



# THE GREAT RELEASE

The Rise of Trump and  
the End of U.S. Hegemony

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INTEGRAL LIFE 

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Cover image: “Something Higher” by Michael Harris

# INTRODUCTION

Uncertainty is very high right now, and everyone feels it—a recent study by the American Psychological Association reports that two-thirds of Americans feel “stress about the future of the nation.” From NAFTA to the European Union, nations and international confederations are under threat of an historic breakup. In the United States, France, Italy, the U.K. and elsewhere, the post-World War II global order is threatened by nationalist movements arising throughout the western hemisphere. Populist leaders are provoking change and challenging the status quo: President Trump has assailed the legitimacy of the United Nations and the value of NATO. With the rejection of the Trans-Pacific Partnership (“TPP”), arguably he's opened the door for China to become the global economic leader at the same time as he's shattered hopes for multilateral trade confederations in favor of smaller, bilateral trade agreements. He's slammed the door on multiculturalism and mocked the political correctness of postmodernism as inauthentic even while using its relativism to defy all norms and surprise his critics.

This is a moment history will remember.

For the past year, Integral Life has been making sense of the deeper forces that have been driving this year's headline phenomena—the resurgence of nationalism and the rise of populist leaders throughout the developed world. Last summer, I outlined in *The Great Divide* how a dividing line in stages of adult consciousness—that which divides tribalists and globalists—along with the perceived losses of the middle class, combined to create a groundswell of support for populism. In that analysis, which was centered largely in economics and psychology, my point was that the advance of Enlightenment values has now been badly undermined by the dominance of capital over labor and its effects on the Western middle class, and that this might well get worse with the rise of automation and the coming jobs war.

Ken Wilber followed this up with *Trump and a Post-Truth World*, a cultural and psychological-centered argument that nationalist backlashes are a natural dialectic of evolution, arising in response to the limitations of postmodern philosophy and its cultural products since the 1960s: as cultural relativism deconstructed all forms of meta-narrative or prevailing truths, it failed as an intellectual foundation, leaving us only, finally, with narcissism (only my truth) or nihilism (simply no truth) as its end result:

...[As] the leading-edge of evolution itself [postmodernism/the Green stage of consciousness] had begun failing badly, obviously, and often. When the leading-edge has no idea where it's going, then naturally it doesn't know where to go at all. When no direction is true (because there is no truth), then no direction can be favored, and thus no direction is taken—the process just comes to a screeching

halt, it jams, it collapses. Nihilism and narcissism are not traits that any leading-edge can actually operate with. And thus, if it's infected with them, it indeed simply ceases to functionally operate. Seeped in aperspectival madness, it stalls, and then begins a series of regressive moves, shifting back to a time and configuration when it was essentially operating adequately as a true leading-edge. And this regression is one of the primary factors we see now operating worldwide. And the primary and central cause of all of this is a failure of the green leading-edge to be able to lead at all. Nihilism and narcissism brings evolution to a traffic-jam halt. This is a self-regulating and necessary move, as the evolutionary current itself steps back, reassesses, and reconfigures, a move that often includes various degrees of temporary regression, or retracing its footsteps to find the point of beginning collapse and then reconfigure from there. (Wilber, 2017, p. 8)

He argued that despite Trump being almost a pure "anti-green" leader—a true *postmodern anti-hero* if there ever were one—the ground is being prepared for the emergence of more healthy, integrative social solutions in the coming generation, and counsels a deep compassion for anyone who has felt themselves a loser in the cultural wars.

The dynamics we address—economic liberalization that has benefited primarily the wealthy, and the postmodern relativism that has undergirded multiculturalism—form two important drivers behind a number of western nations now questioning the prevailing social order as it has existed. (If you haven't read one or both of those essays, I'd encourage you to do so.)

I believe we were both right, each analysis pointing in its own way to something important and powerful undergirding the current moment. Beyond these, I became curious about deeper historical forces that might shed light on our current moment. In this essay, I combine research from historical sociology, complexity theory, integral metatheory and macroeconomics to explore what those might be and highlight just how unique this period is in world history, being analogous on the micro-scale of the system shift of the 1970s, on the macro-scale of the system breakdown between the two World Wars, and perhaps even on the meta-scale of the transitions between economic hegemonies of the 15th and 16th centuries (Genoa), 17th and 18th centuries (Dutch United Provinces), and 18th and 19th centuries (British Empire).

Drawing on the work of Giovanni Arrighi and others, there is much evidence to suggest we may be living through the end of the fourth major economic empire of the past 800 years, a cycle which since 1945 has seen the United States build history's first *world state*. I believe that this cycle may be ending for the same reason that all complex systems breakdown: the prevailing post-World War II world state has become internally stagnant and its resources and power structures are, in the language of complexity science, "overconnected." In short, the system

can no longer adapt to the changes around it, and we can see how the United States decline since 1970 mirrors each of the three prior evolutions of capitalism.

Even more astounding, when we situate the past decade against the western experience since 1945, we see that the post-World War II world state continues to seek—and indeed has been seeking since 2008—an important, overriding outcome: it has been trying to establish greater *resilience* and break up monopolies of resources (and thought), and the lack of innovation they engender, which characterize all known complex systems when they become stagnant.

When we map resilience across the four quadrants of integral metatheory—mental health disorders, population health outcomes, consumer debt levels, new business creation, wealth disparity, real income stagnation, government regulation, housing prices, political polarization, fragmentation of shared cultural values (i.e., anomie) and other areas—there is ample evidence to suggest that our national condition is irresilient. The result is a nation (and indeed world state) that seems to be increasingly-insistent on a phase shift that complexity theorists call a system *release*, a phase that will lead to a *reorganization* of the prevailing world order that liberates innovation and increases its capacity to absorb future shocks and change. These release and reorganization phases have marked the end of all prior cycles of economic hegemony. If accurate, the result will be nothing less than the emergence of a fifth phase of capitalism or, perhaps, the emergence of a post-capitalist organizing principle (which could be envisioned, possibly, through the confluence of truly sustainable energy sources, massive automation, and the exhaustion of capital to find new markets for growth).

In short, although it's hard to see through the dust kicked up by fierce partisanship, the factional lobbying of narrow interests, and the din of a 24/7 global news cycle, when we take a step back we might be able to see a genuinely big picture—that of an entire world state that is desperately trying to free up trapped “capital” in all four quadrants—creative and spiritual resources; health and educational resources; relational and cultural resources; and economic and political resources—all of which have become stuck, stultified and trapped by monopolistic forces throughout our lives.

Indeed, in all four quadrants that's precisely what we see: evidence of a generational-low level of resilience due in part to encroaching “monopolies” in each aspect of our lives, from our narrowing healthcare choices to our monopolistic social networks to the proliferation of finance to to our increasingly-regulated entrepreneurial environment to our hypersensitive language environment. This breakdown is a once-in-a-century whole systems

breakdown for those of us living through it, a rejection of the inadequate leadership that has brought us to this point:

Evolution, in a decided move of self-correction, has paused and is in the process of backing up a few paces, regrouping, and reconstituting itself for a healthier, more unified, more functional continuation. What virtually all of these regroupings have as a primary driver is a profound anti-green dynamic acting as a morphic field radiating from the broken leading-edge itself. (Wilber, 2017, p. 74)

Back to the present, it will continue to give rise to populist leaders like Trump, who are catalyzing this *release* phase of *creative destruction* in order to accelerate a much-needed reshuffling. The result, as in the release phase of any complex system, will break up control of resources, disrupt existing connections between system players, shatter thought policing, and dismantle existing system regulations: from healthcare decentralization to governmental deregulation, from no-truth to anti-truth, from financial deregulation to rejection of international trade confederations, from technology monopolies to educational choices, we see evidence that a restive population seeks system breakup.

The breakdown is already releasing massive energy and resources across hundreds of domains—from business to art to law—which are the raw materials for experimentation and social innovation at the three prevailing levels of complexity and consciousness impacted by the system breakdown: **Amber** (Tribal/Agrarian Age), **Orange** (Modern/Industrial Age) and **Green** (Postmodern/Information Age).

In all of these efforts, people are searching for a politics to move us forward rather than regress to the pre-World War I nationalism sought by the Trump administration. It will have to be a genuinely integral politics, one that puts a central priority on human development itself; that can restore resilience to our cultural and social lives; that makes room for healthy hierarchies and whole-part logics; and leads us with the both/and thinking inherent to natural polarities that cannot be resolved but can be harmonized through better leadership and more honest communication.

Let's step back and look through an integral lens at the dynamics of this complex adaptive world state that is desperately seeking greater resilience and has been tapping on our door for a decade trying to achieve it. We didn't answer the door in 2008, and so the door just got blown off its hinges...

But that's getting ahead of the story.

## PART I. THE WORLD STATE SINCE 1945

*In Part I we'll try to understand our current moment in terms of complexity theory, looking at the United States, and the world state that it has sponsored since 1945, through the lens of complex adaptive systems. In particular, we'll look at what happens to complex systems when they stagnate and lose resilience, a term which describes the ability of any complex system to withstand changes in its environment without a fundamental change in its structure or function—in short, its purpose or identity. Part I's focus is on the current “cycle” of capitalism only: the period of US hegemony in the 20th century. In Part II we'll step back even further and look at the past 800 years, and at four cycles of capitalism, to understand how and why economic hegemons rise and fall, and how the United States experience since the 1970s looks suspiciously similar to the structural patterns of other hegemonic declines. In Part III we'll conclude by looking at events since 2008 to understand the system breakdown we may be living through and thinking about what this portends for the United States and the world state in the 21st century.*



# COMPLEX SYSTEMS AND RESILIENCE

To begin to understand complex systems, let's think about these real-world events for a moment...

- If you were surprised by a two-week hospital stay, would you end up losing your house from the added financial burden?
- If you were to have a serious disagreement with a coworker, would it end up changing your overall work culture?
- If a forest were to be struck by lightning, would it turn into a raging forest fire that wipes out half the forest?
- If your country elected a demagogue, would it cause the country to descend into an autocracy?

In these and dozens of other examples we'll explore as we go, you can see that there is a system involved: **entities** that want their needs met (these are *elements* or *parts* of the system: people, plants, voters, etc.); a **purpose** for the system (a reason the system exists: to produce goods and services, to get cured, to foster forest life, etc.); and **feedbacks** (these are signals, interconnections, or feedback loops, within the system and to/from its environment: words, emotions, communication, prices, diagnoses, destruction, popular opinion, etc.).

If you were to have an emergency hospital stay, a complex system emerges instantly around that event. We can look at this many ways, but for simplicity's sake let's just say the purpose of the system is to keep you alive and healthy. The entities involved are you, the hospital, the doctors, your bank, your bank account, etc. And the feedbacks are the clinical tests, diagnosis, medical bills, your desires, your mortgage payment, the doctors' recommendations, etc. You can readily see that the question—if you were surprised by a two-week hospital stay, would you end up losing your house from the added financial burden?—would be answered by a complex, always-interacting system that arises amongst the competing purpose, needs and feedbacks of that system.

Similarly, we can generally imagine what are the purposes, entities and feedbacks in our workplace culture, in the forest glade, and in our nation. In fact, we can apply this lens to any system in the known universe to understand better whether it's meeting its purpose and maintaining stable equilibrium or whether it's beginning to wobble out of control.

What lies at the heart of thinking about all complex systems is this fact: *with time comes change*. It's that simple. Nothing stays the same, and as time goes on there are small, big, and rarely but surely, catastrophic changes that happen around us and to us. These changes are forcing constant adaptation in the



complex systems that are involved: in our marriages, in our bodies, at work, in our forests, and across every other aspect of our lives.

The measure of the degree to which a complex system can handle these changes without fundamentally having its identity altered—having its very purpose, structure and function changed—is measured by the concept of *resilience*.

**Resilient systems can handle large changes in their environment without changing structure. Low resilience systems can hardly handle any environmental change without being disrupted into a new structure and function: that is, a disruption to their *purpose*.**

When you get shocked by an unexpected, and expensive, two-week hospital stay, whether you lose your house from that unexpected financial shock depends in large part on your finances (let's ignore health insurance for the moment, though I will return to that later). In this case, the amount of savings you have in the bank is almost a sole determinant of whether you lose your house or not: that is, whether you have *resilience* in the face of this shock. In this example, the more savings you have, the more resilience you have.

However, resilience is not about having more resources: resilience comes from agility, and what provides a system agility might be different in each case. Sometimes more resources do provide agility, but often having more resources just lock the system into unproductive and stagnant monopoly-like behavior. In fact, as we'll soon see, resilient systems are the ones with the most diversity amongst resources in the system. On the contrary, it's the hallmark of *irresilient systems* that they have built large, lumbering and monopolistic control of the system's overall resource base. In other words: the more tightly bound together a system's participants and resources are, the less agility it has (and therefore less resilience).

Think about Kodak in 1976, when it controlled nearly 90% of the photography market. It had a virtual monopoly on photography, thousands of employees and billions of dollars in cash and revenue. You would think: "surely that is a highly-resilient system, capable of withstanding almost any environmental change." But by the 1990s, as the world shifted to digital photography due to the advent of new technology, Kodak's dominant position in film caused it to not want to sacrifice its (up-to-then) winning form and structure. **Its strength was precisely what made it a less resilient system** because it didn't adapt to changes in the marketplace with enough fervor to succeed. The company filed bankruptcy in 2012, 124 years after its founding in 1888.

The lesson from Kodak and hundreds of other examples like it, and many we'll explore in a moment, **is that a system becomes less resilient as its resources become more interconnected and therefore *less free to move*.**

Kodak *couldn't justify* cannibalizing its core business because all of its resources—its money, its knowledge, its brand, its intellectual property—were tightly bound together around a large, unwieldy, monopolistic identity; that is, its structure and function could not adapt (i.e., was not agile enough), to withstand its environmental changes.

This may be a primary explanatory story of the United States and the world state it has sponsored since 1945, and why system disruptors like Donald Trump and Bernie Sanders were both so appealing. It's also why, in a rejection of the Clintonesque-globalist agenda, they both came as such a surprise: irresilience builds slowly and, as in the Kodak example, often hides behind putative success. The U.S. won the cold war, is the technological leader of the world, has the world's most powerful and abundant capital market, is one of the world's wealthiest countries, and has undisputed military hegemony.

And yet, on the ground the reality looks different. Citizens are upset about wage-stagnant jobs, rising healthcare costs, poor educational outcomes, unaffordable housing, rising social fragmentation, an uncertain future and a lot of other things we'll look at. My contention is that these are symptoms of a declining hegemon that has become irresilient. Although voters might not describe it in these technical terms, what they're indicating through their social, economic and political dissatisfaction is an insistence on breaking up the monopoly of resources and the stagnation it yields. Sanders made this more explicit than did Trump, but they both tapped into a similar instinct amongst the populace that the prevailing order was stacked against them. Unwittingly, voters are trying to force us back to a state of higher resilience.

Let's turn and look at resilience through the four quadrants of integral metatheory.

## **INTEGRAL RESILIENCE**

As you might recall, the four quadrants of integral metatheory map the four dimensions of any occasion in space-time, allowing us to quickly see and understand a bigger view of what is happening in that moment: separated by an individual-collective axis and an interior-exterior axis, we can see that the upper-left quadrant is the domain of your private subjective experience; the upper-right quadrant is the domain of your observable objective body, behavior etc.; the lower-left quadrant is the domain of our interior collective meaning-making (in a word, culture); and the lower-right quadrant is the domain of our exterior collective social systems. (Technically: the subjective, objective, inter-subjective and inter-objective perspectives/dimensions of a sentient creature).

Let’s return to resilience and look at actual high-resilience and low-resilience life conditions across all four quadrants. Though it’s not meant to be an exhaustive list, in each quadrant I mapped the spectrum of conditions based on what science has shown to yield the most resilience:



You’ll note that the resilience-generating condition is consistent with the quadrant itself: in the upper-right quadrant are behaviors and individual life conditions, in the upper-left quadrant are mindsets and emotional-regulative practices, and so on. You’ll also note that what I’ve listed occurs at many different scales, ranging from *my mindset* to *my health* to *my job* to *our community* to *our country* to *our economy* and beyond.

(I can tell you, too, from my work supporting human development across dozens of topics for thousands of people in organizations all over the world, that resilience is a very hot topic generally; I recall a few years back one of the world’s largest human capital management firms wanting help to build global leadership resilience because all of their large employer clients were asking them for it. The rise of employers screaming for support to help their employees become more resilient—these are otherwise “successful” people who are gainfully employed—indicates the degree to which the broader breakdown in resilience has occurred across all four quadrants and at different levels: familial, community, corporate, national and world state.)

I won’t get into the science behind the items on the list because it will take us too far off-topic. But I do want to point out some characteristics that, *in general*, higher-resilience conditions share:

- They afford **more freedom**: they increase the ability of the system to respond with more choices, not less; with more agility, not less
- They're **less resource-hoarding**: as we saw with Kodak, as resources become hoarded in monopoly, it reduces resilience; higher resilience systems spread resources out amongst entities
- They promote **diversity**: diversity gives the system options, promotes competition and drives experimentation
- They promote **clear feedbacks**: the system and its entities are given information about environmental changes rapidly and cleanly so it/they can sense and adapt quickly

In his book *Designing Regenerative Cultures*, ecological theorist Daniel Wahl outlines “seven principles of resilience for complex systems” that I’ve adapted (with slight modifications) here:

1. Promote resource diversity and choices
2. Build redundancy to avoid single critical failure points
3. Tighten feedback loops to increase awareness amongst stakeholders
4. Build social capital and strong networks of trust
5. Encourage learning and small-scale experimentation
6. Blend common property and private property rights
7. Value and price all system functions so clear feedbacks are available to all

**In summary, higher resilience systems promote clear and timely feedbacks, experimentation amongst competitive-cooperative entities, and diversity amongst resources, all so the system can maneuver freely in the face of change.**

This is as true in your marriage as it is in your career, as valid in your family as it is in your nation, as important in the design of the Eurozone as it is in NATO.

As we turn now to the data suggesting our national irresilience, here are a few semi-random questions to stimulate your thinking:

- Has political correctness increased the feeling of cultural freedom of thought and expression?
- Has the overwhelming amount of corporate money in politics enhanced the diversity of public policy in the US and around the world?

- Has social media enhanced echo chambers and increased “social monocultures”?
- Has the dominance of the United States Dollar as the world’s reserve currency enhanced financial flows, trade flexibility and capital allocation around the world?
- Have our immigration policies enforced strong repercussions for cheating?
- Have U.S. farm policies decreased the diversity of our diet?
- Have government subsidies of healthcare changed price feedbacks so people no longer have clear signals for the true cost of their demands?
- Is it easier or harder to start a business from a government regulation perspective?
- Have we become less geographically mobile as a society, less willing/able to move to respond to changing job opportunities?

We’ll briefly consider these and other questions as we turn to data that supports the notion we’re far less resilient today than we’ve been in past generations.

# ARE WE CURRENTLY RESILIENT?

In the first part of this section I'm going to let the data speak largely for itself. At the end we'll see if we can make sense of it. As you go through the data just bear in mind the following questions:

Is this evidence of a complex system that is more or less resilient?

Does it have more diversity of resources, spread across more system participants, enabling more freedom and options, with clear feedback to the participants (or less of all those)?

Is it indicative of higher or lower social and cultural connection and trust?

