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By George Friedman

# What Has Happened to Us?

**The global system that many fear is dying is already dead. The new one has yet to emerge.**

Last week, we published [our annual forecast](#), which goes on for 40 pages. The length is necessary, but it risks obscuring the fundamental question: What has happened to us? From Shanghai to Moscow to Brussels to Washington, there is a sense that something has gone wrong with the world, with our nations, with our friends and even with ourselves.

The feeling has permeated our societies. We have gone from a belief in the end of history, in a final reconciliation of all our major contradictions, to a sense of failure, foreboding and betrayal. The sense is everywhere, and it came upon us with startling speed. A decade is a second in the history of humanity. The new year is the future, and the global sense of increasing failure will grow. But our future is embedded in the past, and the past must be grasped.

## **A Decade of Fear**

Humans cycle between complacency and fear. When the time for fear comes, we magnify the threat. It's a natural response; after all, when things go wrong, we humans need all the energy we can muster to face it, and terror is the most powerful of feelings. In the late summer and early fall of 2008, we faced the sum of our fears. On Sept. 15, 2008, Lehman Brothers collapsed. All its debts went unpaid. Those who were unpaid could not pay others, and that failure forced the economic system to face the abyss. It's a familiar story by now, but its telling always omits something that happened just a month before, on Aug. 8. That day,

war broke out between Russia and Georgia, and Russian tanks – a nightmare to the West a scant generation earlier – were on the move once more.

At the end of a war, the winning coalition dreams of a world in which its will continues to govern, where the differences among its members are settled with quiet goodwill, and where only good things will happen. Yet the end of the Cold War had not created a stable platform for eternal prosperity, nor had it made war obsolete. It hadn't even settled the Russian question. The idea that any conflict could be the war to end all wars is the first product of victory and the most heartbreaking illusion. We made the same realization in 2008 in the space of seven weeks. The interests of the world were the same as ever, and the heartbreaking illusion returned. And since we are human, we knew that someone betrayed us. The idea that this is the human condition and that hostility and disorder are our natural state is too painful to contemplate. If the eternal peace that Immanuel Kant promised and that the fall of the Berlin Wall delivered dissolved, then it must have been the work of dark and vile forces.

In the wake of World War II came Maoist mass murder, the imprisonment of Soviet war heroes in the Gulag, Joseph McCarthy's crusade against latent communism in the U.S., and all that these phenomena spawned. War is fought out of fear. The hubris of victory hides but does not abolish that fear. We should not be surprised at where we are now. The greater the victory, the greater the disappointment. Much went well after World War II, but the expectations exceeded the possibility.

### **The Revolution of Rising Expectation**

During decolonialization in the 1950s and 1960s, a phrase became commonplace: the revolution of rising expectation. It meant that with the end of colonialism, the expectations of the developing world grew beyond what was reasonable. The disparity between expectation and reality then engendered disappointment and anger, which gave rise to instability. The same concept applies to the world after 1992: We expected a world without conflict, of common interests and values, and of increasing prosperity. It was a hope as inevitable as it was far-fetched. What came out of 2008 was a world plunged into fear and a rising sense of betrayal. That has matured now into a world in which fear, distrust and mutual contempt define political life in all spheres.

The events of 2008 brought to maturity the processes that had been underway in the past. Today the household income of someone in the fourth quintile – where the lower middle class is located – is about \$35,000 a year. Accounting for taxes, and ignoring the cost of health insurance, we can generously estimate that lower middle-class families bring home \$2,500 a month. When I was a child, my family was firmly in the lower middle class. We had a small house, a car and enough money to take modest vacations. These are luxuries the lower middle class cannot afford today on \$2,500 a month.

Inequality was never the issue in the United States. The issue was attaining the American dream: homeownership and the promise of upward mobility for the next generation. That's gone now. Though it had been dying for decades at the hands of a variety of forces, 2008 convinced the lower middle class that it wasn't coming back. Even at the median income level of above \$50,000 a year, the pain has subsided but not evaporated.

