and scenario-writing methods, foresight, strategic planning, Delphi method, expert evaluations is intensifying, and we're entering the **fourth stage of forecasting**, especially if we're speaking about geopolitical forecasting and global trends. On the one hand, expectations are growing as to creation of formal models and using artificial intelligence, algorithms and processing big volumes of data for evaluating probabilities of a certain way of development. This is exactly the reason why there is a struggle for leadership in artificial intelligence development in the world. On the other hand, the macro-historical approach, related to the respective theory or philosophy of history, still stays urgent.

I'll try to discuss this issue through the prism of the certain philosophy of history relying on some basic governing laws that will give us an opportunity to explain not only the past but also look into the future. I'll choose the tradition from Fernand Braudel's macrohistory as the starting point for my attempt, combined with the cycles concept in the world-systems theory and the systematic development life cycles. The capitalism development dynamics within this philosophy is the process of growing global expansion, going through the stages of

several big cycles. On the whole, the processes of looking for opportunities for successful capital accumulation based on the global system, are cyclically replaced by self-capsulation processes in nation-states. Protectionist periods follow liberalization, at the same time each liberalization cycle of every country or a group of countries is a hegemon in this process. Both internationalization and self-capsulation of capital are related to system cycles of its accumulation, with dominance and disappearance of a certain hegemonic force.

The first cycle took place between the 14th and the 16th centuries, when the main role was played by Italian city-states and first of all Florence, Genoa, Venice and their diasporas. The second cycle of imposing the global hegemon and universalization of capitalism, ensnaring the whole world in trade relations, refers to the 17th–18th centuries, when the Netherlands perform the hegemon role. The third cycle corresponds to the 19th century – establishment of the UK as the world hegemon and as a result, the First Industrial Revolution takes place exactly there, and production grows rapidly. The fourth cycle started after the end of World War II, when the United States were established as the global hegemon. The U.S. hegemony was effected in two stages: social and liberal up to the 1970s and later neoliberal, leading to disintegration of Soviet socialism and bipolar world and consequently neoliberal globalization controlled by the United States.

Capitalism started entering the fifth cycle after 2008. After the highest period of Americanized unipolar neoliberal globalization, disintegration of the proceeding neoliberal globalized order began. Exponential acceleration of all processes and growing disbalance of the world system are typical for it, when unimportant and unforeseen factors can lead to large-scaled consequences that are difficult to forecast. If the events that took several months in the past, take place much quicker now; if information accumulated by the humanity over all its history, is now accumulated within a year; if the speed of technological and in this case many other innovations is much higher today than a century ago, the world is becoming more and more indefinite and as a consequence filled with quick ups and downs leading to time shrinking, and that makes billions of people unsure and

makes them worry about what is happening. Evident things disintegrate and global liberal hysteria is all here, lies, fake news are spilled over us and we're told that we live in a post-truth world.

Taking into account the systemic and cyclical character of changes, I'll single out seven key indicators impending in the next two decades of global changes.

One. Crisis of existing political and economic systems in developed countries, growing political polarization, disintegration trends for the previous neoliberal consensus of system parties as to the issue how to achieve sustainable economic growth and overcome the existing inequality. Critique of neoclassical economics is becoming stronger and stronger with statements that it is no longer the basis of economic policy. People are more and more dissatisfied with economic experts, political leaders, transnational companies, putting the blame on them for economic problems in the society. Movements, parties, positions of some leaders using mass crisis conscience and dissatisfaction are getting stronger. They bring forward anti-system slogans in order to get support. The majority of people in the UK voted for Brexit, i.e. separation from the bigger European market, and for Trump in the United States that also became unexpected for the neoliberal elite as he started looking for new development directions beyond the existing neoliberal policy of globalism. The crisis was most clearly manifested exactly in the capitalist center embodied in these two states – the global hegemons in the 19th and the 20th centuries. Thus, capitalism can't be successfully reproduced with the existing mechanisms – they sooner strengthen contradictions in it.

Crises when capital is accumulated are becoming deadly if they are combined with another element – elites' discord on the issue of dealing with them. Exactly that we're witnessing today in the United States, seeing the split between Trump and the Democratic Party elite. Similar situations can be also found in a number of the EU countries related to discords on the issue as to how to solve economic problems – by the so-called austerity policy (financial ascetics) and limitation of expenses for social purposes or by way of stimulating consumption. Proceeding from the analyses of previous revolutionary disintegrations, discords and quarrels

of elites are combined with delegitimization of governments, calls for decisive reforms. Forces appear that fill in the originating power vacuum and actively mobilize some or the other social movements with good communicative networks and organizational resources. Currently, this trend is intensifying both at the expense of accelerated automation processes and rivalry with workforce migration flows leading to reduction of prices on the labor market.