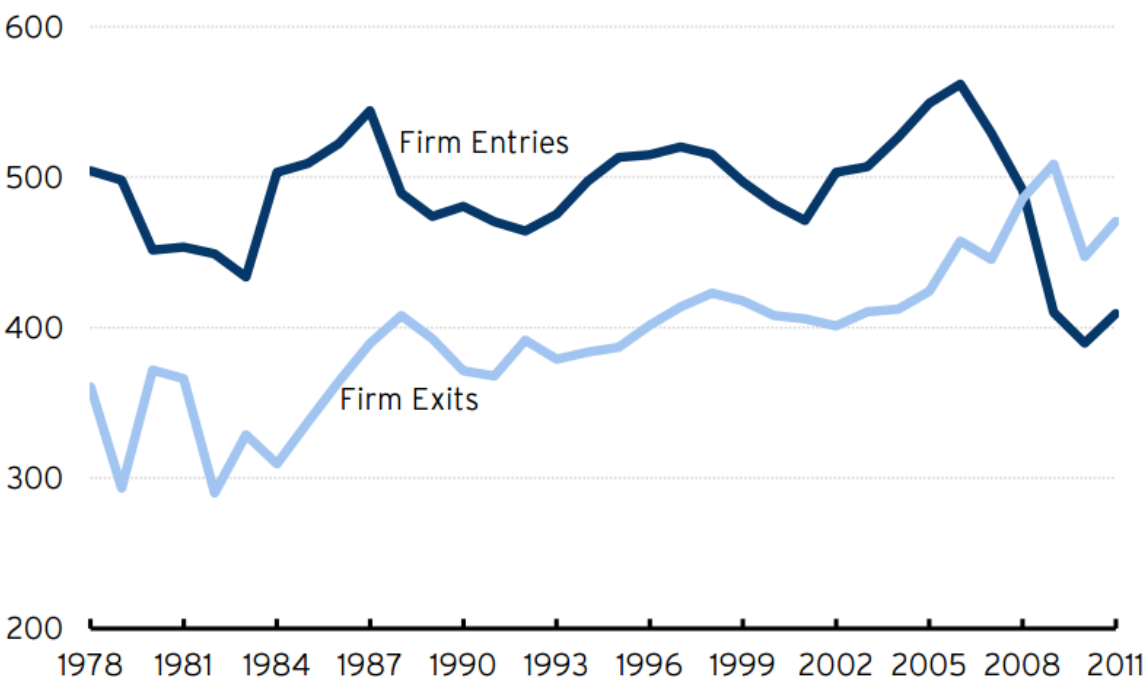
Is the system more or less responsive and agile to external shocks?

And so on...

Also, as you proceed just notice how much of the data indicates shifts since the late 1960s/early 1970s; this will figure prominently in our discussion in Part II as we consider the rising stagnation that possibly signals the end of American hegemony.

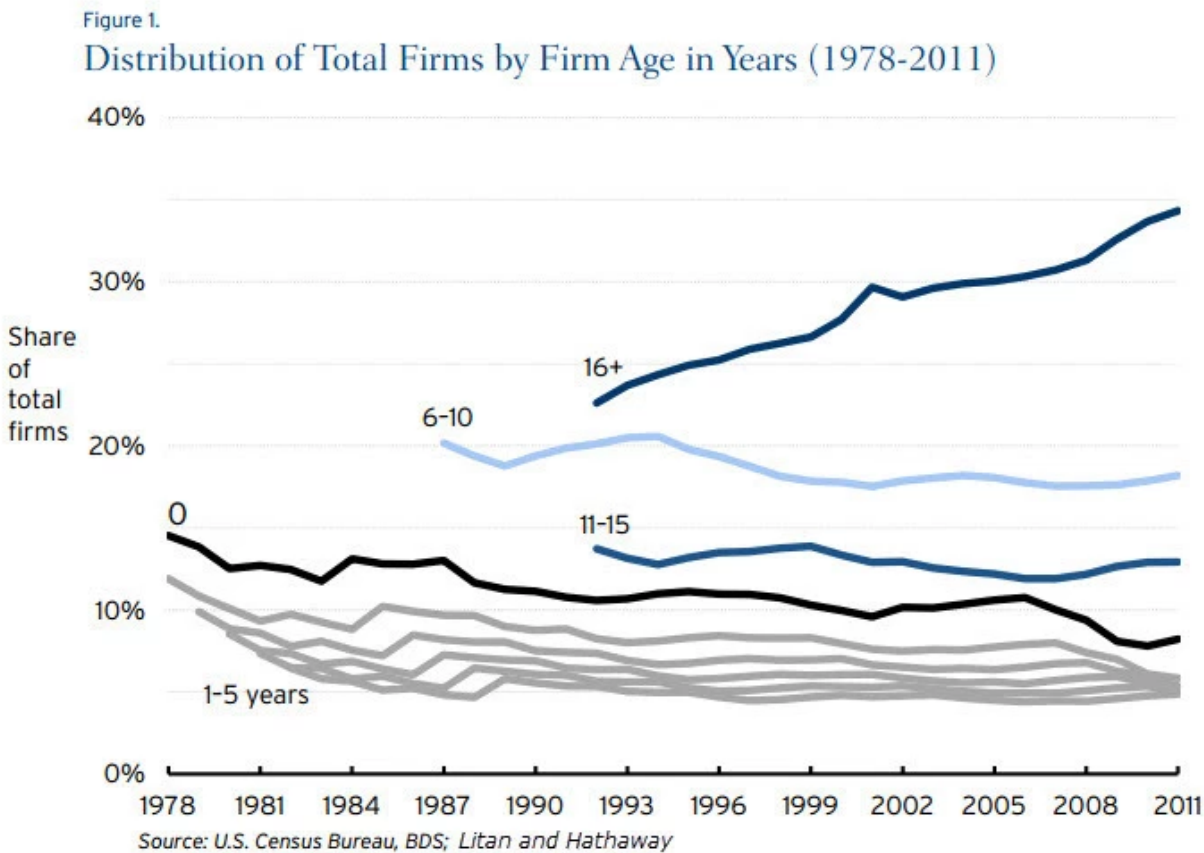
## BUSINESS DEATHS NOW OUTPACE NEW BUSINESS CREATION

Figure A1: Firm Entries and Firm Exits in Thousands (1978–2011)



Source: U.S. Census Bureau, BDS

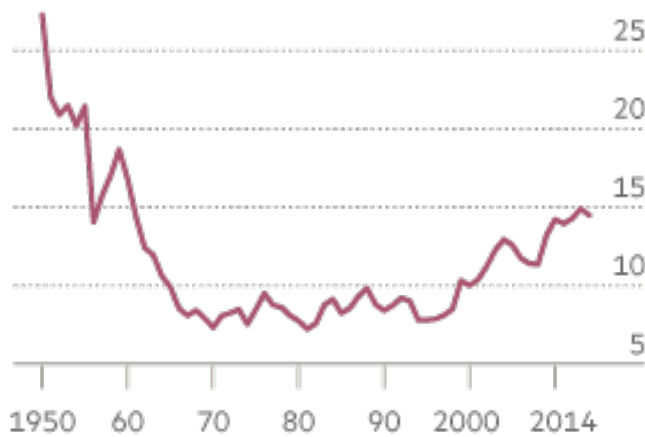
OLDER, SLOWER-GROWING COMPANIES OUTPACING YOUNG COMPANIES  
AS SHARE OF TOTAL FIRMS



COMPANIES ARE ACCUMULATING CASH SINCE THE 1970S, AFTER  
INVESTING AGGRESSIVELY AFTER WORLD WAR II

Follow the cash

Corporate cash (as % of total assets)

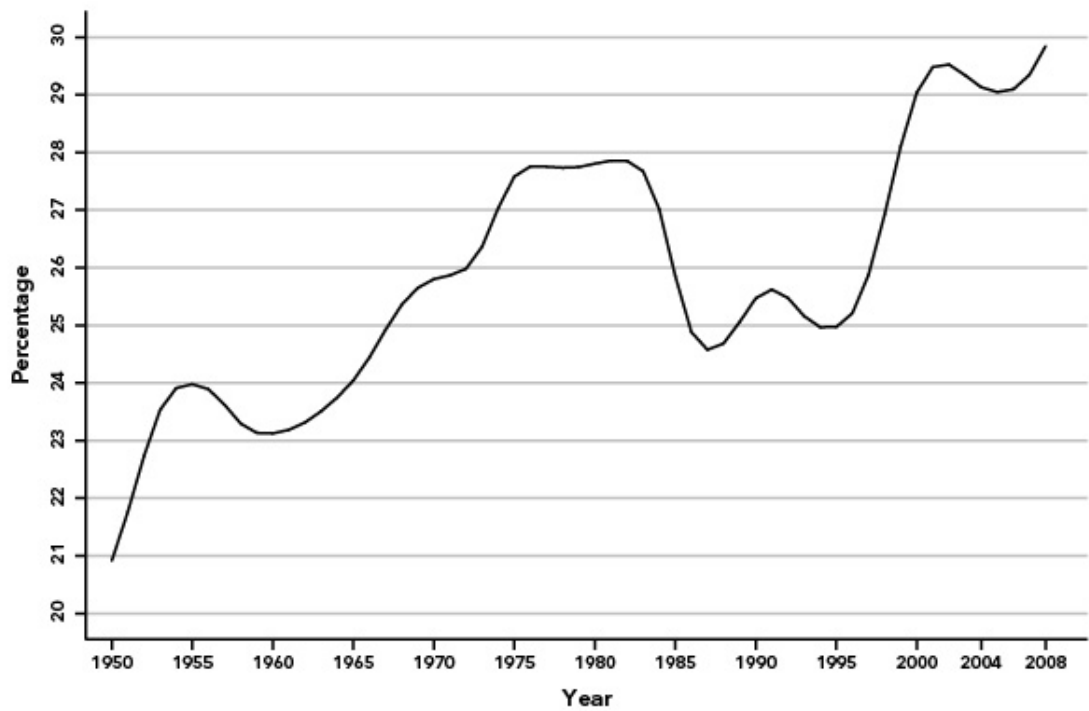


Source: Credit Suisse HOLT group

FT



LARGE BUSINESS MONOPOLY HAS INCREASED: REVENUE CAPTURED BY TOP 200 FIRMS AS % OF ALL REVENUE IN U.S. ECONOMY



QUANTITY OF FEDERAL REGULATIONS HAS GROWN UNABATED SINCE FORMATION OF POST-WAR WORLD STATE

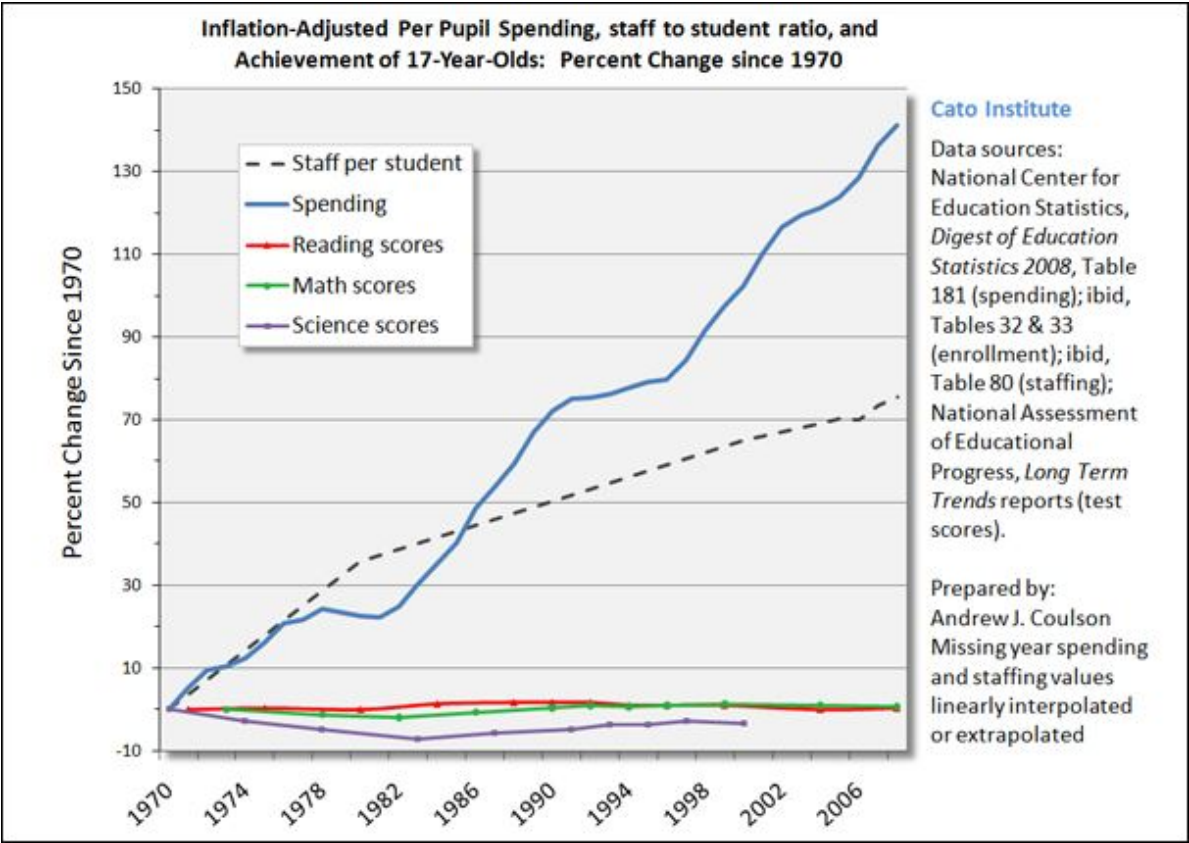
Number of Pages of Regulations Added to the Federal Register Each Year, 1936-2011



Source: Ten Thousand Commandments

© Political Calculations 2012

EDUCATION IS STAGNANT (WHILE REAL SPENDING HAS GONE UP)

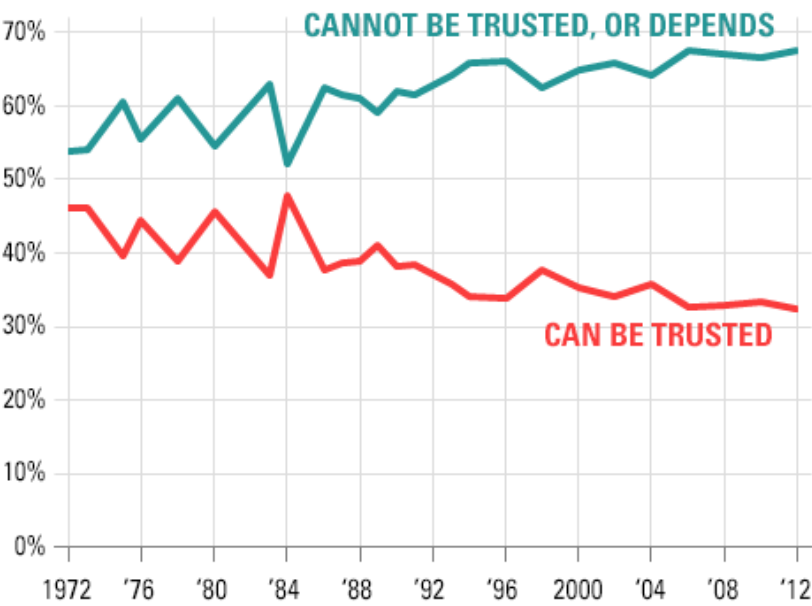


WORLD STATE GOVERNMENTS HAVE HIGHEST LEVEL OF TOTAL GLOBAL DEBT SINCE WWII



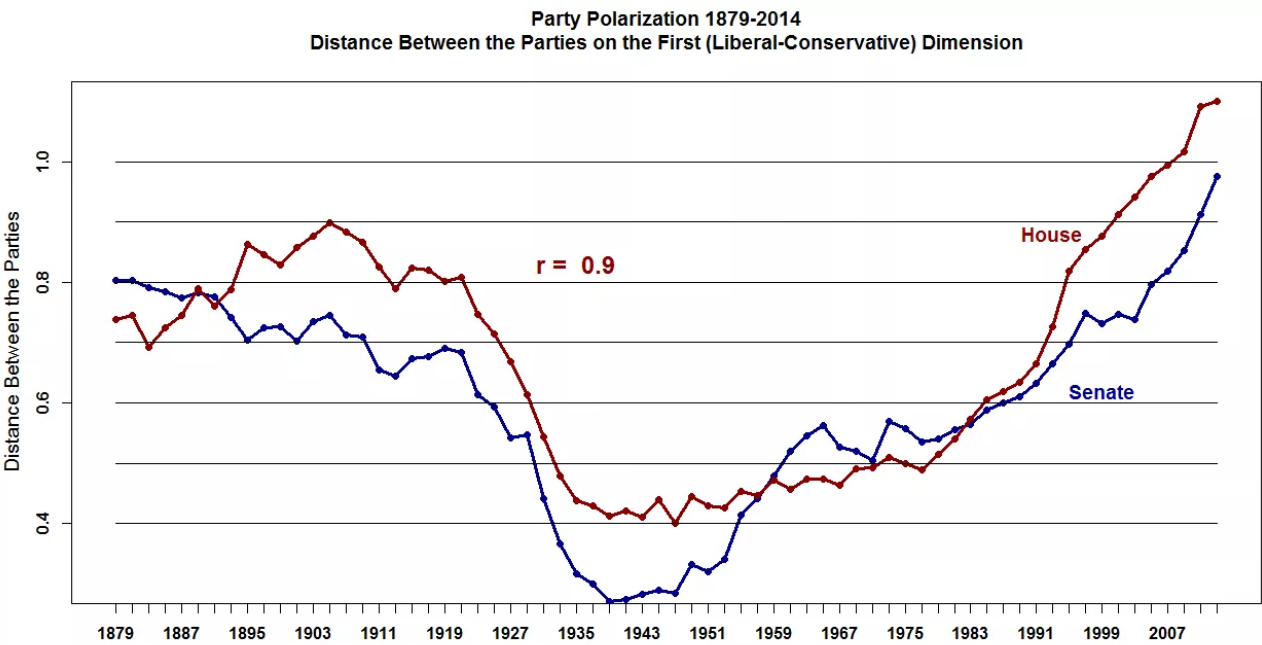
A SIGNIFICANT, MULTI-DECADE DEGRADATION IN SOCIAL TRUST

Americans Who Said Whether or Not  
"Most People Can Be Trusted," 1972–2012



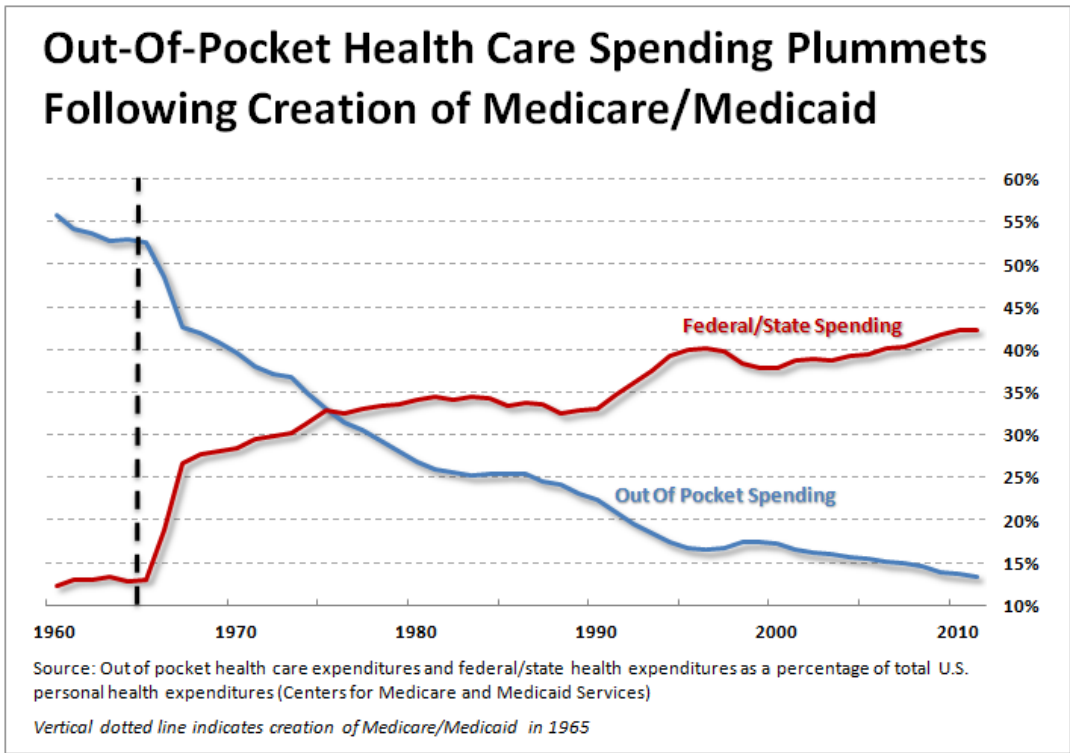
Source: General Social Survey, 1972–2012