The current anger and drug addiction in the United States is a uniquely American problem. But the same sense that the world has turned against its poorer citizens and that the elites couldn't care less has also spread to Europe and could be found in China and Russia as well. It became a global reality, and the immigration issue jelled it. Unable to understand the bitterness their countrymen felt at suffering national indifference while foreigners received care and attention, the elite sought to paint the lower middle class as xenophobic.

Leaders around the world have seized on this feeling. Xi Jinping became [dictator of China](#) because he arrested members of the elite. Vladimir Putin has stayed in power for nearly 20 years with promises to make Russia great again. The European right grasped the degree to which the Continent's elite had once again become indifferent to the plight of their compatriots. And in the United States, the Democratic Party framed itself as the party of the working poor but focused on everything else, while an outsider took control of the Republican Party – historically the party of corporations – by mobilizing the underclasses. In each of these countries – including Russia, now that oil prices are in the \$40 range – the disappointment of what used to be the working classes is in full bloom, confronting an elite that is relieved just to have a functioning banking system and believes, by extension, that all is well.

The distrust is not new. But the inevitable failure of the fantasies of the post-Cold War world has given it tremendous power.

## **Tensions Beget Tensions**

Along with [the tensions within nations](#) are the tensions between them. In 2008, Russia announced it would not go gentle into that good night. Its brief war with Georgia was a subdued overture to what has since arisen. [The tensions between countries](#) have mounted, in part because nations are afraid of other nations and seek to protect themselves by being more fearsome. In our time, however, the problem is more complex. Between 1992 and 2008 the global economy surged as emerging countries built their economies on exports. The recession after 2008 hurt these countries badly, whether they exported manufactured goods or energy. Perhaps more important, what importers had tolerated and even benefited from they could no longer abide.

Cheaper exports were not a universal boon. On the whole, they benefited important countries, but people do not live “on the whole.” When vast segments of the population are victims of imports, or see themselves as such, the political system will destabilize regardless of whether the state is benefiting in a general sense. Indeed, the fact that the benefits accrue to certain classes while others lose their jobs increases the anger. Those who gain from the arrangement don’t understand what the fuss is about, and their incomprehension inevitably inhibits their response. The debate turns to the question of who is responsible. Whatever the reality, those who benefit will wind up with the blame, and the task of stabilizing the system falls to politicians.

The growing distrust within nations drives the growing distrust among nations. In many countries, the political order is in the midst of a transformation. Individuals and parties that one could not have imagined holding office a decade ago are now in power or close to it. International conflicts that appeared well-contained within the framework of the Cold War coalition are bursting at the seams. [The Cold War coalition is increasingly at odds with itself](#), as new and unfathomable coalitions emerge, and dangers we thought we had buried in 1992 are coming back to life. Among those who saw themselves as managing the coalition, a sense of horror is inevitable. But that coalition, like the Congress of Vienna, the League of Nations or the United

Nations, could survive for perhaps a generation at most. What had bound these groups' members together was the enemy. A defeated enemy is simply not a strong enough glue to do the job.

## **New World, New Rules**

The world has abandoned the rules of the Cold War coalition. This was inevitable. The 2008 crisis was going to happen in one form or another, and it would speak with authority. A new world would grow out of it. You can see our vision of how this plays out in our [40-year forecast](#) or from my books, but that is unimportant right now. What matters is understanding that the world forged in 1945, the world that defeated the Soviet Union, is gone now. It left behind profound social tensions that the elite will ignore, until they no longer can, and a new international system. The new system, though born of the old one, is very different.

We are not going back. The vast social and political animosity tearing at the fabric of the world will resolve itself, perhaps with blood but likely without it. It will leave behind a changed world. That's our point about 2019. It is a year in which an old world has already died, but many still think it can be resurrected. It is a year where the new world has not yet emerged. There are those who will welcome it. There are those who will loathe it. It will be what it must be – a new world with new rules. History is profoundly indifferent to our preferences. We live. We die. We love. We hate. We do so all under the pressure of reality. And the world is on the edge.