Two. Monopolization of economies is on the rise, at the same time global digital monopolies like Facebook and Google control billions of people today as the predominant amount of the global Internet traffic goes exactly through them. In the 1990s, the Internet was an open, free, decentralized form of communications, now it has become clear that it is a centralized structure, controlling the largest part of the globe's population. In 2018, 157 out of the 200 leading global entities are corporations and only 43 belong to states, and that turns the state into a corporations' tool¹. The number of companies, the scales of which exceed a certain country, is growing, and that generates the wish to demonopolize and deoffshore capital – the trend that will only strengthen over the next decades.

Three. Like before World War I, we're again witnessing the accelerated growth of social inequality and domineering outflow of the biggest part of added value to the hands of globalized capital. Currently, 40% of Americans make less per month than the 1968 minimum wage in the United States, and labor efficiency has grown by 259% since then. Median richness of the middle class is 36% lower than it was then². The number of people in Canada referring themselves to the middle class, reduced from 70% down to 43% in the period from 2002 to 2017. Incomes reduced in case of 70% of households in the 25 most developed economies over the decade from 2005 to 2014, while during the previous 10 years that referred to only 2% of households. The number of victims and dissatisfied for that reason and those whose incomes reduced is enormous – between 540 mln and 580 mln people⁴. It is not accidental that a picture of outraged people, angrily looking at a blooded guillotine, to which a bourgeois wearing a monocle is taken, appeared in *The Spectator*, the magazine of American Conservatives. The

inscription under the picture says: “A new class war.”⁵ The guillotine images appeared on the streets of Paris not long ago, where the Yellow Vests are on strike, at the same time, protests and dissatisfaction are increasing on global scales, and that will be the trend of the next decade. Until now, capitalism got out of the situation when inequality increased rapidly, by wars, states’ disintegration and global epidemics.

Four. The amount of the aggregate global debt is bigger than ever in history, and it’s growing at the accelerated rates. It grew by 12% from 2016 to 2018, and now it’s bigger than ever in history – US\$ 244 trillion, which is equivalent to 318% of the global GDP⁶. And none of the monetary growth-stimulating policies work fairly effectively, there is still a trend for growth of all kinds of debt and that undoubtedly will become a factor for a new world crisis, forecasted by many analysts.

Five. The neoliberalized world order is disintegrating under American control and there is a trend developing for post-globalization, nationalism, conservatism. Neoliberal globalization gradually leads to growing contradictions and further acceleration of the trend for disintegration of big integrated markets. It’s not accidental that there is a rapid reduction of global foreign direct investment flows witnessed over the last two years. According to the UN World Investment Report 2017, global foreign direct investments reduced by 23%, and by 41% only during the first six months of 2018. At the same time, world trade is also reducing, and after World War II world trade outran GDP growth, but starting from 2008, its indicators are lower or close to the GDP figures. It’s not accidental that Trump announced withdrawal from the Trans-Atlantic Trade and Investment Partnership and Trans-Pacific Partnership and launched the trade and technological war. According to the Eurobarometer report, trust to the EU in the leading Western countries is at an abnormally low level. Only 31% of the population trust the EU in the UK, nearly the same numbers are in France – 33%, Czech Republic – 32%, Greece – 26%, Italy – 36%⁷. Growing territorial inequalities in the EU are forming disintegration and capsulation processes in nation-states. These trends will be

strengthened thanks to the technological support of the Industrial Revolution 4.0 forthcoming in the next decade. The characteristics of its essence provide for deglobalization:

(1) Automation and robotics will result in today's capital outflow to cheap areas becoming unnecessary, and industry will return to developed countries.

(2) The very nature of new technologies implies refusal from global production-and-sale globalization chains. It becomes possible to make whole products on site with the help of 3D printers, and that will radically change the arrangement of labor and the global market.

(3) Digital technologies and cyberwars related to them, possibilities of artificial intelligence, robots, quadcopters use by military forces generate aggravation of technological wars and disintegration of digital space leading to digital sovereignty, and this trend is witnessed everywhere, but especially strongly in China and Russia.