POLITICAL POLARIZATION IS AT HISTORICAL HIGHS



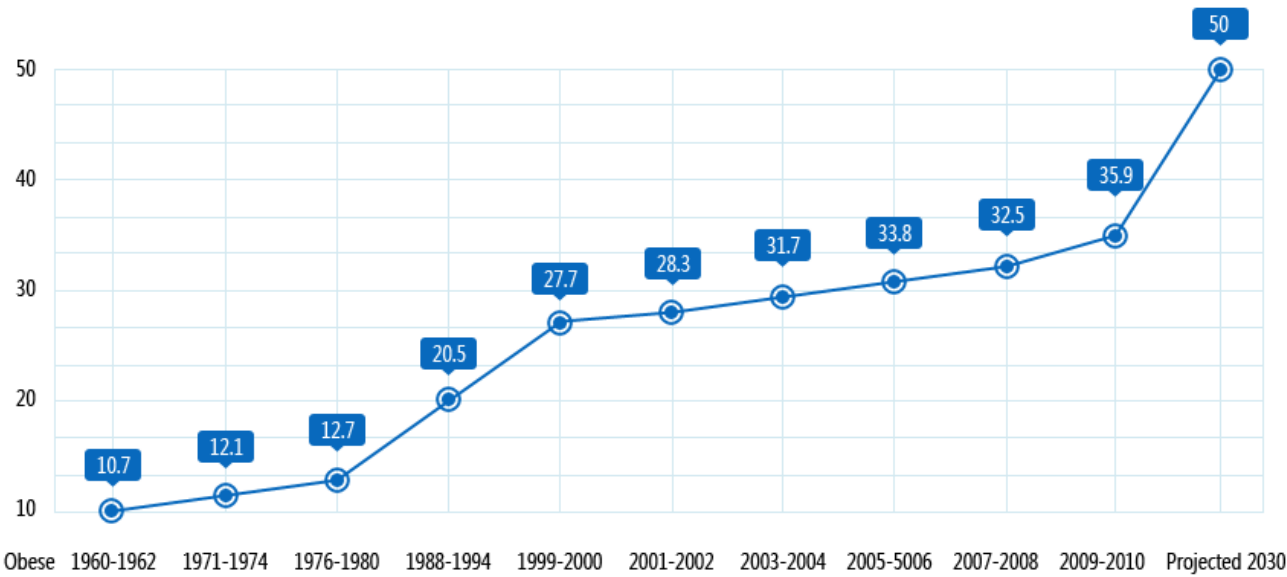
Polarized America / voteview.com

HEALTHCARE SYSTEM FEEDBACKS (PRICES TO END USERS) HAVE BEEN  
GRADUALLY DESTROYED SINCE 1960



OBESITY HAS SKYROCKETED

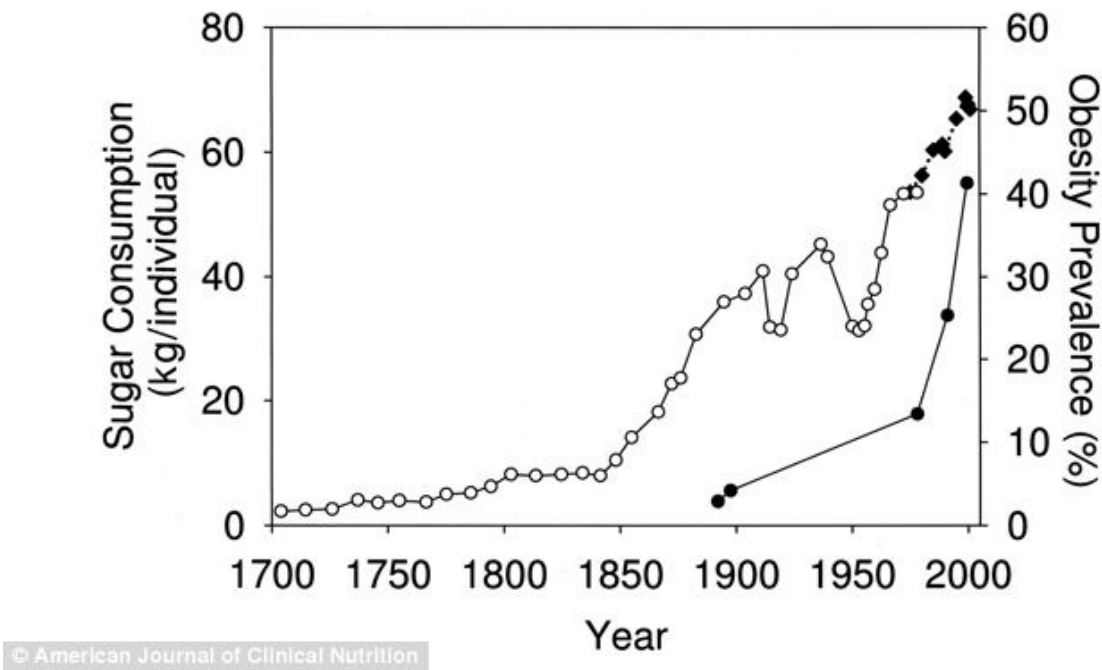
Prevalence of Obesity Among U.S. Adults Aged 20-74



Derived from NHANES data ([http://www.cdc.gov/nchs/data/hestat/obesity\\_adult\\_09\\_10/obesity\\_adult\\_09\\_10.html#table1](http://www.cdc.gov/nchs/data/hestat/obesity_adult_09_10/obesity_adult_09_10.html#table1))

DIET COMPOSITION HAS DRIVEN OBESITY

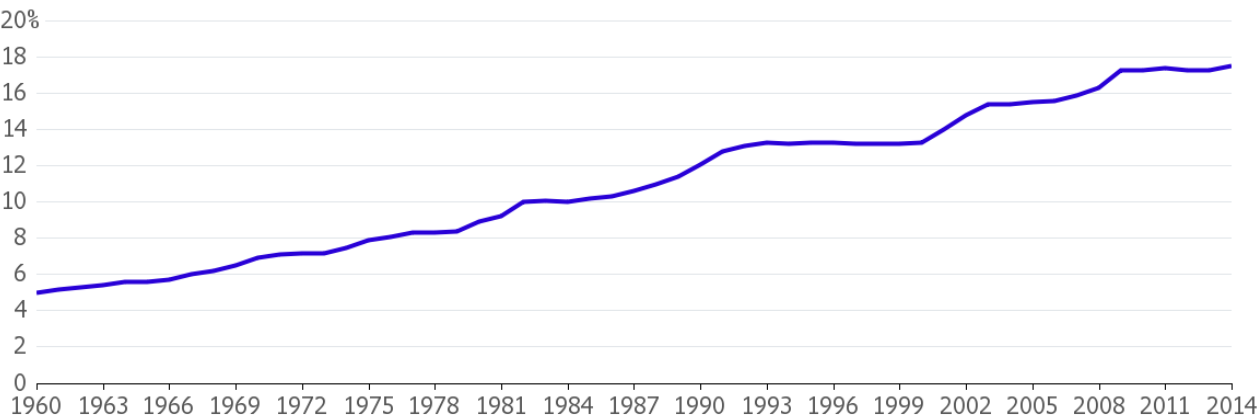
1. Total Sugar Intake Has Skyrocketed in The Past 160 Years



REAL HEALTHCARE SPENDING HAS SKYROCKETED DURING THAT SAME PERIOD (I.E., MORE OF EVERYONE’S PRODUCTIVE LIVES GO TO FUNDING HEALTHCARE)

Health Care Grows as a Share of GDP

For decades, health care has been taking up an increasing piece of the U.S. economy, and totaled a record 17.5 percent of GDP in 2014, up from 17.3 percent the year before.



Source: Office of the Actuary, Centers for Medicare and Medicaid Services

Bloomberg

I'll stop with those, but we could keep going. The data I've presented naturally have a bit of a socioeconomic bias because the social sciences have been on the front line of collecting this kind of data the past century. (That is gradually changing with attention now being paid to concepts like national happiness, resilience, mindfulness and the like.)

In any case, in each set of data above you can see some version of the system in question becoming *less resilient*:

- the lack of small business formations decreasing diversity of the competitive environment;
- the increase in overall monopoly power of a few entrenched competitors in the business environment;
- the hoarding of cash by large companies rather than reinvesting in dynamic new innovation;
- the explosion of Federal regulations that (in some cases) yields less dynamism and freedom of innovation;
- the seeming-intractability of educational improvement despite increased spending;
- the skyrocketing health costs as the system stopped providing feedbacks in the form of prices to end-users;
- the explosion of total global debt, which dramatically restricts agility on an individual, national and international basis;
- the degradation of social trust in our culture and the concomitant (and perhaps related) explosion of historically-high partisanship;
- the exploding obesity rates (and poor health outcomes) as sugar consumption has crowded out nutritional diversity (and declining healthcare price feedbacks undermine healthy lifestyle choices)

One thing I'll note here and come back to again is that this isn't a political exercise. **Complex adaptive systems don't care how you vote or what your political values are: they care about staying in equilibrium as they fulfill their purpose, until they can't any longer, and then they force adjustments on everyone and everything in that system.** (There is a cheat sheet at the end of this essay that suggests some questions we can ask of any policy or situation to think it through from a whole-systems perspective.)

The question is simply whether a given system is resilient enough to retain its existing identity—its current purpose, function and feedbacks—as the world

changes, or whether it will be forced to transform into something altogether new and different (or find a different state of equilibrium within its current identity).

There's a reason the British Empire is not the dominant hegemon of the 21st century: at some point its identity—as an empire and the prevailing hegemon of the 19th century—was no longer resilient enough to respond to the mass of global conditions facing it. (The same is true of the Soviet Union, the United Dutch Provinces, the Genoese bankers, all of which we'll look at in Part II.)



# HIERARCHY, CENTRALIZATION AND AUTONOMY

Another essential concept in understanding systems is hierarchy, which refers to the fact that systems, over time, tend to self-organize into higher levels of complexity, integration and functioning. Molecules eventually merge to create more complex cells; adults merge to create more complex families; city-states merge to become nation-states; sounds merge to create languages, and so on. We find that the universe is full of systems within systems within systems (or contexts within contexts within contexts, or holons within holons within holons...these all refer to the same phenomena, the emergence of greater, higher-level “whole” systems of complexity and consciousness from lower-level whole systems, which then become parts of the larger emergent whole).

Sub-systems, or to put it in integral language, lower-level holons, form into higher-level wholes for a reason: higher-level holons help the lower-level holons *serve their purpose* better, and decrease the amount of information that each sub-holon has to keep track of in order to serve the health of the whole. (For our purposes “holons” and “systems” can be used interchangeably, and I’ll switch back and forth depending on what best serves the context.)

To make this less abstract, simply consider the difference in complexity in managing your family budget (its inflows, outflows, debt, assets etc.) versus managing the federal budget. You know the federal budget has a powerful and at least indirect impact on your family budget because your family budget is a part of the national economic picture (alongside millions of other families and their budgets). The *purpose* of your family budget is confined to your family’s financial health; it is not to ensure the financial health of millions of other families. But it would be impossible to keep track of your budget *and* the federal budget in order to simply balance your personal checkbook. In other words, there’s no way your family budget could fulfill its *purpose* if it had to account for all the information at every level of the systemic hierarchy it was a part of.

There are two critical implications here. First, the sub-system can better serve its purpose when the higher-level system is *managing higher-order information flows* and providing a broader backdrop, or context, that allow each sub-system to flourish. The relationship goes both ways, however: it’s important that a sub-system’s *purpose not become dominating to the higher-level system’s purpose*, which is what we see when we look at the modern business system:

- The purpose of business (as a subholon to the national holon) is to create prosperity for citizens within the nation, *not* to create ever-larger monopolies that crowd out innovation and decrease prosperity for the nation as a whole
- The purpose of business is to invest a society’s shared resources in order to create societal prosperity, not to hoard cash at the expense of the nation’s

long-run competitiveness or level of innovation, or only stow/invest that surplus capital in overseas operations that provide little benefit to the national holon

- The purpose of business might be to maximize profits, as such, but this becomes a cancerous purpose if lobbying and other forms of “regulatory capture” come to colonize and deform the national government’s purpose into maximization of business profits as its sole aim: the lower-level holon’s purpose has dominated the higher-level holon’s purpose, and the inevitable result, if not corrected, is that the higher-level holon (the nation) will either dis-integrate (e.g., in revolution) or attempt to kill off all other sub-holons that don’t share that purpose. (This is what has happened in the neoliberal corporatization of many domains of social life, from education to the arts, since the late 1970s.)

Systems expert Donella Meadows call this situation suboptimization:

When a subsystem’s goals dominate at the expense of the total system’s goals, the resulting behavior is called suboptimization... To be a highly functional system, hierarchy must balance the welfare, freedoms, and responsibilities of the subsystems and total system—there must be enough central control to achieve coordination toward the large-system goal, and enough autonomy to keep all subsystems flourishing, functioning, and self-organizing. (Meadows, 2008, p. 85)

As Meadows points out above, hierarchy doesn’t just get distorted when a subholon’s purpose becomes dominating to its higher-level holon. Healthy-functioning hierarchy is also distorted when the higher-level holon *restricts the freedom* or *obfuscates the responsibilities* of sub-holons within it: this is the national government that has become over-centralized; that is too restrictive of freedom; that creates imbalances in the rule of law; that has over-restricted the regulatory environment; that protects banks from the failure that would have otherwise resulted had they taken full responsibility for their behavior; or allows itself, its purpose or its structure to be hijacked by any one subsystem. Notice that these distortions are the same forces that decrease overall system resilience: restricting the flow and agility of resources; eliminating system feedbacks; reducing diversity of innovation; encouraging resource hoarding, etc.

In a point we’ll come back to but I’ll start here: it’s absolutely essential to appreciate that, historically, pre-existing natural and social “hierarchies” have always been subject to reshuffling (especially during times of war), and yet it is precisely since the 1970s that confusions around hierarchy have reigned in both the cultural and social spheres and been the soil in which our current moment has grown. This is remarkable not only because it has been a fundamentally peaceful time for the world state, but also because the cultural confusion around hierarchy co-arose with the *financialization* of society since the 1970s, a dynamic

that could be stated in other words as a literal perversion of hierarchy: the *multinational capital holon* transcended the *national holon* from which it grew, and in a switch between master and servant, whole and part, it put its former higher-order holon into service on its behalf. That this flip occurred co-incident with postmodernity is no accident, as the Green stage of consciousness was doing everything it could to deconstruct and dismantle any philosophical or moral critique that could have held the line against dismantling the healthy, actualization hierarchy (i.e., holarchy) of the *world state* and its life world up to that point. As Wilber points out in comparing the attainment of Green consciousness against the prevailing Orange stage of consciousness (from which the post-war *world state* itself emanated):

Green's accomplishment was, by introducing a 4th-person perspective that could reflect on—and hence criticize—the 3rd-person systems of orange, it began to differentiate those orange monolithic, static, non-permeable systems, producing, not a single given world system, but a rich multicultural display of an almost limitless variety of differentiated systems. That was the “true” part. The “partial” part was that, while it could differentiate these systems, it could not yet integrate them (and their newly created parts). It saw nothing but a riot of cultural differentiation, and since no holarchy or truly increasing inclusivity or integration could be seen, it simply imagined that all of them were absolutely equal—hence, its “egalitarianism,” which really represented its incapacity to find the deeper (or higher) patterns that connect, the integrating holarchies that tied together the various world systems and indeed allowed and facilitated their interactions in the first place. (Wilber, 2017, p. 53)

The philosophical and normative backdrop of postmodernism in the 1960s, alongside the systemic stagnation of the *world state*, and the social and labor protests of the late 1960s, all became the fuel and co-arising conditions from which neoliberalism was able to mount the ultimate assault on social hierarchy itself.

Coming back to the present, what's interesting to note here, and we'll come back to in Part III, is that plausible policy changes that could restore resilience come from both sides of the political aisle: a balanced budget amendment that forces government to not incur ever-expanding debts; a more aggressive insistence that market failures yield the capital destruction they entail; full-pricing of social and environmental costs inside of market prices; greater choice and freedom of movement in education and healthcare. In these and many other examples, we can see **how both sides of the political spectrum end up in self-contradictory positions, encouraging resilience, diversity and agility when it suits their entrenched interests and squashing it when it doesn't.**

In any case, let's review again the trends in the national data we reviewed in the last section, and see if we can spot any of these dynamics. I've added simple

high-level hypotheses that might account for each trend (and though I refer to holons below for simplicity, technically they're social holons):

- **Trend: The lack of small business formations decreasing diversity of the competitive environment**
  - ▶ Hypothesis 1: The national holon over-regulated (over-centralized) the business subholon, decreasing its freedom to innovate and fail
  - ▶ Hypothesis 2: the entrepreneurial subholon has been shrinking/crowded out due to increasing monopolization by the larger business holon of which it is a part (driven in part by the next trend: powerful entities in the business holon pushing the government to erect barriers that increase their monopoly power)
- **Trend: The increase in overall monopoly power of a few entrenched competitors in the business environment**
  - ▶ Hypothesis 1: the business subholon hijacked the political-regulatory function of the national holon that would have otherwise mitigated monopolization
  - ▶ Hypothesis 2: the internet has increased the likelihood for predominance of winner-take-all businesses that are converting whole industries into sole-source information-platform monopolies (e.g., Uber)
- **Trend: The hoarding of cash by large companies rather than reinvesting in dynamic new innovation**
  - ▶ Hypothesis 1: the lack of resilience in the national subholon and its higher-level world state holon has increased global uncertainty and the likelihood of destabilizing black swans, and the business sub-subholon has hoarded cash to increase its own resilience to offset this downward-propagating risk
  - ▶ Hypothesis 2: due to regulatory capture of government, increasing monopolization, and the power of stock buybacks to drive stock prices, corporate managers can be richly rewarded without as much investment in the real economy, all while maintaining huge cash reserves to preserve their own agility
- **Trend: The explosion of Federal regulations that (in some cases) yields less dynamism and freedom of innovation**
  - ▶ Hypothesis: the *purpose* of the progressive-cultural sub-holon, which includes regulating against market failures, social marginalization and perceived cultural oppression, has come to dominate some of the national holon's purpose since the 1960s; see Wilber's *Trump and a Post-Truth World* for more

- **Trend: The seeming-intractability of educational improvement despite increased spending**
  - ▶ Hypothesis: the falling resilience in the family holon has undermined the culture, standards and parental engagement needed for student success within the educational holon
- **Trend: The skyrocketing health costs as the system stopped providing feedbacks in the form of prices to end-users**
  - ▶ Hypothesis 1: the national holon eliminated critical price feedbacks that otherwise kept the healthcare subholon in supply and demand equilibrium
  - ▶ Hypothesis 2: the federal government over-centralized healthcare (through Medicaid and Medicare), decreasing autonomy and innovation within the healthcare sub-holon and the state sub-holons

(The list above represent some of the system correlates to Wilber's point that, since the 1960s, hierarchy has gotten itself backwards due to postmodernism. The perspective fragmentation that has been brought on by the two-fold movement of postmodernity as an intellectual backdrop to our cultural norms, and social media technology itself, suggests that a unified, relatively coherent set of meta-narratives is behind us, and perhaps for good. Many of the previously-dominant meta-narratives have been undermined: religion, civics, arts. What we've been left with is only two remaining meta-narratives: 1) that *there is no truth*, the postmodern cultural narrative since the 1960s, and 2) that *the market is the only just arbitrator of social life*, the neoliberal social narrative since the 1970s. Again, that these co-arose is understandable, each a dominant force in its own quadrant (LL and LR, respectively): just as the first renounced all traditional guides for moral sensemaking, the second announced the amoral sensemaking of the market as a virtuous and adequate replacement. As we continue to stumble our way through the cultural and normative fragmentation we're now left with, more integrative social systems will become even more important as an intermediate counterbalance: this is why Conscious Capitalism is arising now and not in the 1960s. And yet, as I say in *The Great Divide*, it is the modern globalists (on the left and right) I largely hold to account for policies that prevented a modernist cosmopolitanism to proliferate equitably. The legitimation crisis Wilber writes about is all-too real: Green lower-left quadrant cultural beliefs *don't match* Green lower-right quadrant techno-economic outcomes. This is so because the neoliberalism that has now come to dominate as the functional *and* moral arbiter of all social life was never intrinsically moral, nor particularly concerned with equitable outcomes to begin with.)

