As evidenced by Brexit and the election of Donald Trump last year, antiestablishment sentiment is growing globally. What is driving this change? Renowned geopolitical forecaster George Friedman discusses his view that the three elements driving political systems since World War II—internationalism, multinational institutions and “technocracy”—have been thrown into doubt since 2008. Brexit and the election of Trump are therefore just the beginning and real radical change will unfold over the next decade.

The year 2008 was a turning point in global history. Its consequences are far more significant than the financial crisis that it created. 2008 ended an era that began following World War II, raising serious questions about the dominant class that emerged over those seven decades. 2008 also reopened the question of the value of internationalism compared to nationalism. Its consequences went far beyond the question of the financial system's viability. Rather, the nature of the financial system as constructed after the war became a key question that was scrutinized by a broad spectrum of doubtful opinion.

THE POST WORLD WAR II SYSTEM

The system that emerged from World War II had three elements. The first was the idea that the war occurred because of nationalism, and that nationalism must be overcome. The second assumption was that the war was won because of a system of multinational institutions and that those institutions ought to be maintained and extended to all spheres.

Interdependence guaranteed limits on nationalism and undergirded multilateralism. Finally, it was concluded that ideology was the problem rather than the solution and that the new system ought to be managed by “technocrats.” These individuals were committed to optimizing the system pragmatically rather than pursuing traditional moral agendas.

This process gained ground until 1991, when it went into hyperdrive. In that year, the Soviet Union collapsed and, with it, the final bastion of Cold War ideology and European empire. The ranks of nations in Europe surged, and multinational institutions like the European Union, NATO, the International Monetary Fund and others hurried to integrate these nations into a post-national, multilateral, technocratic world. “Davos Man” became the symbol of this. He eschewed the nation and conflict in favor of technocratic management with a social conscience. He constantly sought to create structures to solve the most intractable problems. What had rejected ideology became an ideology itself—the ideology of transnational technocracy.
THE PILLARS UPHOLDING THE SYSTEM START TO CRUMBLE

The other thing that happened in 2008 was the Russo-Georgian War, which stunned the technocrats in two ways. First, their assumption that Russia was permanently crippled geopolitically was falsified. Their deeper understanding, that geopolitics was obsolete, became far more dubious.

The second assumption that was debunked was the idea that interdependence was a stabilizing force. The 2008 global financial crisis was the result of interdependence. The subprime mortgage crisis generated in the U.S. could not be contained. The international financial system had been so efficiently integrated — and national boundaries tended to be invisible to it — that the virus spread at lightning speed. The very efficiency of the system nearly destroyed it. Interdependence is superb for optimizing stable systems. But when the system destabilizes in one area, no controls exist to limit the damage. A virus was loose.

In previous financial crises, such as the American municipal bond crisis in the 1970s, the debt crisis of developing nations and the U.S. savings and loan crisis of the 1980s, the consequences were less significant because the level of integration and interdependence was lower. Particular nation-states could devise individual and ad hoc multilateral solutions. With the institutionalization of interdependence, specific solutions became impossible. The decision-making system entered into chaos along with the financial system.
In the end, the various political systems imposed control on the system, with some—such as the U.S.—doing fairly well. Others, such as the European Union (EU), were unable to cope as well. The financial crisis revealed the EU’s underlying fault lines. Nations still very much existed, political leaders owed their jobs and loyalty to their own citizens, and consensus was lacking as to what was to be done about the multilateral decision-making system’s legitimacy. Clarity did not exist in the technocracy regarding whose interests nations served.

The financial crisis yielded the economic crisis. The U.S. and EU went into recession; China—which had been the flywheel of international trade—found itself in a difficult position. It lost many of its customers, and its economy, dependent on exports, slowed dramatically. Over time, the markets realized that China could not resume its prior economic expansion without massive growth in the West. Having finally grasped that, the markets repriced industrial commodities, particularly oil. The world was in an export crisis, in which exporters of all ranges of products faced difficulties. China was coping with the decline of growth; Russia and Saudi Arabia were facing unsustainably low oil revenue, and so on.

A NEW WORLD ORDER

Before 2008, it was a given that economic and financial interdependence were desirable. Following 2008, countries most dependent on exports found themselves in a difficult position. Countries that were inefficient exporters and less dependent on the international system performed better. This included the U.S., which derives only about 12% of its GDP from exports. Again, the theory that interdependence increases efficiency and well-being was repudiated. If the system malfunctions, interdependence spreads globally and becomes difficult to solve without a global solution. The only recovery for exporters is increased demand from importers. Interdependence makes nations hostage to the political abilities and wishes of other countries. China needs European and American demand to increase to begin solving its problems. It has little control over those regions. Thus, the least interdependent and the most self-contained have the greatest ability to control their systems.

The economic crisis affected societies differently. Those above median income—what I would call the technocracies of financial, political and other systems—were relatively healthy. Those dependent on industries where interdependent systems had transferred factories to other countries became desperate. A problem of interdependence is that it seeks maximum economic benefit for a nation and does not concern itself with distribution. Out of the latter came an understanding that interdependence hurt their interests. Their lives were in the hands of Chinese investors, for example, increased efficiency marginalized their interests, and technocratic mismanagement affected them the most. Therefore, a counter-movement arose. Nationalism re-emerged and created a massive class split between those who were eager to rebuild and maintain interdependence and those who saw their interests in limiting it. As in all such debates, the discourse was less coherent than the problem and vested interests.

The core dilemma is that the technocrats, claiming no ideology but problem-solving, encountered a problem their ideology did not allow them to solve. The measure of technocrats was only success, and since 2008, they have not been very successful. So, like all social developments, the ruling class enveloped itself in a sense of entitlement—that it had the right to govern by the nature of things. This sense of entitlement enraged the marginalized and energizes them into moving from a need for certain reforms to a desire for more radical change.
THIS PROCESS IS ONLY BEGINNING

No clearly dominant force has emerged yet. The election of President Donald Trump, the Brexit vote and other developments show society to be nearly equally divided. However, it is difficult to imagine how the technocrats—in private and public life—can hold onto power in the coming generation. They do have an ideology, and that ideology permits them to benefit most from the system they manage. The system is not running as well as it did a decade ago, but it is running well enough for them. As the lower levels of the upper-middle class lose their positions due to the conflict, they will tilt toward the nationalists. They have little to gain from the system as constituted and see the elite as hostile to their interests instead of managing the system to take their interests into account. Rightly or wrongly—and politics has the same invisible hand as economics—the conflict will unfold over the next decade.

ABOUT THE AUTHOR

George Friedman is an internationally recognized geopolitical forecaster and best-selling author. As founder and chairman of Geopolitical Futures, a new online publication dedicated to forecasting the course of global events, George combines his passion for writing and publishing for his readers worldwide who follow international affairs. Prior to founding Geopolitical Futures, he guided the intellectual vision of Stratfor, the geopolitical intelligence publishing and consulting firm he founded in 1996.

George is the author of numerous New York Times bestselling books. His most recent book, Flashpoints: The Emerging Crisis in Europe (2015), predicts the borderlands where centuries-old tensions are re-emerging and will spark new conflicts. The Next 100 Years: A Forecast for the 21st Century (2009) predicts the geopolitical changes shaping the 21st century and was translated into more than 20 languages. His other books on warfare and intelligence have included America's Secret War, The Future of War and The Intelligence Edge.