Six. Currently, there is for the first time a real trend for the “death of the West” losing its economic positions with Asia’s rise as a background. The U.S. National Intelligence Council made an attempt in its latest global forecast “Global Trends: Paradox of Progress” to forecast global development up to 2035. It says that “the next five years will see rising tensions within and between countries. Global growth will slow, just as increasingly complex global challenges impend. An ever-widening range of states, organizations, and empowered individuals will shape geopolitics. For better or worse, *the emerging global landscape is drawing to a close an era of American dominance following the Cold War. So, too, perhaps is the rule-based international order that emerged after World War II.* (italics are mine, V.P.)”⁸ Asia is gradually taking the United States’ and the European Union’s place or the place of the aggregate West. Currently, the Asian economic area makes 50% of the global GDP and two thirds of the global economic growth is referred to it. At the end of 2018, China made US\$ 21.42 trillion GDP in purchasing power parity terms, and the United States made US\$ 17.57 trillion. Now, Asia is producing, importing, exporting and consuming more

than any other region of the world. 60% of the global population live there⁹. After the USSR disintegration, the United States thought that the 21st century will be the “American century”, however it’s turning into the “Chinese century”, “Asian century”, “Eurasian century”.

Seven. New militarization and wars have been launched, with the help of which capitalism tries to get out of crisis. New war-waging strategies have been unrolled, when a significant place is given to asymmetrical methods, use of digital technologies, combination of economic, technological, information wars with direct military attacks. These new strategies can be easily found in hybrid wars concepts and the “Trojan Horse” strategy, at the same time, the destabilizing role of the “fifth column” is combined with the use of the digital network, private armies, attacks with the help of pilotless flying apparatuses and automated systems.

After the United States withdrew from the Treaty on the Elimination of Medium- and Short-Range Missiles, new arms race began in the nuclear sphere combined with the arms race in space after the United States Space Force was set up. The Doomsday Clock in the academic journal of the Chicago University is set at 2.5 minutes to midnight (nuclear apocalypse) as it was in 1953. Gorbachev promised to give up the “enemy image” but the enemy image today has become the main tool for transformation of internal contradictions in the United States into the external threat and an attempt to unite polarized social groups in the country. Russophobia and hysteria related to it, combined with gradually growing Sinophobia in the United States are similar to the one characterizing the McCarthyism times. The process of increasing arms expenditures goes on in the EU. The things are going to a new Cold War that will be waged by the United States against Russia and against China. The world race in creating artificial intelligence, robots and pilotless flying apparatuses for military purposes is much more ferocious, they are to play the leading role in wars in the next decades. According to the Stockholm International Peace Research Institute (SIPRI) report, global military expenditures in 2017 reached the highest level since the time of the Cold War. And if during World Wars I and II the main destruction means were

connected with business getting richer in capitalist countries at the expense of growing military deliveries, and respective military and industrial complexes were set up, now that is supplemented by the fact that more and more wars are waged with the help of private armies that create powerful lobby groups in order to get state resources and get rich in the course of wars. Capitalism is persistently trying to save itself with the help of new remilitarization and making attempts to engage the world in various wars – religious, hybrid, cyberwars and robot wars, nuclear, economic, information wars.

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² **Worstell, Tim.** Ludicrous Economic Numbers: 40% Of Americans Make Less Than The 1968 Minimum Wage, In: *Forbes*, February 7, 2016

³ Poll suggests Canadians appear pessimistic about their economic futures, In: *National Post*, <http://nationalpost.com/pmn/news-pmn/canada-news-pmn/poll-suggests-canadians-appear-pessimistic-about-their-economic-futures>, October 9, 2017

⁴ **Matthews, Chris.** The Death of the Middle Class Is Worse Than You Think, In: *Fortune*, July 13, 2016

⁵ **Parramore, Lynn Stuart.** Why American Conservatives Are Suddenly Freaking Out About Guillotines, In: *Truth out*, <https://truthout.org/articles/why-american-conservatives-are-suddenly-freaking-out-about-guillotines/>, May 24, 2014

⁶ Global Debt Monitor. Devil in the Details, In: *Institute of International Finance*, https://www.iif.com/Portals/0/Files/Global%20Debt%20Monitor_January_vf.pdf, January 15, 2019

⁷ **Lipton, Gabe.** Graphic Truth: Europeans Don't Trust Europe, https://www.gzeromedia.com/graphic-truth-europeans-dont-trust-europe?utm_campaign=RebelMouse&socialux=facebook&share_id=4444139&utm_medium=social&utm_content=Ian+Bremmer&utm_source=facebook&fbclid=IwAR3eugeIpyNGvdxjoRky0evSVnlUt35UUrZHjUe2Gq48r8FsPAiXdniqSfA, March 06, 2019

⁸ Global Trends: Paradox of Progress, NIC, 2017, p. VII.

⁹ **Khanna, Parag.** Why we're living in the 'Asian Century', In: *World Economic Forum*, https://www.weforum.org/agenda/2019/03/why-were-living-in-the-asian-century?fbclid=IwAR2igPL8pyL4gGgrlzeZKEqLDjpXv4_76ViqjCGJ4d2RKMhtGWAqCXSCj9o, March 8, 2019