The goal in briefly creating the list above is not to get lost in the vagaries of whole/part dynamics but to understand what disasters result from dysfunctional

hierarchies. Healthy-functioning hierarchies are absolutely critical to well-functioning lives, societies and governments. It's an immutable law of the universe that higher-order systems need to be able to organize and regulate lower-order systems. They exist to optimize information and provide a global context/broader purpose for the lower-order system to serve. To do this properly, they have to take care not to over-regulate or over-optimize to the point of killing resilience, innovation or freedom for the lower-level system. In other words, both the whole and its parts have their own purposes, and yet the part serves the purpose of the whole at the same time that the whole cannot allow itself to destroy the part's own individual purpose. Likewise, a lower-order system's purpose and power cannot be allowed to become dominant to the higher-order system without the higher-order system becoming oppressive to every other sub-system contained within it.

Of course, that's precisely the hidden debate the western world is having, and is the battleground on which populism and nationalism are fighting against globalism: Notice that when I wrote above that "the purpose of business (as a subholon to the national holon) is to create prosperity for citizens within the nation, *not* to create ever-larger monopolies that crowd out innovation and prosperity for the nation as a whole," that this is not at all an incontrovertible fact as we know it. The truth is that, as it stands today, a large part of business—let's call it the *multinational capital holon*—has indeed already largely transcended the national holons (of the U.S., U.K., France, etc.). It is precisely this evolution of capital beyond national borders that is at the core of resurgent populism and drives the central thesis of this essay. We are in a global battle over whether, let's call it the *world state holon* (in place since 1945), can reform in order to adequately regulate the multinational capital holon that has dominated it since the 1970s. Enough voters inside the national holons are insisting on bringing capital to heel that something has to give: they want the purpose of the *multinational capital holon* to be forced back into alignment and service to the purpose of national holons, and if not, they will force a disintegration in the world state holon itself and back to a more restrictive fully-nationalist holon that can do so.

What we have now is not sustainable; the system is too irresilient and it will eventually attain satisfaction one way or another. When we look at all the trends above as a whole, we seem to be approaching a breaking point. If all we saw was a nation that was eating too much sugar and in the midst of an obesity epidemic, but otherwise still had high social trust, high bipartisan cooperation and robust financial resources, we can imagine that our national resilience would be quite high to tackle that one problem.

We can imagine that if our health was good, that our educational levels were high and that everyone had the good job they wanted, that we could weather quite easily the occasional partisan flareup.

Instead what we seem to be experiencing right now is *systemic deterioration* at the level of the national holon because of the increasing failures and distortions amongst its constituent parts. It's happening because of the *widespread irresilience* in so many domains at the same time: the war for good jobs; combined with the poor educational outcomes; combined with the failure of price signals (across not just healthcare, but housing, higher education, and carbon and environmental concerns too); combined with the rise of partisanship and the degradation of social trust; combined with the explosion of debt; combined with the rise of stagnant and giant monopolies that are hoarding cash; combined with the massive wealth disparity that sees 400 families control more than 50% of all global wealth (i.e., basically, the sum total of all past human effort); and so on...

Perhaps it's obvious already, but the nations going through this breakdown are the sponsors of the world state as we know it, especially the United States and western Europe. Because these nations are sub-holons to the broader *world state* holon (composed of confederations like the United Nations, NATO, World Bank, etc.), their deterioration conveys directly to the higher-level holon of which they are parts; their breakdowns must threaten the world state.

In the hierarchy of any system, the connections within a subsystem are stronger than connections between the different levels of the system: the connections within the United States as a nation are stronger than the connections between the United States and the United Nations (the next level up). But the inverse is also true: the connections within the United States are not as strong as the connections between the United States as a nation and the various constituencies and groups (the next level down) that are parts of the United States. In other words, the various "tribes" that collectively form the diverse social lifeform that is the United States will almost always have stronger connections within their tribes than that which exists between their tribes and either a) other tribes or b) the United States (the higher-level social life form itself). Though this is an intuitive point, system and group dynamics help to explain why it's easy for a diverse national body to become socially agitated if certain stabilizing conditions change, all of which we've seen in the past 20 years:

1. **Wealth Disparity:** Resources are distributed in ways that are perceived to be inequitable, exacerbating internecine conflicts over societal needs (e.g., rising wealth disparity alongside rising healthcare and higher education costs)
2. **Values Fragmentation:** Common values degrade, perceived to no longer be shared between the nation and a given tribe, or amongst tribes (e.g., common values between Republicans and Democrats at generational lows)



3. Accelerated Feedbacks: Feedbacks change that increase the friction of differing views and exacerbate the perception of social unrest (e.g., social media echo chambers, smartphone-based news alerts, [change.org](https://change.org) petitions etc.)
4. Discourse Fragmentation: Common modes of discourse shatter, as seen in the coastal discourse of the “elite” globalists versus the “flyover country” discourse of the tribalists (e.g., it’s technically the same language—symbols and sounds—but different tribes use the language to transact different values, worldviews, perceptions and norms)

My goal is not to paint an ugly picture of doom but rather to show you that all of the above, much of which you might already have known to be true, when taken in total and looked at as a complex adaptive system, is overwhelming evidence that we are approaching a definable moment in a complex systems lifecycle known as a *release*.

All systems approach a release after a long run of stability. As Brian Walker and David Salt describe it, a long-running stability streak in a complex system, like the one we’ve enjoyed since 1945, eventually breaks:

The longer the conservation [stable] phase persists the smaller the shock needed to end it. A disturbance that exceeds the system’s resilience breaks apart its web of reinforcing interactions. The system comes undone. Resources that were tightly bound are now released as connections break and regulatory controls weaken. The loss of structure continues as linkages are broken, and natural, social, and economic capital leaks out of the system. (Walker and Salt, 2006, p. 77)

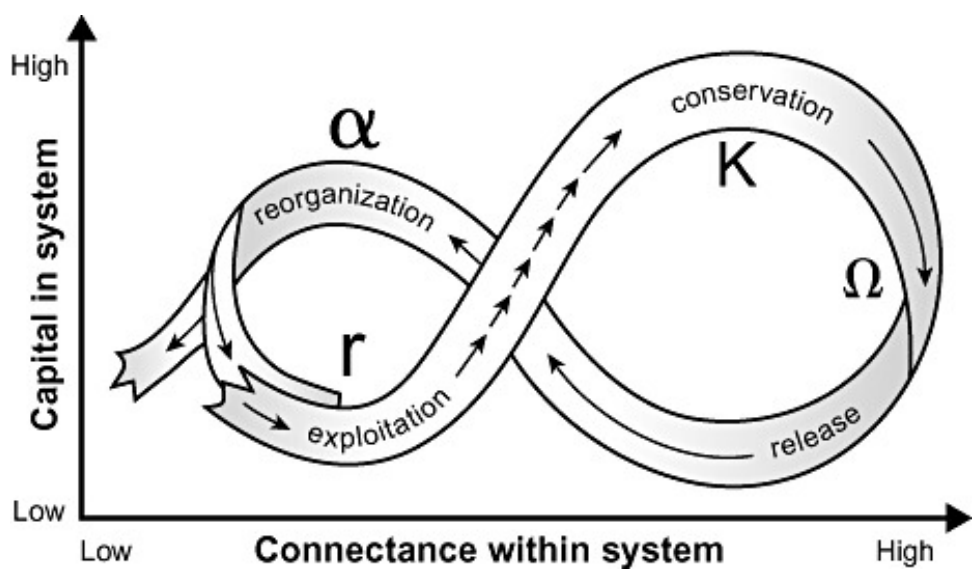
The good news, in some respects, is we know what a release does: it shatters connections and frees up innovation. We know how it operates: it destabilizes existing power structures. We know what it seeks: to return to higher resilience and better-functioning hierarchies. And we know some version of what comes next: chaos, innovation, experimentation and reorganization to an emergent, *higher* form of better-adapted organization (assuming there’s not an intermediate breakdown to a regressive, *lower* form of organization). We may not know the exact form or details these things will take as it proceeds, but we do know the underlying mechanics that are at work: break up control of resources; increase freedom and experimentation; and increase system agility.

Let’s turn to that process now and see if we can make sense of this entire picture in more detail. I think you’ll find it pretty fascinating and hopefully quite helpful to understand this historical moment.

# THE ADAPTIVE CYCLE

Systems break down when they become too rigid: winners have too much of the pie and it's causing behavior that works against the system staying stable. The system is not serving enough of its participants. It's become big, bureaucratic and can't adapt. Perhaps system parts are dominating the purpose of the whole. Perhaps the whole is killing the freedom and innovation of its parts. It's at this moment that the system's resilience is lowest and the potential for change is highest. I'll proceed somewhat methodically here because seeing how the western *world state* has operated since its last major release phase—which extended from 1929-1945, but symbolically was World War II—is important to understand how and why leaders like President Trump are catalyzing the breakup of that exact geopolitical order.

Whether we're talking about politics, or health, or the economy, or our religious lives, or the media, or all the other factors that influence and backdrop our daily lives, we know there are a huge number of competing, interacting and cooperating systems that do so (as we walked through above). As a reminder, imagine our world as an ecosystem like a forest glade. In the forest glade, sometimes it will have to adapt to torrential rains, and other times drought; the trees will compete for soil nutrients with other plants, and the fungi may aid some plants in that process and hurt others; perhaps a forest fire comes through and wipes everything out and the microbes and plant roots have to start again. Just like the *world state*, or just like any nation, it's chaotic, cooperative, competitive, messy and constantly seeking equilibrium amongst the various forces vying to get their needs met.



But over time, all complex adaptive systems follow a fairly well-understood cycle that contains four phases:

- 1     **Rapid Growth (Exploitation):** a relatively long-duration exploitation phase in which system innovators colonize areas of opportunity
- 2     **Conservation:** a relatively long-duration harvesting phase in which accumulation of materials and energy occurs, and connections between players builds up
- 3     **Release:** a rapid break-up phase in which resource accumulations and power monopolies of the conservation phase are broken up
- 4     **Reorganization:** a rapid reorganization phase in which new pioneers reorganize resources in preparation for another rapid growth cycle

Let's describe this cycle in plain language and with brief examples (we'll review this again in greater detail in Part II). At the end of the last major geopolitical *release* phase, which was World War II, the allies began to *reorganize* the global order. There were new military alliances (NATO), new sovereign nations (Philippines, 1946), new currency regimes (Bretton-Woods), new technology (atomic weapons), etc. There was, on a global basis, in some ways almost an entire reorganization of the major connections of capital and resources as they existed up to that point. It's not an accident that the US and the USSR really started to emerge as the new global leaders at this point because the *reorganization phase gives rise to the players that will dominate the system in the coming growth cycle*. As world systems analyst Giovanni Arrighi writes:

From this position of strength—already apparent in the closing years of the war—the United States could finally impose on the world an order of its own choice... US hegemony, in contrast, was built from the top down as a conscious act of world-government formation [i.e., the world state] aimed at forestalling the destabilizing effects of the final destruction of the European balance of power on the one side, and of the structurally-competitive relation that linked the US domestic economy to the global on the other. (Arrighi, 1994, p. 86)

This period of reorganization was, by historical terms, extremely fast, taking less than 6 years between 1944 and 1950.

Though the transition between phases of the adaptive cycle is usually not hard and fast, it's fairly clear to see that by the 1950s the reorganization was largely completed and the *Rapid Growth* phase had begun, with the two primary nuclear powers (US and USSR) racing across the planet to colonize resources: exporting their political ideologies to other nations; cutting deals for economic cooperation; engaging in a technological race (for space, for arms etc.) and vying to exploit opportunities wherever they existed.

This was a time of massive opportunity. It was also a time of *high resilience as resources were still relatively well-dispersed in the global system* (which we'll come back to in a moment). It's no accident that the US enjoyed absolutely stunning

overall economic growth from 1946-1964, when the real standard of living went up almost 80% (on a per capita real GDP basis) as it led the rebuilding of the global industrial base from Germany to Japan.

As the wide open geopolitical opportunities of the post-war period gradually were exploited, *stability* began to take root as more valuable than the *agility* needed to take advantage of a field of opportunities. By the 1970s this gradual rigidification of the *world state* evidenced a transition from the rapid growth phase into the *Conservation* phase.

The conservation phase is marked by the emergence of stable hegemonies, powerful entities that have come to dominate whatever niche they operate in: we saw how Kodak was the hegemon in photography in 1975. By the 1970s the US and USSR were clearly the global hegemonies, and there was even a special name for the stagnant, humongous-elephants-staring-at-each-other-like standoff: the Cold War.

To understand the conservation phase, let its terminology sink into your mind: it's a time when the hegemonies are hoarding (conserving) their resources, increasing the level of bureaucracy, decreasing the rate of innovation and generally becoming monopolies. This is as true for nations as it is for a forest glade, when the most dominant tree species has accumulated a monopoly over the ecosystem's resources; or an industry, like in the 1970s when IBM was the dominant hegemon in computing, simultaneously mocked and envied as "Big Blue" for its huge bureaucracy, huge employee base and huge revenue.

As Brian Walker and David Salt note in *Resilience Thinking*, during the conservation phase "the competitive edge shifts from opportunists [of the rapid growth phase] to specialists [of the conservation phase] who reduce the impact of variability through their own mutually reinforcing relationships." That is, the system is becoming stable, rigid, bureaucratic and rule-bound, which help it to hold on to its hard-won territory of the rapid growth phase.

In other (more crude) words, systems obey the adaptive cycle because "to the victor go the spoils," and victors want to stabilize the means to extract and enjoy their spoils; it's natural then that the U.S.-led *world state* would self-organize to serve its purpose, whether through *connections* (e.g., trade deals between nations), *resources* (e.g., access to the international bond markets), *functions* (e.g., being the guarantor of world security), *structures* (e.g., United Nations security council), *culture* (e.g., Hollywood, music exports) etc.

In any case, as the system moves from the rapid growth phase and through the conservation phase, system resources are becoming more connected (i.e., less free to move), and overall system resilience is *decreasing*. Its overall ability to handle an outside shock without changing its structure or function is going down. This

is so for all the reasons we've seen above. With the rise of hegemons, resources become accumulated in fewer and fewer hands, producing more rigidity and lower overall diversity and rates of innovation. This occurs in large part because of *bounded rationality*, the term brilliant polymath and Nobel Laureate Herbert Simon used to describe how every entity in a system has a narrow purview that thinks and acts only in its own best interest, and not in the interest in the health of the system as a whole. Bounded rationality is one of the main drivers for hierarchy becoming distorted to begin with. The winners inside a hegemon do have, within their own bounded rationality, a reason to try to build monopolies, and promote policies and follow behavior that will indeed result in system stagnation. The fact that this is planting the seeds for tomorrow's disaster at the system level doesn't make them evil, it makes their interests narrow and shortsighted.

We see this everyday in today's political environment, where politicians act today in ways that they explicitly denounced yesterday, and engage in partisanship that they've scorned as being harmful to the system. But we can't just blame politicians: their thinking and behavior simply reflects the failure of voters to think about keeping the whole healthy while they, too, advocate for their favorite parts. Neither voters nor politicians discern the difference between what's healthy and functional for our national parts (family values, healthcare, business, education, religion, etc., for which *some* bounded rationality is justified) versus our national whole (national cohesion, rule of law, Constitutional respect, etc., which demand that we *unbound* the rationality of our narrow interests and think about whole-system health and over the long-term).

I'm constantly engaging my friends and colleagues to make this whole/part discernment: don't act from "part-isan" principles today that you can't live with tomorrow, because it is that shortsighted winner-take-all reasoning that degrades the whole (e.g., preventing political compromise, enforcing purity tests, degrading the quality and cohesion of our national social trust, etc.); similarly, don't reason from a position in which the power of the whole overrides all considerations of the narrow interests of the parts (otherwise, as we are currently seeing, we'll get massive counter-reactions as they rightly decry the repression they're experiencing).

As just one concrete example that I've mentioned elsewhere, our universities are failing badly to help our young people understand the whole/part confusions arising around freedom of speech: people do not have a right to not be insulted by the speech or viewpoints of others. Freedom of speech, even morally objectionable speech, is a Constitutionally-protected right and is a strict enshrinement *by the whole* (the national citizenry) *to the parts* (individual citizens) of a non-violable right (subject to few limiting circumstances). Within

the limiting bounds of the law, students won't be allowed to substitute freedom of speech for freedom from insult; this would precisely reverse the moral hierarchy: any citizen (a part) could then put the nation (the whole) into its service in order to repress another citizen (a part). This doesn't preserve freedom, it guarantees tyranny.

Bounded rationality doesn't only account for the rise of tyranny, it also describes why hegemony becomes increasingly stagnant as they progress deeper into the conservation phase: having struck on a winning "formula," it's now in their best interest to pursue efficiency rather than further innovation. And the pursuit of efficiency decreases overall system resilience:

Why? Because the more you optimize elements of a complex system of humans and nature for some specific goal, the more you diminish that system's resilience. A drive for an efficient optimal state outcome has the effect of making the total system more vulnerable to shocks and disturbances. (Walker 199)

Instead of a system that has its resources spread out, which would allow for greater experimentation and agility in the face of change, the system attempts to perpetuate the hegemon's winnings efficiently, and in the process becomes rigid and subject to the risk of fatal shocks that can bring down the whole system.

**When systems are at the peak of their conservation cycle they are at the trough of overall resilience.**

As complex systems theorists Lance Gunderson and C.S. Holling observe:

In the cases of extreme and growing rigidity, all systems become accidents waiting to happen. The trigger might be entirely random and external... Such events previously would cause scarcely a ripple but now the structural vulnerability provokes crisis and transformation because ecological resilience is so low. As a consequence, in Schumpeter's words, a gale of creative destruction can be released in the resulting [release phase] (Gunderson and Holling, 2002, p. 45)

To summarize in plain language: if we allow society's winners to continue organizing how society functions, because of their narrow interests they will almost always perpetuate their winnings until the system becomes so irresilient that a breakdown becomes imminent.

And this is exactly what we see with the USSR's collapse in 1991, which marks the beginning of its *release* phase, a phase when the system goes into "creative destruction." The release breaks up the control of resources, disrupts existing connections between system players and breaks existing system regulations. In the case of 1991, it marked the end of the Cold War and the dissolution of the USSR entirely. (My focus is on the western world state, but anyone who is interested should look at Russia since 1991 to get a glimpse of what a recent historical release phase (and subsequent reorganization phase) entail.)

So here's the obvious question: when is our turn coming?

To find out, let's step back and look at the history of hegemonic decline, which is intimately tied to the dynamics of financial capital as it seeks to grow. As we've seen in the trends we looked at, as the United States's conservation phase has progressed since the 1970s it has increasingly become an "accident waiting to happen." And yet financial capital has had a heyday, breaking through constraints of the 1970s and expanding greatly since. While resources have become increasingly monopolized, wealth has concentrated and social class has re-emerged as a driving political factor, only exacerbating the irresilience building deep within the conservation phase of the world state. This is what we will explore in Part II.



## PART II. CYCLES OF CAPITALISM

*In Part I we looked through the lens of complexity theory to see how the United States seems to be approaching the release phase of an adaptive cycle that last reorganized the global political economy after World War II. The world state, or at the very least the US, seems to be suffering from high irresilience across many dimensions of its national health, increasing gridlock, polarization, social unrest and decreasing its ability to withstand rapid changes in the 21st century. In Part II we'll step back further and look at the past 800 years, and at Giovanni Arrighi's four "systemic cycles of accumulation," to understand how and why economic hegemons rise and fall, and how the United States's experience since the 1970s looks suspiciously similar to the structural patterns of other hegemonic declines. We'll conclude in Part III by thinking about what this might portend for the United States and the world state in the 21st century.*

## GROUNDING CONCEPTS

Giovanni Arrighi was a professor of sociology at Johns Hopkins University and, before his death in 2009, was one of the leading “world systems” analysts, which studies long historical cycles of political economy—the *longue durée* at the intersection of history, sociology, capitalism, world economy and geopolitics. His work and that of others form the basis of a sweeping view, grounded in extensive scholarship, that the past 800 years has witnessed four evolutionary cycles inside of one long-sweeping arc of the maturation of capitalism itself.

I’ll start this part with a brief summary of Arrighi’s argument and key concepts that he uses; because his language can be dense, I’ll do my best to restate the general points in an accessible manner. I may lose some of the technical precision in favor of comprehensibility, which is a tradeoff I’m comfortable with. That said, there’s a lot more detail and intricacy you can gain if you choose to read his work yourself (and the work of scholars he relies on for his own analysis, especially Fernand Braudel and Immanuel Wallerstein). Also, in case it’s not obvious, as extensive and scholarly as his work is, even *it* is a comprehensive view that cannot transact in all of the minute historical details of the entire capitalist world of 800 years. Though he didn’t go looking for cycles of capitalism (and thereby find data to fit a preconceived theory), nevertheless the focus of his work is on the maturation of capitalism arising from “unique fusion of state and capital” that is found for the first time in the Italian city-states of the late-Medieval period.

In each cycle, which Fernand Braudel called “long centuries” (because they each extend for more than 100 years), there is a dominant economic empire—a *hegemon*: the Italian city-states of the 15th and 16th centuries, the Dutch United Provinces of the 17th and 18th centuries, the British Empire of the 19th and 20th century, and the United States of the 20th and early 21st centuries. At the transition point between each there is a breakdown of the prior empire and the emergence of a new financial hegemon that acts as a sponsor for capitalism to reorganize itself at a higher evolutionary level: a level with *greater complexity*, spread across *more geography*, which touches *more people*, and *controls more resources* than the level before it.

Arrighi called these “systemic cycles of accumulation” (SCA), which describe the pattern by which 1) money (financial capital) fuels the production and trade of real goods in the economy before eventually 2) the money becomes the product itself, and capitalists start making a lion’s share of their profits from financial activities: investing and lending. Each cycle of accumulation shares such a two-phase structure.

In the *first phase*, an economically innovative *state*—countries, empires, city-states etc.—reorganizes capitalism in some way that gives it a competitive productive advantage that allows it to become the economic hegemon of the day. (How a state might “reorganize capitalism” so as to become the hegemon is a key concept we’ll return to shortly.) This reorganization in turn drives a period of “material expansion” in trade and goods in the world economy of the day, and by being the sponsor of the reorganization, the hegemon is a predominant beneficiary of the economic boom it oversees. This phase sees real growth and rising profitability for its world economy (whether the world economy is the Mediterranean region of the 15th century, or the globally-interconnected one of today, doesn’t matter). This growth boom in the real economy drives economic competition amongst states and business entities, which, in turn, over time begins to decrease the profits for the hegemon’s capitalists.

Declining profits catalyze the beginning of a *second phase*, a process of *financialization* that seeks to restore the hegemon’s profits by using the excess capital it’s now accumulated. It does so by leveraging its capital base through *haute finance* services: lending to and investing in other political entities in the world economy (primarily by investing in foreign government debt). And it works, mostly. The second phase witnesses a period of rising prosperity at home (but also rising wealth inequality) as the capital owners enjoy much of the hegemon’s boosted profits by investing elsewhere (even while its domestic production and trade might now be suffering).

As the second phase matures the hegemon is in the declining stage of its cycle of accumulation—its “autumn,” in Braudel’s terminology—and it’s not uncommon to see war profiteering, high domestic indebtedness and increasing social unrest mark the end of its cycle (and the hegemon’s reign). As the world economy runs up against the limits of this current cycle’s “reorganization” (see above), it gives rise to various opportunities for a different state innovator to come forward with a new reorganizing innovation and become the hegemon for the next cycle of accumulation about to begin.

These cycles form, to put it in terms of integrative metatheory, a holon of part/wholes: each cycle is an identifiable *whole* in its own right, and because each successor cycle includes and builds from all prior cycles, each cycle is also a *part* of the bigger whole that is the arc of capitalism itself. As Arrighi writes in *The Long Twentieth Century*, “the cycles that emerge from the inquiry are neither subordinated parts of a preconceived whole, nor independent instances of a condition; they are interconnected instances of a single historical process of capitalist expansion which they themselves constitute and modify.” (Arrighi, 2004, p. 24) The arc of capitalism is a holarchy.

Now let's switch our lens from the *process* the cycles follow to the *forces* that drive them. It may seem obvious to state that the central engine driving the arc of capitalism is that capital perpetually seeks its own growth, but it's worth considering what that entails. **Whenever capital accumulation on a world-scale starts to stall, there will emerge a period of struggle amongst states to sponsor a newly-reorganized system whereby capital growth can start again.**

There are two major forces through which this actually occurs, each under tension by the other:

1. **States compete with each other to attract mobile capital from around the world.** Because money is more or less mobile, states compete with each other to attract it. They do so to build their factories, finance their wars, and to pay for their expeditions. We might consider a contemporary analog: the Trump administration has declared a fierce competition with China and Mexico for jobs, which are driven by corporate capital and the choice it has to make: do I invest in jobs in the US, or in Mexico or China?
2. **States also compete to form “political structures endowed with ever more extensive and complex organizational capabilities to control the social and political environment of capital accumulation on a world-scale.”** (Arrighi, 1994, p. 15) This is more nuanced, but consider the reorganization of the post-World War II world state under the United States, wherein it crafted a unified strategy and structure for the *economic* (e.g., Bretton-Woods, IMF, World Bank), *military* (e.g., NATO) and *political* (e.g., United Nations, UN Security Council) coordination and control of the post-war world economy. The reorganization allowed the world economy to boom and almost every client state to benefit from the reorganization, but simultaneously it also left the United States in the position of having a controlling interest in the emerging world order (until, as we'll see, that order started to break down).

Arrighi describes the interaction of these two forces as a co-arising dialectic:

Over the last 500 years these two underlying conditions of capitalist expansion have been continually re-created in parallel with one another. Whenever world-scale processes of capital accumulation as instituted at any given time attained their limits, long periods of interstate struggle ensued, during which the state that controlled or came to control the most abundant sources of surplus capital tended also to acquire the organizational capabilities needed to promote, organize, and regulate a new phase of capitalist expansion of greater scale and scope than the preceding one. (Arrighi, 1994, p. 15)

It's important to recognize that these two forces—states competing to attract capital *and* competing to form political structures to achieve domination of the

worldwide capital accumulation process itself—together form a complex system with a positive feedback loop: the state that succeeds in attracting the most surplus capital has a better chance of reorganizing the world economy under its purview, and that state that sponsors/creates a more effective world economy reorganization has a better chance of attracting such surplus capital.

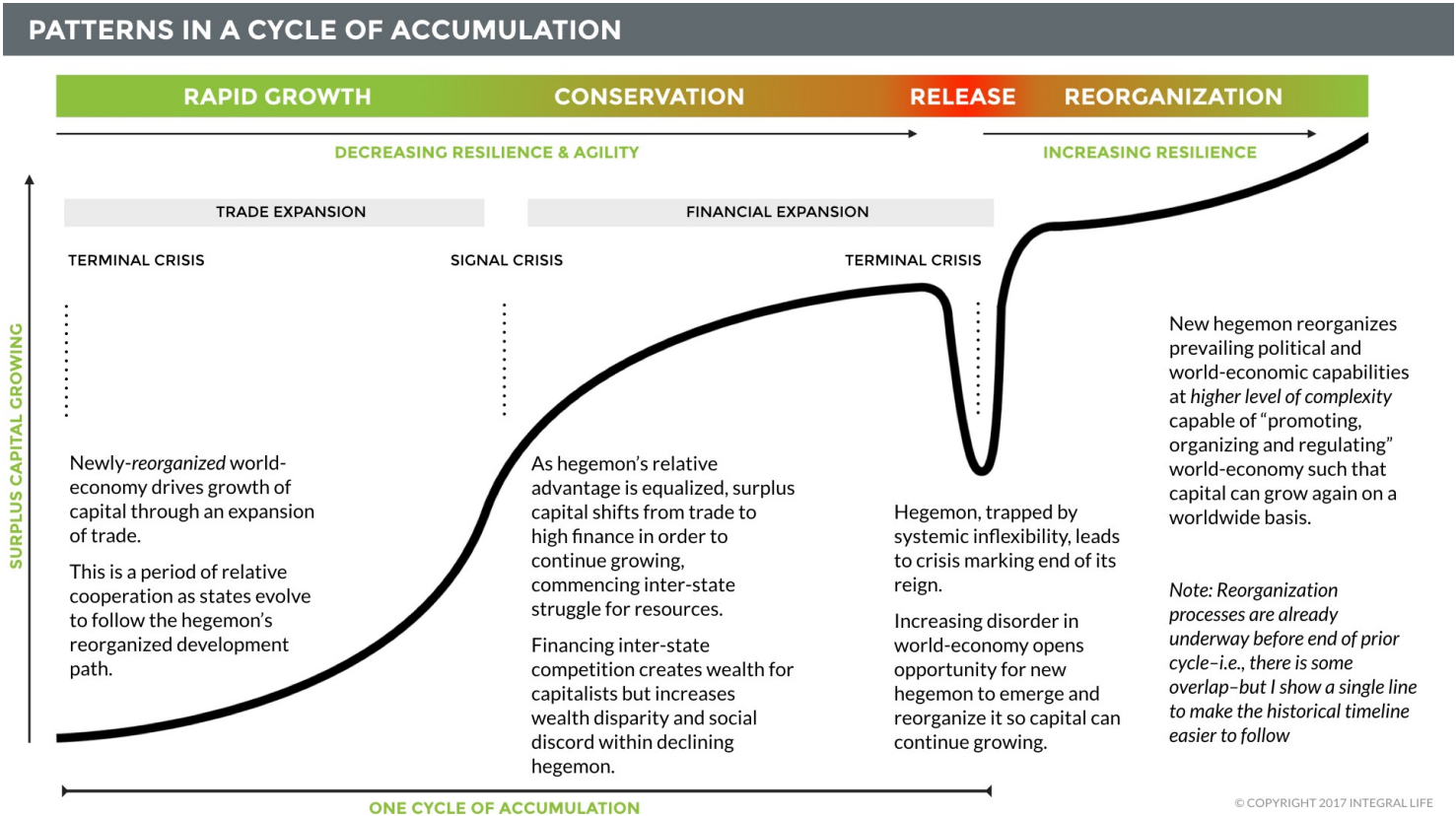
As we'll see this feedback loop is critical to thinking about our contemporary crisis: for example, if we imagine the end of US hegemony and a possible fifth cycle of capitalism centered in China, immediately we consider whether China has the rule of law, the financial transparency, the currency liquidity and other political-economic supports for it to adequately serve as a hegemon that could replace the United States (at least in the near term); presumably this is required even to merely supplant the *current* organizational capabilities of the United States, never mind whatever *new* innovative organization China itself would need to bring to the world economy. In other words, if we think about capitalism as an evolving holon, whatever else creatively emerges in its next phase, it must also *include* the best functions and structures of what has come before. Crucially, all other things being equal, it must also provide a reorganizing innovation that allows for global capital to continue to grow—that is, the next phase (holonic level) of capitalism can transcend, but not fundamentally distort, the *purpose* of preceding phases. (Also, not incidentally, an interesting question is whether it will have to restore actualization holarchies on a world-scale if it is to succeed. I conclude this essay by believing that it will have to.)

To close this section I'll briefly reiterate and summarize the key concepts that we'll rely on going forward:

1. Capitalism is nothing if not *adaptable*, constantly reconfiguring itself and pushing the political-economic environment in which it operates to innovate in ways that allow it to continue to grow. In so doing, it achieves a gradual but definite evolution where over time the world economy becomes more complex, spans greater geography, and serves more people.
2. There is an inter-state competition for mobile capital (which fuels the state's political interests) *and also* a competition amongst states to innovate political structures that can attract such surplus capital (which can yield world economic hegemony). This set of opposing forces are the dialectical engine room driving the *longue durée* arc of capitalism. In this sense, modern capitalism since the 14th century is marked by the fusion of capital and state interests.
3. Each systematic cycle of accumulation, each lasting well over a hundred years, is distinguished by a phase of *material expansion* in the real economy of trade and production, followed by a phase of

*financial expansion* that profits on high finance. Each cycle of accumulation nears its end with a massive resurgence of domestic wealth (but unevenly distributed in the hands of the capital class), and often indebtedness, wars, financial crises, social unrest and bureaucratic inflexibility.

4. As we'll see, and I illustrate in the figure below, cycles of accumulation also have "signposts" that suggest when and how the (life-) cycle is evolving, including *signal crises*, *terminal crises* and *reorganizations*. I overlay this deep structure of the cycle of accumulation with the complex systems adaptive cycle in order to suggest that they're the same cycle, which will open up concepts we've already explored: release phases, reorganization phases, rapid growth phases, conservation phases; resilience, feedbacks and system structure/purpose.



## THREE CYCLES OF CAPITALISM, IN BRIEF

Nearly 800 years of economic history could fill a bookshelf. Instead, in just a few pages, I'm going to attempt to give you a feeling for the historical backdrop, signal moments and key forces that, in their push and pull, end up propelling the eight hundred year arc of capitalism (at least according to Arrighi and Braudel). Although history is messy and simple explanations are often crude, hopefully what will become clear is that there is a discernible pattern in the ascending cycles of economic life. These cycles can be understood at a high-level through the lenses and dimensions summarized above. While we won't be professional historians by the end, we might be able to step back and view our current moment with a richer, more informed view of the forces that are at work in our lives today; indeed, that have been at work for hundreds of years. Historical events only feel new to those who don't know their history. If nothing else, as perspective grows, suffering and confusion diminish.

### *Pre-Modern Capitalism*

Drawing on Braudel, Arrighi argues that modern capitalism arose with the innovation of market-making by Genoa bankers in the 15th century, but that its foundation was laid by Florentine bankers in late thirteenth and early fourteenth centuries amidst the ongoing "Italian Hundred Years' War" of the major city-states (i.e., Venice, Milan, Florence and Genoa). In 1340, Edward III of England defaulted on England's debts to the Florentine banking firm of Bardi and Peruzzi, which had financed England's invasion of France. The default led to the Great Crash of the 1340s, which saw banks collapse, a credit crisis throughout Europe, a crash in production of cloth (which employed a third of Florence's population), and labor riots. Importantly, this event also signaled the critical transition *from* material trade *to* financial trade as bankers scrambled to keep their capital growing, leading to an escalation of fierce inter-state rivalries. Arrighi describes why this would be the case:

Then, as ever since, difficulties arose from the fact that capital was endowed with a much greater flexibility and mobility than its opponents. As competitive pressures on governmental and business organizations intensified, strictly capitalist organizations were far less constrained by considerations of power or livelihood in the reallocation of their resources than most other organizations—be they the English royal house or Flemish guilds or Florence's own guilds. Thus, Florence's leading business enterprises were largely indifferent as to whether the self-expansion of their capital occurred through the purchase, processing, and sale of commodities or through the financing of the struggles that set the various components of the world-economy within which they operated against one another. And as competition drove down returns to capital in trade and production, while the power struggle raised returns in high finance, they began transferring cash surpluses from the first to the second kind of investment—

gradually in the early decades of the 14th century, precipitously in the middle decades. (Arrighi, 1994, p. 104)

It is during this period of war, and the financing of war, that capital mobility achieves its first modern form of fusion between capital and state interests. In 1407 the private financiers formed the private banking coalition of *Casa di San Giorgio* in order to take over and control the public administration and finances of the entire city-state of Genoa:

This is the context in which capitalism as historical social system was born. The intensification of inter-capitalist competition and the increasing interpenetration of this competition with the power struggle within and between city-states did not weaken but strengthened the control of these states by capitalist interests. As the 'Italian' hundred years war raged on, one city-state after another faced ever more serious fiscal crisis due primarily to 'truly staggering disbursements for military expenditures and accruing interest on the public debt'... As in all subsequent financial expansions, the alienation of the states to moneyed interests occurred through a transfer of surplus capital—capital, that is, that no longer found profitable investment in trade—to the financing of war-making activities. What capitalist groups could no longer invest profitably in trade, they now invested in the hostile takeover of the markets or of the territories of competitors both as an end in itself and as a means to appropriate the assets and the future revenues of the state within which they operated. (Arrighi, 1994, p. 93)

This is the first of many examples we'll see in which a crisis of surplus capital co-arises with inter-state competition immersed in war, and capitalists standing by to move capital out of production in order to finance that war-making at a higher profit. We can summarize this as a principle we'll see over and over in Arrighi's account: **when capital gathers in surplus it stagnates, both pushing and pulling states towards the opportunity to leverage it in their war-making and state-making endeavors, and capitalists only too happy to finance the wars that might allow those states to achieve hegemony.**

In any case, what started in the signal crisis of the Great Crash of the 1340s ended with the terminal crisis of the Peace of Lodi in 1454 in which the Italian city-states achieved detente and "institutionalized the northern Italian balance of power." This marks the start of the first cycle of accumulation and the long arc of modern capitalism.

### *The First, Genoese Cycle of Accumulation*

Every cycle of accumulation's nominal beginning (and the end of the prior cycle) is marked by a terminal crisis, followed decades later by a signal crisis that tells the hegemon when to switch *from* trade and production *to* high finance, and then later again with its own terminal crisis that sees the end of its reign as hegemon. Terminal crises force some *reorganization* of the world economy in



such a way that capital can continue to grow, and which gives the hegemon the predominant spoils of its global cycle of accumulation (relative to other states of the time).

Genoese hegemony grew out of its troubles in the late 14th and early 15th centuries as its Central Asian trade routes deteriorated and, after its defeat to Venice in the War of Chioggia in 1381, its power in the eastern Mediterranean declined. Leading up to the Peace of Lodi in 1454, Genoese trade routes and commercial networks were getting hammered. Genoese capital owners were seeing declining opportunities in “landownership and state-making.” Making matters worse, its capital and interests across its trade network were increasingly left exposed and without protection because the Genoese aristocracy, which previously had provided military protection for its interests, withdrew from commercial activities.

Capital is at its most innovative when it is squeezed.

In response to its troubles, Genoese capital partnered with the Spanish by taking over the Castilian wool trade, which allowed an important *reorganization* to occur: a *specialization of skills* in which Genoa would focus on banking and capital activities while financing a militarized state—Spain—whose interests lie in territorial expansion and had the capability to protect its source of capital:

For the Genoese–Iberian designation of the first systemic cycle of accumulation does not refer to the Republic of Genoa as such—a city-state which throughout the cycle led a politically precarious existence and ‘contained’ very little power. It refers instead to the transcontinental commercial and financial networks that enabled the Genoese capitalist class, organized in a cosmopolitan diaspora, to deal on a par with the most powerful rulers of Europe and to turn these rulers’ mutual competition for capital into a powerful engine for the self-expansion of its own capital. From this position of strength, the Genoese capitalist diaspora entered into a highly profitable relationship of informal political exchange with the rulers of Portugal and Imperial Spain. By virtue of this relationship, Iberian rulers undertook all the war- and state- making activities involved in the formation of a world-encircling market and empire, while Genoa’s diaspora capitalists specialized in facilitating commercially and financially these activities. (Arrighi, 2005, p. 92)

The Genoese (both in Genoa and in the broader Genoese diaspora around Europe) were at the spearhead of leveraging their extensive commercial and financial networks to greatly expand the overall material world economy of the time. Their financial specialization “turned Genoese merchant bankers into the most powerful capitalist class of the sixteenth-century” as they developed the basis of modern banking: checking, bills of exchange, balance of payments, bank transfers, and the like. They were also the first to establish the practice of “good money,” which attempts to achieve stability of money as a store of value and unit of exchange. In 1447, Genoa passed a law that required businesses to transact

using coins that had a fixed weight of gold in them. All of these innovations not only stabilized the value of money, they kept Genoese capital far more flexible and adaptive than competitive systems in Venice, Florence and Milan.

Recall that the transition in a cycle from trade expansion to financial expansion is marked by a “signal crisis.” In the Genoese cycle of accumulation this occurs with the bankruptcy of Spain (i.e., Spanish Empire, House of Habsburg) in 1557—the first default by a sovereign government—which caused the Spanish to abandon their traditional financiers (the Fuggers, a German financing house) in favor of the Genoese:

Although superficially the power of the Fuggers at its height resembled that of the Medici a century earlier, their story was thus a replica of the vicissitudes of the Bardi and Peruzzi two centuries earlier... they overextended themselves at the wrong time, with the result that their business was ruined by the Habsburg default of 1557 and by the crisis that over the next five years shook the European financial and trading system to its foundations. The true Medici of the 16th century were a clique of Genoese merchant bankers... who in the midst of the crisis abandoned trade to become the bankers of the government of Imperial Spain in the nearly absolute certainty that in this role they would make rather than lose money.... During these 70 years, Genoese merchant bankers exercise a rule over European finances comparable to that exercised in the 20th-century by the bank for international settlements at Basel—‘a rule that was so discreet and sophisticated that historians for a long time failed to notice it.’ (Arrighi, 1994, p. 127-28)

This quiet dominance of the European financial scene by the Genoese would continue for another 70 years, enabling the Spanish Empire to finance its interminable wars in an ongoing symbiosis between surplus capital and state. As we’ll see, one of these wars, in the Netherlands, sets the stage for the decline of Genoese hegemony and the rise of the second, Dutch systemic cycle of accumulation.

### *A Digression*

I’ll take a moment to briefly digress in order to highlight the importance of one Genoese innovation: the bill of exchange allowed for claims on money to be made across state lines, similar in function I suppose to a modern money wire service. As Arrighi points out this was extremely profitable because 1) it allowed bankers to profit from differences in exchange rates between places and between forms of money (gold, silver etc.) and 2) charge high fees because the service was so valuable to states, which now had a way of moving money around without actually physically transporting it from place to place (with all the attendant costs and risks associated therewith).

But peer deeper and the power of this seemingly simple innovation becomes clear: while money does fuse capital and the state when their interests are

aligned, mobile money also affords a total separation of capital and state, and this separability sits at the core of modern capitalism. The rise of populism today is tied directly to this set of ontological features of money, features that arose in the 16th century. Because money can move anywhere and be transferred into different forms quickly, money: does not salute a given flag; can move across borders almost instantly; is not bound by place or territory; can seek the highest return anywhere in the world; is highly adaptable (whereas states move slowly). And so on.

When we look at current events through the lens of this fundamental difference—the *territorial-based* nature of a country versus the mobile, *trans-national* nature of money—we get another perspective on the anger that’s arising in our modern world: Make America Great Again; “I’m the President of the United States, not the world;” bring jobs back home; dismantle the globalist, administrative state; tax imports, not exports. In other words, this is not just a war over jobs, or between nationalists and globalists, both of which I’ve said before. As I alluded to in Part I, **it’s also a war over the loyalty and mobility of money and the desire to reimpose territorial interests on globally-mobile money.**

It should really come as no surprise that this war is being waged 1) in the United States in the “autumn” of its hegemony, 2) by a President who is representing the non-mobile, territorial, state-based interests of the “working class” voter, 3) against the interests of the owners of that mobile, surplus capital.

Now back to our story...

### *The Second, Dutch Cycle of Accumulation*

As we saw in the Genoese cycle, every cycle is born in the cycle that comes before it. After the bankruptcy of Spain in 1557, capitalists moved from a mostly cooperative mode of trade and exchange to one of fierce competition. (From a systems perspective this makes sense: whatever triggering event occurs that evolves the system from a focus on trade to a focus on money will by its nature signal a time of higher competition both between states (for capital) and between capitalists (for states). It is a time when capital is (or is at risk of) stagnating and like any threatened organism it begins to adapt to have its needs met (its need to grow, in this case). Similarly, states need the fuel to maintain their own interests, whether it be war, financing social programs, infrastructure and the like. Signal crises represent those moments when, viewed through the long lens of history, we might discern precisely these large-scale shifts between cooperation and competition and between trade and money.)

For the 70 years from 1557-1627 that Braudel marks as the waning heyday of the Genoese cycle of accumulation, the Genoese financed Spain’s war in the Netherlands against Dutch rebels. It was during this time that the Dutch

developed superior naval capabilities and drained the Spanish treasury through tax evasion and piracy. From the mid-sixteenth century on, the Dutch also came to dominate the Baltic grain trade, their “mother trade” and a primary source of their growing wealth.

The terminal crisis for the Genoese cycle occurs with yet another Spanish bankruptcy, this time in 1627, and the end of Genoa’s “Piacenza Fairs,” which were a backbone of its commercial network and financial supremacy. When the peace of England in 1630 rerouted England’s money flows away from Genoa and to the Dutch, it marked the decline of Genoese hegemony. In the meantime, the Dutch capital class was growing, fueled by its wealth from naval piracy and a grain trade that was becoming increasingly demand-supply lopsided by the growing needs of the Atlantic states. The Dutch location and maritime capability was perfectly situated both geographically and functionally to drive its rise to hegemony.

The Dutch leveraged their geographic and maritime specialization with other innovations and strategies to drive their rising supremacy: they turned Amsterdam into a commercial powerhouse whose gigantic warehouses were overflowing with stock, capable of not only meeting their own needs for a decade or more, but which also allowed them to profit on the constant warring of the 17th century and its incessant demands for supplies (i.e., they built commercial resilience); they dominated the commercial markets with their financial liquidity, using it to always secure the best prices and pre-empt the rise of any serious competitors; unlike the Genoese before them, who relied on the Spanish for protection, the Dutch consolidated the capabilities of state-making and war-making within their own “United Provinces,” backed by the militarized and local House of Orange; they established the first permanently-running stock market, which attracted massive amounts of liquidity from across Europe and into Dutch banking institutions; finally, they established joint-stock companies chartered by the government to act as colonial monopolies around the world, endowed with the power and mandate to act in the name of the state’s interests (not just commercially, but presumably also in war and diplomacy).

All of these factors led to an overwhelming hegemony between the signal crisis of 1627, which marked the end of Genoese hegemony, and the eventual end of Dutch hegemony in its war with England in 1781. During that time Amsterdam rose to become the most powerful integrated commercial and financial capital of the 17th century, not dissimilar to 19th century London or 20th century New York: a place where business, money and power must be present simply because all business, money and power are already there. Through the lens of a complex system we can readily see how these real-world innovations, when taken in aggregate, constitute a world-economy *reorganization* that would readily drive the *rapid growth* phase of the Dutch United Provinces.

As usual, however, the rise of a hegemon forces other states to follow the hegemon's "development path," an emulation of strategies and capabilities that does two things simultaneously: it situates the hegemon as the leader and norm-setter of the world economic system for others to emulate, *and it also* sets up those exact same emulators as future competitors for the hegemon. (In a contemporary example, Singapore, Japan and South Korea all emulated the rules and capital structures of the United States after WWII, but it is the rise of China in particular, late to the game relatively speaking, which looks like a plausible candidate to move beyond *emulation* to an *enhancement* of the prevailing order that would replace the United States's leadership.)

It was the French and English that emulated the mercantilist strategy of the Dutch, a strategy that included:

The creation of world-embracing commercial empires, the rerouting of commodity and money flows to entrepôts within one's own control and jurisdiction, the systematic accumulation of pecuniary surpluses in the balance of payments with other domains, were all expressions of this imitative predisposition of territorialist organizations. (Arrighi, 1994, p. 145)

It's during this period and in this context of mercantilist emulation that a counter-reaction arose to "globalist" finance. Unlike Genoese hegemony, which was financially powerful but basically stateless, or even medieval trade and finance, which may have been centered in a region but financially was relatively immobile, the Dutch United Provinces represent the first powerful combination of commercial and financial dominance, "globally" mobile capital, and relative statehood. The counteraction by England and France therefore was aimed at establishing their own global state-capital empires, and to do so they pushed to break up the economic supply chains of the Dutch and reroute capital and value to their own domains. In other words, we can sense the emergence of *state-based* trade wars and protectionism under the guise of protecting the domestic economy. After 1720, this trend exploded beyond France and England to include Prussia, Russia, Sweden and Denmark-Norway, and soon the entire continent enmeshed in mercantilist strategies.

By the 1740s this pattern of emulation brought on the signal crisis of the Dutch cycle of accumulation, as Dutch capitalists found it more profitable to withdraw from trade and steer their surplus capital towards high finance. As we've noted before, when a hegemon's *reorganization* strategy is emulated to the point where its profitability on trade falls, we can expect to see it move into high finance with its surplus capital in the waning days of its cycle. From 1740 to its terminal crisis in 1781 the Dutch financed wars throughout the world (largely between Britain and France, and territories including the American colonies, modern-day Canada, and India). In retaliation, from 1781-1784 Dutch naval power was

wiped out by the English, and the process of London becoming the next center of the world-economy was underway.

### *The Third, English Cycle of Accumulation*

Much of modern economic history seems to start with the industrial revolution centered in 19th century England. But what we've seen so far is how deep the origins, and how extensive the prior innovations, of this revolution really ran.

The first phase of England's cycle of accumulation runs from its military victory over the Dutch in 1784 to its Great Depression of 1873. Like those material expansions that preceded it, it was a time of dramatic increase in trade and commerce that ends in a fierce escalation of competition, and a switchover to a second phase driven by high finance, which itself lasts from 1873 to 1931.

The rapid replacement of Amsterdam by London as the center of European power at the end of the 18th century provided England with the borrowing power to fund government expansion and the country's growing industrialization. In particular, England's iron industry expanded greatly. Its newfound excess capacity in turn lowered iron prices and encouraged iron-based capital goods innovation during the three decades after the war. Iron production drove the proliferation of railroads, shipping and transportation that, combined with the mechanization of the textile industry, would become the foundation of 19th century industrialization of the world-economy. By the 1840s, England turned its production toward the world, equipping countries on every continent with industrial capacity of their own. Drawing from Eric Hobsbawm's *The Age of Capital*, Arrighi states that:

The combined effect of these tendencies was a system-wide speed-up in the rate at which money capital was converted into commodities... between 1845-49 and 1870-75, British exports of railroad iron and steel more than tripled and those of machinery increased nine-fold. During the same period, British exports to Central and South America, the Middle East, Asia, and Australasia increased some sixfold... the result of this acceleration and the material expansion of capital was the globalization of the capitalist world-economy. (Arrighi, 1994, p. 165)

The result of this major trade expansion follows the path of other cycles: a build-up of surplus capital held by the hegemon's capital class at the same time that the global economy is becoming capable of competing with England itself. This of course increases competition and lowers returns on trade and production. Predictably, British capital invested "overseas" skyrockets after 1860, and by 1870 competitive pressures from the around the world were breaking up profitable monopolies, resulting in price wars, and catalyzing the Great Depression of 1873. The Great Depression lasted from 1873-1896, a time when trade profitability was depressed and capital exports from Britain to the world continued to grow.

The decline of British hegemony coincides largely with the Belle Époque between 1871 and the start of WWI in 1914. Though culture and the arts were flourishing, the period saw wage stagnation and increasing moves within states towards populism and/or nationalism; for example, the rise of the populist party in the United States in 1892, and the unification of Germany as an empire after the Franco-Prussian war of 1870. As the increasing militarization of first Germany, then England, then all of Europe progressed, the deflation of the depression turned into an economic expansion of the mid-1890s. As in all periods of financialization, returns on capital had already been restored by flight out of trade and into high finance—the wealth class was enjoying a period of unprecedented prosperity—and demand for capital was ever-high as military spending increased (military spending in Europe went up 50% in 5 years from 1908-1913).

While it was an assassin's bullet that lit the powder keg of WWI, it was to no small degree the arms race that England waged with Germany for three decades prior that was the powder itself. Within a few short years the capital account deficit that the United States had been running with Britain reversed itself, and it was England that was now in the position of liquidating its American assets to pay for the war. What England had done to the Dutch in 1784 with its navy it was now doing, whether within its control or not, to itself—it was contributing to the twilight of its hegemony and passing the torch of control over the world-economy to the United States:

British assets in the United States were liquidated on the New York Stock Exchange at heavily discounted prices in the early years of the war... At the end of the war, therefore, the United States had bought back at bargain prices some of the massive investments which had built up the infrastructure of its domestic economy in the 19th-century... thanks to this surplus and to its war credits, the United States joined but did not displace Britain and the production and regulation of world money. The US dollar became a full fledged reserve currency like the British pound. (Arrighi, 1994, p. 279)

The terminal crisis was not far behind. The end of the war saw crippling reparations imposed on the losers. The international community, in a desire to promote free trade and stable currencies, ended up in a self-defeating cycle of trade protections and bilateral trade agreements that increasingly strangled trade through the 1920s. The United States, which since the late 19th century had risen to become an economic powerhouse in its own right, was now the currency of choice for the global financial community. Flows of capital out of the US and into foreign investments spiked in 1928 before plummeting again with the stock market crash of 1929, at which point countries around the world were having their loans called due and were scrambling to protect their currencies:

Faced with sudden recalls or flights of short-term funds, one country after another was forced to protect its currency, either by depreciation or exchange control. The suspension of the Gold convertibility of the British pound in September 1931 led to the final destruction of the single web of world commercial and financial transactions on which the fortunes of the city of London were based... [This world revolution's] main landmarks were the disappearance of haute finance from world politics, the collapse of the League of Nations in favor of autarchist empires, the rise of Nazism in Germany, the Soviet Five Year plans, and the launching of the US New Deal. (Arrighi, 1994, p. 282-3)

And so the torch was passed again, as it had from Genoese networks to Amsterdam, and Amsterdam to London, this time from London to New York. The world awoke to yet another new city at the center of an emerging financial hegemon.



## THE FOURTH, AMERICAN CYCLE OF ACCUMULATION

I'm going to approach this section differently than the last. First, because I know that we're generally more familiar with recent history than that of archaic Italian city-states. Second, the entire point of this historical recounting, as superficial as it was, is to provide a framework that might add another perspective through which to consider our current moment. I've read many accounts about political polarization, about the culture war, and about recent economic trends (I've written some of those accounts myself). What I haven't seen is a convincing candidate that does justice to other things we know: over the very long view we see deep evolutionary patterns in almost all aspects of human life; these patterns tend to share deep (if not surface) structural similarities; they tend to be emergently complex. In this regard, I'm struck by the work of historical sociology to provide us another lens to step way back and get exactly that kind of view. I would never argue that at the level of what Ken Wilber calls "surface features," or those millions of contingent details of history, that we should expect to find structural repetition. There are many details that might be suspect, including rates of return on capital, whether capital really shifts between trade and finance quite as cleanly as presented, whether capital flight out of a hegemon is supportable (in *Capital in the Twenty-First Century*, Piketty gives reason to think not<sup>1</sup>), etc.

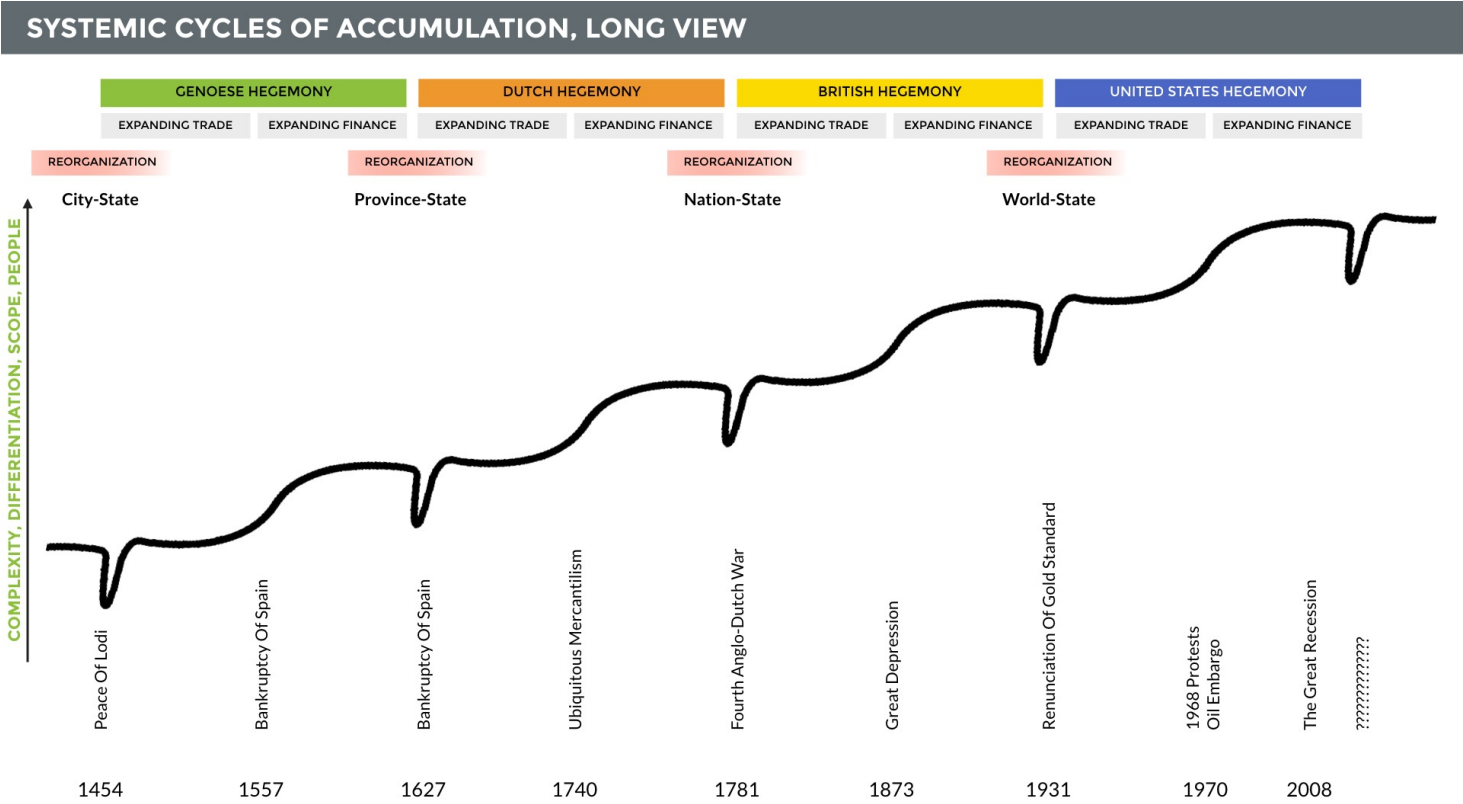
But I do find Braudel and Arrighi's account persuasive at the level of deep structure, and in the *longue durée*. We know that capitalism has gotten more complex, capital more mobile, and its scope both more geographically dispersed and touching more of the planet's population. We know that capital seeks to grow<sup>2</sup>, and that surplus capital hates being idle or underutilized. We know that complex systems undergo differentiation when confronted with a requirement to adapt: they become more structurally complex while also developing new levels of integration, coordination and regulation at all levels throughout the system. We know through the science of networks that the kind of robust differentiation that a human-capital network such as the Genoese built is ontologically "real," and that *network nerve centers* like Amsterdam, London and New York, or Silicon Valley today, have genuine competitive advantages. In other words, at the high level at least, the picture that emerges is congruent with much of what we know.

As we discuss the United States hegemony, we'll adopt a spirit of humble speculation and genuine inquiry from here on out. There are many people who can't and won't imagine the idea that the U.S. is nearing the end of its hegemony or that Trump is a symptom of a dawning terminal crisis; some will reject the idea of cycles altogether; some may think the U.S. is already irrelevant. In any

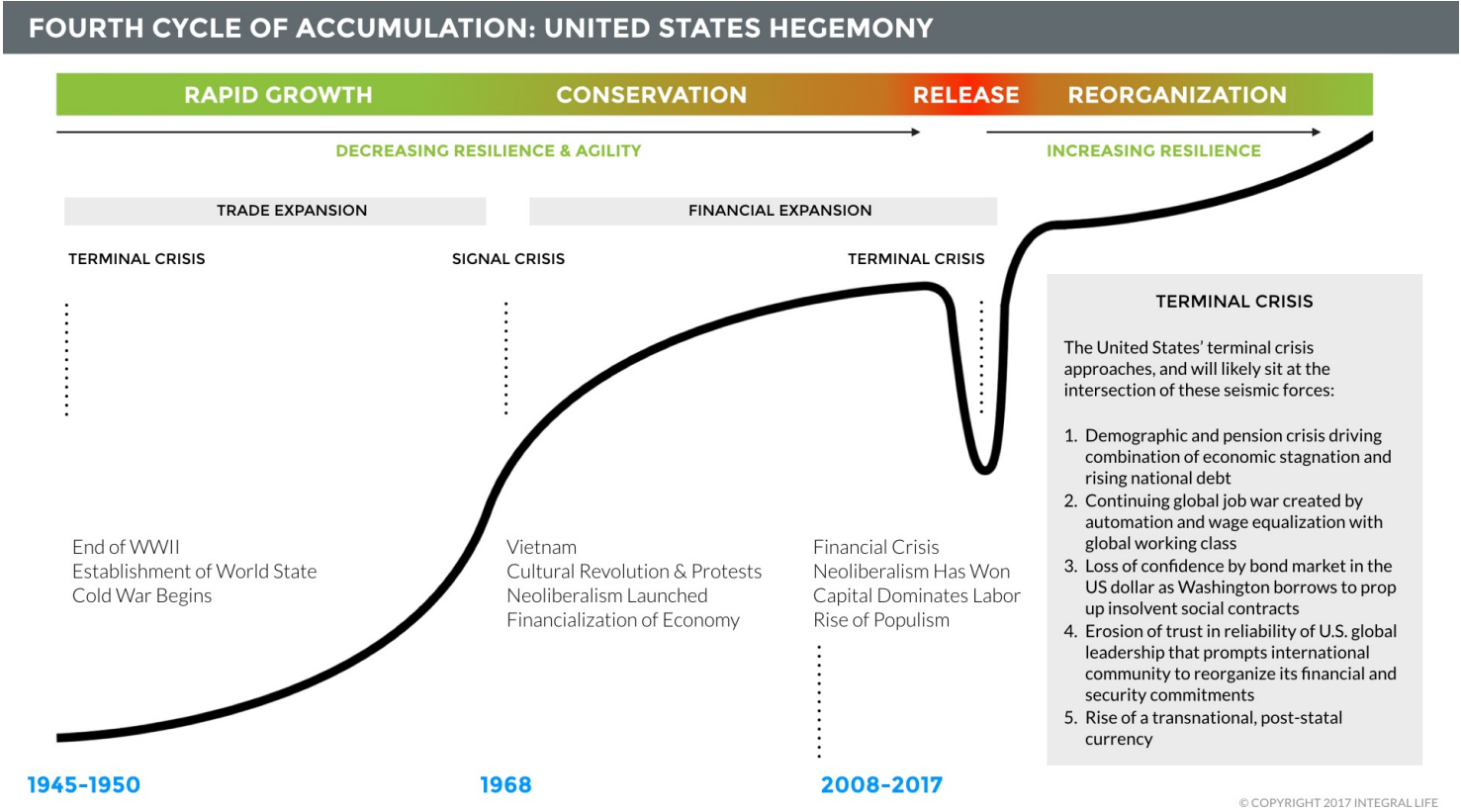
case my goal is to illustrate possibilities and new discussions that might arise if we take the idea seriously. In one sense, it's no mystery that the United States will at some point be bypassed as a global leader (and some evidence points to that underway now). But to the degree that we can learn from cycles of history, I think we are provided more possibilities, options and solutions to foster a healthy, prosperous, peaceful planet as we move forward.

*The Long View*

In the following figure I've created a single picture of the arc of capitalism (drawing on Arrighi's account). My intention is to step back and recapitulate the main forces, turning points and emergent levels of capital organization from the 15th century to today. I present this now because I think it will be easier to discuss the U.S. experience through a visual hypothesis and work backwards into the narrative. (For the purposes of this image I have made the cycles equidistant even though each one actually gets progressively shorter, which is why the timeline is not to scale.)



If we zoom in on the American cycle itself, we get the figure below. I've taken some liberties to show the cycle starting at the end of the war and emerging out of the reorganization during that period.



I'll just add a few comments on the first phase of American hegemony before spending the rest of the discussion on where I think the real riddle lies, which is this: If the U.S. encountered its signal crisis around 1970, then what is the likely shape of a terminal crisis and how might we know it when we see it? Most importantly, what have we learned in our exploration of the resilience of complex systems on the one hand, and systemic cycles of capitalism on the other, that might guide us as we think about the rise of populism and our current political moment?

*The Rise of the Yanks*

If the terminal crisis of the English cycle of accumulation was the abandonment of the gold standard in 1931, then it was World War II that established the United States as the undisputed reorganizer of what would come next. As we saw previously, the period prior to WWII was a time of ethnic and economic nationalism, trade protectionism and domestic populism that extended well back to the late 19th century. The New Deal, and Franklin Delano Roosevelt's vision in general, stood as a stark counterpoint to this worldview: he believed in an activist government pursuing a balance between labor and capital; in an

international confederation of quasi-equal nation states; in the perfectibility of technocratic oversight; in the importance of free trade and international monetary order.

Also on the ascend since the end of World War I was John Maynard Keynes and his belief that government needed to play an active role in countering the business cycle. In the 1920s the tide of nationalism was rising alongside unemployment and financial discontent: in Germany, Hitler; in Italy, Mussolini; in the United States, the crash of 1929 and a 90% drop in investment, which left 25% of the population unemployed, nearly 13 million people. By the time Roosevelt took office in 1932, the world was open to dramatic new thinking about the relationship between capital and the state. (Wapshott, 2011) The New Deal succeeded in putting people back to work, relying on government programs to spur the economy and cut unemployment in half within just a few years. While it was the war and its aftermath that guaranteed the United States's role in forming the post-war order, the domestic experience of the New Deal was formative in the creation of that order:

The exact nature of the U.S.-sponsored global reform was greatly influenced by the New Deal experience... In the course of the Depression and the New Deal, U.S. policymakers had come to believe that economic prosperity and political stability were inextricably linked, and that only an activist government could safeguard both... If the image that inspired the founders of the League of Nations was the 19th century night watchman state, then the supporting image for the United Nations was the 20th Century welfare state. The United Nations charter 'reflected a newly enlarged conception of the necessary and proper role of international organization in world affairs.' It represented 'a kind of international New Dealism, an adaptation of the welfare state philosophy to the realm of world affairs'... The preferred institutional solution of the domestic New Deal was the neutral regulatory agency, which recast social and political conflicts as technical problems of efficiency and productivity. At the global level, likewise, the United States sponsored a proliferation of 'neutral' international regulatory agencies to deal with the plethora of potentially explosive social and political problems. (Arrighi & Silver, 1999, p. 204)

If the Great Depression and World War II represent the *release* phase of the world-system of the time, than it was the period from 1944-1950 that represented the *reorganization* phase. Grounded in its New Deal and Keynesianism experience from 1932 onwards, from 1944-1950 the United States set the terms by which the next higher-level economic cycle of accumulation would occur: an international currency regime (Bretton-Woods, 1944); international diplomacy (United Nations, 1945); international security (NATO, 1949); international development (World Bank, 1944); international financial coordination (IMF, 1944); international trade (GATT, 1948; Bretton-Woods's commitment to open markets, 1944); and inter-national sovereignty

(India, 1947; Indonesia, 1949; Philippines, 1946). Assuming no exogenous shock shakes the purpose and function of a complex system, than a *reorganization* phase should lead to a *rapid growth* phase. And that's exactly what happened.

The world economy from 1950 to 1970 has come to be known as the “golden age of capitalism,” a time when economic growth skyrocketed in the United States and around the world. Unemployment was low (less than 5% in the US and less than 3% in Europe), average global growth was an eye-popping 4.8%, there was high productivity growth and high real-income growth. It was a time of massive trade expansion as the United States not only helped to rebuild the world's industrial capability (from England to Germany to Japan), but also a massive rearmament of western powers preparing for the standoff of the Cold War well-underway by then.

Consider it this way: 5% annual growth in real income doubles your total standard of living in just 14 years; it may be hard to imagine what a doubling of our current standard of living would actually feel like, but it's dramatic. There's a reason why people like Donald Trump, who at 70 years old would have been a boy growing up in the golden age of capitalism, looks back and wonders where the miracle went; when he says “Make America Great Again” he's not only speaking to the working class laborer who has lost out to competitive trade with China since 2001, he's also speaking to the boy in himself of 1955.

### *The Signal Crisis of 1970*

If the prior twenty years were a relative heyday for US hegemony, there is little controversy that by 1970 the *world state* was seeing signs of crisis. The protest riots of 1968. The Bretton Woods monetary system collapsed in 1971. The 1973 oil crisis. The 1973-74 stock market crash, and the ensuing recession of 1973-75.

We saw in Part I how the 1970s seems to represent a turning point in the increasing irresilience of the world state. It's also a period when economists and social scientists recognize a significant turning point toward financial liberalization—called *financialization* or *neoliberalism*—which would skyrocket in the 1980s under Reagan (US) and Thatcher (UK). It was a period when corporations and conservative politicians adapted, each in their own ways, in order to restore the growth of capital and fight back against the labor- and social-friendly instincts of the New Dealism to that point, becoming the foundation of the economy in which we live today. As Georgi Derluguian (et al.) point out in *Global Powers: Michael Mann's Anatomy of the Twentieth Century and Beyond*:

Globalization in its current form is not merely a structural extension of previously local processes or stages of progress. It is the political and economic strategy devised by a specific set of powerful actors that at the time went under the rubric

of multinational corporations. They were motivated by the perception of acute crisis threatening the hegemonic position of the United States and the existence of capitalism itself in the wake of political turmoil generally associated with the 1968 protest wave... Their search for solutions led to the abandonment of compromises observed since the Great Depression and the first world war. Globalization along with deregulation became the biggest escape of primarily American big business from the constraints of the constraints of national borders where, they now feared, political demands could corner them and force them into making intolerable concessions. (Schroeder, 2016, p. 79)

As we discussed in part I, it was at this moment in the 1970s when the *multinational capital holon*—which up to that point had well-served the United States, itself a national holon and sponsor of the *world state*—“abandoned their compromises” and chose to move American hegemony into its second phase, that of *financialization*. Gone was Keynes and his theories of government as a benevolent sponsor and interventionist in the global economic order. In came Friedrich von Hayek and his theories that government should virtually not exist and that all aspects of human life should be subject to private market transactions, because only through prices can real freedom be achieved. Alongside the moral vacuum left in the cultural quadrant by postmodernism arose the amoral norms of market-totalizing logic.

Financialization had begun. And since then, over the past 40 years, it has reigned supreme:

Our financial system has stopped serving the real economy and now serves mainly itself... Our system of market capitalism is sick, and the big picture symptoms—slower than average growth, higher income inequality, stagnant wages, greater market fragility, the inability of many people to afford middle-class basics like a home, retirement, and education—are being felt throughout our entire economy and, indeed, our society. Our economic illness has a name: financialization... The financialization of America includes everything from the growth in size and scope of finance and financial activity in our economy to the rise of debt-fueled speculation over productive lending, to the ascendancy of shareholder value as a model for corporate governance, to the proliferation of risky, selfish thinking in both our private and public sectors, to the increasing political power of financiers and the CEOs they enrich, to the way in which a ‘markets know best’ ideology remains the status quo, even after it caused the worst financial crisis in seventy-five years. It’s a shift that has even affected our language, our civic life, and our way of relating to one another. We speak about human or social ‘capital’ and securitize everything from education to critical infrastructure to prison terms, a mark of our burgeoning ‘portfolio society.’ (Foroohar, 2016, p. 5-6)

I won’t belabor the data we’ve already reviewed. Suffice to say that we’ve seen the trend lines suggesting increasing irresilience in the U.S. right alongside the financialization of the past 40 years: big companies have grown as

entrepreneurship has declined; cash is hoarded by large companies even as the United States morphed from one of the world's largest creditors to one of the world's largest debtors; monopoly and regulation have increased in lockstep; real wages have been stagnant even as wealth amongst the upper class has skyrocketed—wealth disparity is at levels not seen since the British hegemonic decline (the Belle Epoque of the late 19th century). Also similar to the British cycle and other hegemonic declines, since the 1970s we see the capital class prosper right alongside an increase in total military spending. This contrast is nowhere more obvious than in President Trump's first budget proposal, which gives almost exclusive service to the military (in the form of spending) and the capital class (in the form of tax cuts), while wiping out support for all other areas of communal life (privatizing education while eliminating public broadcasting, environmental stewardship, support for the arts etc.). Beyond that, as we saw, the effects are far more than economic: irresilience extends to outcomes in education, health, politics, social cohesion and elsewhere (we could look at marriage, divorce, family mobility, employee engagement and many other statistics that might round out the picture).

To be clear, I'm not suggesting that neoliberalism and financialization *caused* irresilience (though they've certainly contributed, see the bullets just below) but rather that neoliberalism can be understood as a reply to the capital stagnation crisis of the 1970s, and that both irresilience and neoliberalism can be understood as *symptoms of a waning hegemon*; waning because the *reorganization* that it sponsored after World War II, and at one time drove rapid growth, instead has become mature, stagnant, and increasingly subject to monopoly forces in business, government and other aspects of human life. The net effect, among other things, is a growing disparity in wealth, a breakdown in social trust, and a populist backlash rising alongside it.

Though it's beyond the scope of this essay (and I'm not qualified to fully judge anyway), there are many questions that need answers (and every voter should be asking), which relate to how the *world state* has conducted its affairs since the 1970s:

- How did the changing of deregulation around retirement plans in the 1970s change the nature and power of Wall Street to exercise ever-greater control over government and social life?
- How did the repeal of Glass-Steagall, which removed the barriers between commercial and investment banking, change the nature of finance and the allocation of risks throughout society?
- How has the privatization of societal property (i.e., our collective property, the commons), not just as an economic function but also a philosophical one, changed the nature of our political conversations and policies?

- Has there been a regulatory backlash against globalization and the mobility of transnational capital, and has that prompted capital interests to support policies that foster irresilience, stagnation and further class conflict?
- How did various trade policies (e.g., NAFTA in 1994, Eurozone in 1999, granting China full WTO status in 2001) fail to deliver adequate prosperity to western citizens, and what needs to be modified to preserve the benefits of globalization?
- As McKinsey reported that 50% of the wealth gains since 1980 are attributable to the four-decade decline in real interest rates since then, how does the aging of the west and its effects on economic growth and interest rates affect the outlook for the next 30 years?
- How has class re-emerged since 1970? And, as Thomas Piketty argues, are we returning to the class-centric society that has prevailed for thousands of years, after an historically unprecedented deviation towards middle-class equality during the post-war period?
- How has the bounded rationality—the narrow interests—of the state-capital fusion (in Washington, D.C., London, Paris, Brussels, etc.) distorted healthy whole/part logics?

In these and many other important questions lie the lessons that help us reply more effectively to where we are today. Some of my friends have repeatedly asked me, “yeah but what do we do?” about some of the challenges we face. My answer is always “first, don’t dig the hole any deeper.” It will do us no good if we don’t take the time to try to get our heads around where we are and why. What are the deeper, four-quadrant, complex systemic forces that have brought us here? It’s my belief, shared by many others, that we face a coming terminal crisis (if we’re not already in the midst of one), one that will likely sit at the intersection of our damaged political processes, our burdensome debt, disruptive technology, growing class disparities, and our loss of international moral leadership. I love the United States, but I’m not a nationalist. I’m sanguine, in principle, of another entity emerging to help the world takes its next major step forward: not just in growth of capital, but in social and economic cooperation, global coordination on the environment, and protection of world peace. But nothing is served by that if we don’t learn the lessons of this era and work as diligently as possible to ensure we’re moving forward in a healthy and integrative progression, and not just recoiling back in an angry and disintegrative regression.

That’s the work ahead, to which we now turn in Part III. Let’s look at the possibility of a coming terminal crisis, a great release that, if anything like those before it, will not be pretty, but which can be navigated or perhaps even avoided through enlightened action.



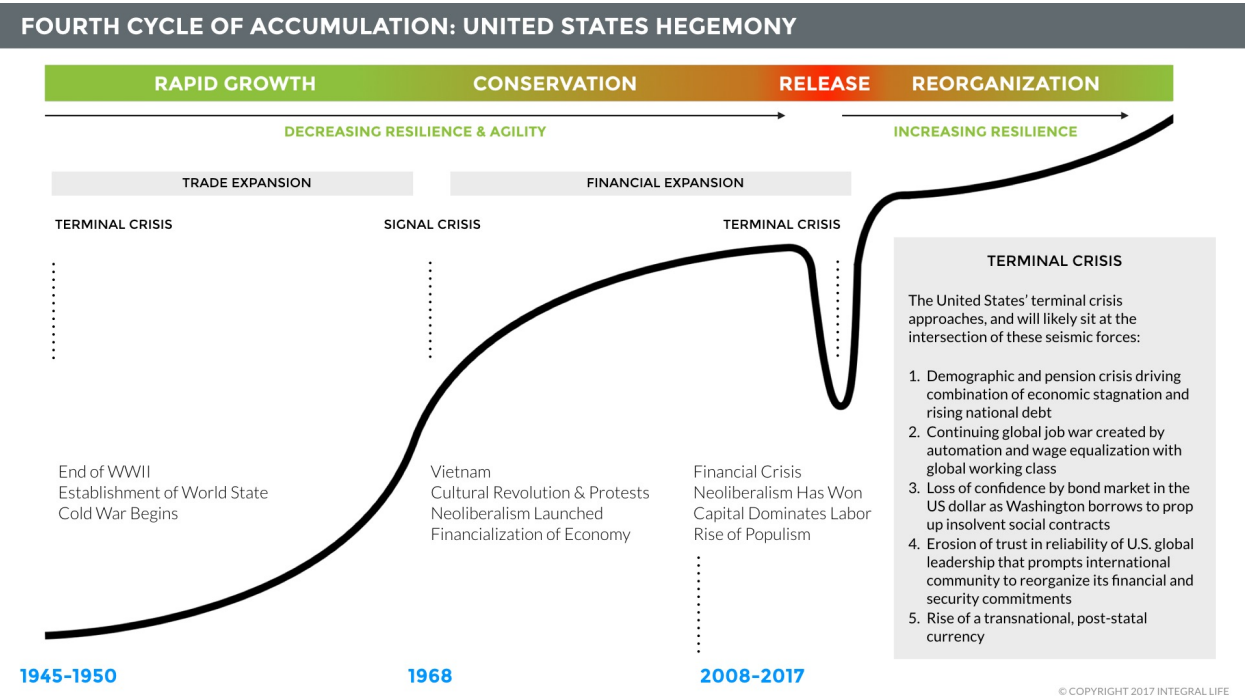
## PART III. THE GREAT RELEASE

*In Part I we looked through the lens of complexity theory to see how the United States seems to be approaching the release phase of an adaptive cycle due to increasing irresilience, which impedes its ability to withstand changes in the 21st century. In Part II we looked at the past 800 years and four systemic cycles of accumulation to understand how and why economic hegemons rise and fall, and how the United States's experience since the 1970s looks suspiciously similar to the structural patterns of other hegemonic declines. In Part III we think about what this might portend for the United States and the world state in the 21st century. We'll consider whether we're really just adapting to a new normal of ongoing wealth inequality (and yet quite an old normal), and what personal and social adaptations might lie ahead as we move toward an integral, post-singularity politics of resilience.*

# RELEASE OF THE WORLD STATE

Let's start part III by reviewing a few of the key points made so far, after which it proceeds in a question and answer format that will focus on specific topics, issues and implications of the first two parts and the road ahead. Hopefully this will make it easier to digest the takeaways.

By way of quick summary, we've seen evidence to suggest that over the course of hundreds of years and four successive world-economic hegemony, capital holders and states work hand-in-hand to serve each other's interests. States seek to perpetuate their power while capital seeks to grow. This process leads to major reorganizations of the prevailing world order at each transition point between hegemony, something that last occurred with the formation of the U.S.-backed *world state* after 1945.



Each cycle matures into a second phase of financialization whereby capital moves beyond the interests of its sponsoring state and enjoys a heyday for capital owners (often by financing military spending and war-making). In the case of the U.S. cycle we've seen that an amazing period of rapid growth was followed by several crises and the increasing stagnation of the 1970s. It was about this time that a pronounced shift occurred in both the cultural space (with the rise of postmodernity and its deconstruction of meta-narratives and moral hierarchies) and the social space (with the rise of neoliberalism and its dominating meta-narrative of markets as the sole arbiter for a just and moral social life).

Since that time, the *world state* has become increasingly stagnant and irresilient across dozens of dimensions, which is characteristic of complex systems as they mature deep into their conservation phase; all this while capital owners have enjoyed unprecedented profits and the wealth gap has grown. This has occurred in no small part as capital that had previously been in service to higher-order *national holons* have now moved out from under and grown beyond the purposes of the national holons that enclosed them. The resulting *multinational capital holon* is now in a battle with nationalist leaders, and the angry voters who are voting them into power, who are trying to increase resilience, restore some of the historical hierarchy, and put stateless capital back into loyal national service. All of this occurs against a real-world backdrop where we suffer from increasing discord and systemic problems grow deeper. It's not unlikely we approach a terminal crisis and have seen tremors warning us of the coming earthquake that might shake our current structures to the ground. Let's pick up the story from there...

### **What did the Great Recession of 2008 represent?**

The Great Recession and its aftermath were tremors that rocked the world and signaled that the world state is approaching a systemic release. Remember that a release phase starts when the potential for change is highest and overall system resilience is lowest. I don't believe that the Great Recession of 2008 represented the actual, acute release of the entire American cycle—it hasn't forced enough of a reorganization to yet qualify—but any economist will tell you that our economic resilience in 2008 was the lowest in a generation or more: the west had way too much debt, asset values (particularly in housing) were an absolute bubble, and Wall Street had constructed a global house of cards using CDOs (collateralized debt obligations) and other complex derivatives. A "black swan" is supposed to be an outlying event you don't see coming; in retrospect, 2008 was the most predictable black swan of our lifetimes. We had almost no system resilience because all of the resources were financed with debt and stacked like a house of cards.

As we know, it all came crumbling down, just as it should have. Asset values were wiped out, debts came up default and banks were caught with their pants down. But if this movie played out the way the complex system was signaling it needed to, we would have seen a massive amount of creative destruction: major bank failures; capital liberated back into new entrepreneurial hands; power reallocated amongst a diverse set of participants; a rebalancing of the profit distribution between capital and labor; a reinstitution of Glass-Steagall (the repeal of which was stupid, a major *resilience-decreasing deregulation*, which shows that not all regulation promotes irresilience; many regulations are designed to keep system diversity high), etc.

Instead, the release, such as it was, was *artificially aborted*.

Between President Obama's agreement to support the global commercial banks in 2009 (along with other global political leaders) and the concerted policy actions by the Fed, the Bank of Japan, the Bank of England and the European Central Bank (take note: these are all the post-World War II *world state* clients), global leaders moved too rapidly back through a mini-cycle that 1) *reorganized* global resources, 2) used them to fuel another mini *rapid growth* cycle (that benefited mainly the asset-owning globalists) and 3) put us right back into the *conservation* stagnation where we were before (and we remain today). All that effort and money, and the only difference is we now have even more national debt than before (and asset bubbles everywhere). **Voters remain angry with existing power monopolies, and the system remains dissatisfied with its level of resilience.**

Here's Piketty:

The pragmatic policies adopted after the crisis of 2008 no doubt avoided the worst, but they did not really provide a durable response to the structural problems that made the crisis possible, including the crying lack of financial transparency and the rise of inequality. The crisis of 2008 was the first crisis of the globalized patrimonial capitalism of the 21st-century. It is unlikely to be last. (Piketty, 2013, p. 473)

It's important to point a few things out here. Like I described in part I, you never know which straw will break the camel's back. Let's imagine that in 2008 we had high social trust, coherent and cooperative governing parties, plenty of financial savings, a healthy and happy populace, etc... In that instance, we might imagine that the 2008 meltdown would have been terrible but not fracturing to the people of the west, their cultures and their economic fabric. As Gunderson and Holling state it so nicely in Part I, the *world state* might not have been an *accident waiting to happen*.

But that wasn't the case, and fracturing is exactly what we've seen. From Occupy Wall Street to the Arab Spring to Brexit to the US presidential election, the world is in the grip of angry, populist movements.

If everything else about our world system was resilient, and we had gone through the creative destruction the system was calling for after 2008, we might already be into a healthy, powerful and massively regenerative *reorganization* phase as we speak. (Whether that reorganization would have been significant enough to preserve the overall hegemony of the United States is impossible to say, but surely it would have extended it.)

Instead, predictably, in the past 8 years, despite the major systemic reset after 2008, system resilience has proceeded to go right back into total decline. Overall

global debt is the highest it's been in history. Across the board asset values are once again approaching bubble territory. Labor has been decimated in Europe, and is only now seeing its first real wage gains in the U.S. Political establishments are polarized. The Eurozone might collapse. NATO is threatened. TPP has been abandoned. Public trust in government is in the basement, and social trust in each other is, as we've seen, low. Adding to this are indirect effects that are easy to miss, like the decline in geographic mobility of families due in part to illiquid real estate and problematic credit scores: these post-Great Recession effects lock people in place, making the labor force less mobile—i.e., less adaptive and less resilient—and only add to the frustration of a population that's not fully adjusting to where the 21st century job opportunities are arising (e.g., coastal urban centers vs. inland industrial centers).

Even if 2008 wasn't a full release and terminal breakdown of the U.S. systemic cycle of accumulation, it *did* still represent an end point (and therefore release) of a major adaptive cycle, arguably an intermediate breakdown in the financialization process underway since 1980.

The rise of leaders like Trump, who are lambasting the Establishment, are doing so because during the *attempted release* of 2008, establishment leaders once again backed the capital class, *where resources were already tightly connected, non-diverse and highly monopolized*. (Corporate profits have since risen to all-time highs.) They did this for reasons that aren't evil, just *rationally bounded*: they didn't recognize that a forest fire is exactly what brings new systemic resilience, and so they doubled down on what they knew, which is that overall global prosperity has skyrocketed under the world state, the post-World War II order. But by so doing, it is quite possible they accelerated the world state's final release and reorganization toward a post-United States hegemony.

It's precisely because total prosperity has been so incredible under US-sponsorship since 1945—billions of people have been brought out of poverty since the end of the war, and trillions of dollars of capital have flowed to the nations loyal to the world state—that it's inevitable that the system was getting less and less resilient. Its release is inevitable; the only question is when does it hit and what does it look like?

What we've needed are voters and policymakers who could exercise *unbounded rationality* of whole-systems and not just the narrow logics of partial constituencies, and who would notice that the system had become irresilient across so many aspects of our lives: poor educational outcomes; chronic disease prevalence; work-life imbalances; retirement savings shortfalls; social trust degradation; political polarization; depression and mental health rates; college debt levels; real income stagnation; political correctness authoritarianism;

cultural fragmentation; wealth imbalances; obscured feedbacks and price signals...

Instead we got President Trump.

In retrospect it's not hard to see that the system was ready for a massive disruptor like President Trump who can take it back into the *release cycle that wasn't*. Let me remind us: systems, and the millions of entities and feedbacks that constitute them, aren't something you negotiate with, nor are they something you hide from. We've dodged the necessary reordering only temporarily since 2008. Trump, and leaders like him, are, in their own way, being voted in in the hopes that they'll try to alleviate pressure in the system.

### **Will a terminal crisis in the United States include a war?**

Although it might seem hard to imagine today (or, to some people, perhaps not), if we're loyal to the story we've outlined so far, we might expect a terminal crisis in the US cycle of accumulation to include a war. Past terminal crises were always centered in a war of some kind: the Italian Hundred Years' War, the Thirty Years' War, The Anglo-Dutch Wars, and the World Wars, most of which lasted at least thirty years. As strange as it is to speculate on what seem like contingencies of history, nevertheless these wars all stand as evidence of multi-decade military conflicts that exhaust the financial capacity, and clearly, the resilience, of the reigning hegemon.

There is a reasonable case to make that the United States, failing to learn from both political and military history, came to completely the wrong conclusions about the revolution of Iran in 1979 and thus embarked on a 40-year, self-inflicted suicide policy of ever-escalating, ever-expensive, and ever-irresolvable military intervention in the Middle East. It has suffered more financially and in its standing as a global leader due to its Middle East policy than from any other foreign policy since the country's founding, and the domestic repercussions throughout the country will continue for a generation or more. While it's not obvious that the U.S. has precipitated the end of its hegemony with its Middle East policy, it's also not out of the question: if one combines the toll on the national treasure, the loss of international moral leadership, the transformation of a minor international threat into a major domestic social divide, and the way it has fueled a resurgent isolationism, one could argue that the U.S. has already dealt itself a terrible blow.

(For my part, I fully expect the Trump administration to try to take the U.S. to war by 2019, which will be after the 2018 midterm elections, after legislation dealing with tax reduction, and right before the next presidential election. North Korea is the most obvious and convenient target, though Iran and ISIS are also

candidates. Regardless, Trump's request for increased military expenditures will continue to strain the national treasure.)

Looking beyond a military misadventure of its own making, I believe that American suffering will increase to the extent of its failure to wise up. Given its overwhelming military advantage around the world, its dominant capital market, its relatively-robust entrepreneurial environment (relative to the world, not to its own past) and its incredible wellspring of natural and human resources, only the U.S. itself can accelerate its own demise. (And yet, it seems to be doing a fine job anyway.)

Arrighi points out that in each cycle the likelihood of the hegemon inflicting its own mortal blow has tended to increase as it loses moral legitimacy and seeks to dominate its global community:

As David Calleo [in *Beyond American Hegemony*] has suggested, the 'international system breaks down not only because unbalanced and aggressive new powers seek to dominate their neighbours, but also because declining powers, rather than adjusting and accommodating, try to cement their slipping pre-eminence into an exploitative hegemony'. Our comparison of past transitions shows that the role of aggressive new powers in precipitating systemic breakdowns has decreased from transition to transition, while the role of exploitative domination by the declining hegemon has increased. Dutch world power was already so diminished in the declining decades of its hegemony that Dutch resistance played only a marginal role in the systemic breakdown in comparison with the role played by the emerging, aggressive empire-building nation-states, first and foremost Britain and France. By the time of its own hegemonic decline, in contrast, Britain remained powerful enough to transform its hegemony into exploitative domination. Although the emergence of aggressive new powers—first and foremost Germany—still played a major role in the breakdown of the British-centred world system, Britain's resistance to adjustment and accommodation was also crucial. Today we have reached the other end of the spectrum. There are no credible aggressive new powers that can provoke the breakdown of the US-centred world system but the United States has even greater capabilities than Britain did a century ago to convert its declining hegemony into an exploitative domination. If the system eventually breaks down, it will be primarily because of US resistance to adjustment and accommodation. And conversely, US adjustment and accommodation to the rising economic power of the East Asian region is an essential condition for a non-catastrophic transition to a new world order. (Arrighi & Silver, 2004, p. 288)

Exploitative domination is President Trump's hallmark, an idea I think that his supporters would not only support, but endorse as the reason they voted for him. "Make America Great Again" captures the spirit of a portion of the U.S. that believes the country is on the ropes and in terrible straits; they're "tired of losing" and tired of "terrible deals" with other countries.

## **Beyond war, what will a terminal crisis in the United States include?**

Whether we look through the lens of systemic cycles of accumulation or the lens of complex systems (and I've argued they're much the same lens in the deeper structure), we see that alongside world-economic stagnation and irresilience comes a forced adaptation by capital to fund a new world-economic reorganization that can generate a new period of capital growth. As we've seen, this reorganization can include innovations and changes in technology, governance, military power, money power, geopolitics, social policy and other areas.

Now let's pretend we're 25 years in the future, and imagine a not-unreasonable picture of the world then: China finally has a powerful navy that can offset the current claim by the United States that it alone guarantees world economic trade (by guaranteeing the safety of the world's waterways). Back in 2017, when U.S. President Trump walked away from TPP and renounced his belief in NATO, the UN and world trade, China moved quickly to establish new commercial and security agreements that could become the seed crystal to quietly replace the world state (its One Belt, One Road initiative is just one of many examples of China's clear efforts to do so).

Today, twenty-five years later, global warming has pushed a billion climate refugees from the global south into the northern countries, fracturing their domestic social fabric beyond all recognition. The internet has become an internet of things, connecting artifacts in the real world with real-time sensing, and driven by supercomputer-level intelligence in order to respond to human needs and wants. Artificial intelligence-level automation has replaced 30% of the jobs that existed in 2017. Because of winner-take-all digital platform economics, the wealth gap has grown even as those jobs have been replaced.

Due to aging demographics and paltry productivity gains, economic growth has continued to revert to its long-term historical mean of 1.5-2%, exacerbating the real income stagnation of the middle class. Chronic disease prevalence and an aging population drive more and more of the national income to healthcare. Alongside automation, wages in the west continue to feel downward pressure through labor equalization with poor countries in the global east and global south. Capital continues to fuel this gap because it is through less-costly labor, automation and winner-take-all technologies that it can continue to grow unabated.

As the cost of living increases, the wealth gap grows, incomes stagnate and the war for true middle class jobs continues, waves of populism increase. Politicians in the west, particularly in the United States, make the choice that through history politicians usually make: they sell out future generations and use their reserve currency status to borrow money, doing so in order to simultaneously



fuel the wealth gains of the 1% through tax cuts while also providing growing social entitlements to assuage the anger of the 99%. The fiscal and monetary crisis deepens.

Alongside this growing systemic crisis, which sits at a nexus of demographics, productivity, automation, entitlements and bounded political rationality, the blockchain has become an important background transaction record for social life. The *multinational capital holon*, sensing the decline of the dollar, fuels a move to the world's first trans-statal currency regime on the blockchain (by the way, this is the kind of event that is a candidate for the actual moment of system release and onset of terminal crisis). Much like every hegemon that has enjoyed a monopoly before it, the United States will not be able to justify accommodation of this development, so the Chinese government backs this currency regime with the full force of its economic and military might and recruits other global governance bodies (like the United Nations) to give it international legitimacy that transcends the United States. The United States, buckling under the weight of rising interest rates and a declining dollar, scrambles to defend its position, but the game is already over. The only question is whether the United States uses its military might to try to force capitulation and eke out concessions that make its decline nominally less painful.

That's not a pretty picture, but if the United States actually encounters a full terminal crisis, I think those are roughly the forces involved: climate change; political narrow-mindedness; debt; capital flight; growing entitlements; aging demographics; geopolitical competitors; technology; automation; wage equalization; moral illegitimacy; and growing wealth disparities.

### **How is a United States terminal crisis and its status as world's reserve currency related?**

The above scenario could be very well be off in one important respect: the loss of dominant reserve currency status of the United States might happen far faster sooner than 2042, and it might well be a good thing when it does, rebalancing some of the global imbalances that have plagued the global financial system up to this point.

As a brief, simple overview, consider that global trade occurs as countries specialize in whatever they produce better and more inexpensively than others. A country like China (or Korea before it) has spent the past several decades investing in education, investing in industry, and consuming far less than it produces. This has produced net savings within the country as China has sold its relatively-inexpensive production to net consumers like the United States. In this manner, the United States has run a trade deficit while China has run a trade surplus.

As the United States Dollar is also the main reserve currency, it is what many national central banks have kept as reserves to shelter them against financial shocks. In this way, the United States has, through its trade deficit, shipped its dollars overseas, and in return has borrowed from those countries for the products it has purchased. It has played the role of reserve currency, but in so doing (and by necessity), excess dollars have had to be available on the global market, which has necessitated the United State being a net debtor.

To summarize, there's a win/loss tradeoff for everyone involved. The sponsor of a reserve currency gets more credit to buy "more stuff" from foreign countries, and their borrowing is at a lower cost (i.e., lower interest rate) than it would otherwise be (because interest rates are held below market as countries are effectively paying them for the security and stability of currency sponsorship). In turn the US Dollar is valued more highly by the market than it would otherwise be (because demand for dollars is higher than it otherwise would be), but that higher value dollar hurts US exports and makes its manufacturing sector less competitive. Net net, the US consumer gets more stuff at lower prices (think about a trip through Costco or Wal-Mart), while the nation gets cheaper long-term financing of its debts, a higher overall debt load, a higher trade deficit, and less competitive export and manufacturing economies.

The developing countries who are net savers also face tradeoffs: they benefit by growing their manufacturing base on their relatively-cheaper currency, but to do so they have to save and invest those savings in the borrowing of the United States. They get to increase their national wealth and grow their overall economy towards the status of a rich, developed nation, but at the potential cost of remaining a creditor to a rich customer and holding US dollars whose value might be inflated away by the treasury of the US government. Moreover, the ongoing financing of American consumption diminishes the resources available to build a consumption-oriented middle class domestically.

This problem was identified quite clearly by economist Robert Triffin in the 1960s and came to be known as the Triffin Dilemma. John Maynard Keynes actually had anticipated this problem decades earlier and tried to establish a global reserve system known as the "Bancor" during the Bretton-Woods negotiations, which was rejected by US negotiators. Ironically, the International Monetary Fund, a legacy-holder of the post-war *World State*, recommended in 2009 implementation of a transnational asset class of "special drawing rights" that make a move in that direction. Even Zhou Xiaochuan, governor of the People's Bank of China, advocated in 2009 for such a move off of the dollar, citing the Triffin Dilemma as an underlying cause of the Great Recession of 2008.

In light of the above, it is safe to say that the role of the US Dollar as reserve currency is intimately bound up with overall US irresilience: the country has within it countervailing forces that enhance its inflexibility. It has a populist movement that wants to restore manufacturing and would likely cheer a declining dollar that boosted the export sector (despite long-run inflationary threats and cuts to social services brought on by higher interest rates). And it has a capital and political class (at home and/or abroad) that wants the US to remain a net debtor at sub-market interest rates (for various reasons: in order to boost stocks through lower interest rates, protect the value of dollar-denominated debts held by lenders, maintain borrowing to keep high domestic and entitlement spending so politicians don't need to make hard tradeoffs, etc.). Whatever the view, however, what is clear is that growth in US debt is unsustainable and its role as a reserve currency will be bound tightly with any coming terminal crisis.

### **In light of a possible approaching terminal crisis, how might we re-interpret Trump and his policies?**

Like the Great Recession of 2008, I believe that Trump is both a harbinger and a symptom of the coming U.S. terminal crisis. In the lower-left, cultural quadrant, Trump is an “anti-green” rejection of the failed, anti-hierarchical logic of our postmodern backdrop; in the lower-right, systems quadrant, he is the culmination of how capitalists have used green-altitude, world state systems (globalization, technology, regulatory capture, a unipolar defense industry, and the cheap money available as a reserve currency, above) to enrich themselves while allowing the world state itself to become increasingly irresilient.

The citizens of the west are reacting to what I believe is accurate underlying calculus: disruption was needed in order to try to stem the decline and stagnation of the post-war order. No one knows how long it will last or what is in store for us at the level of particulars. But at the level of deep structure, the *national holon* is seeking to preserve its purpose and identity in the face of cultural and economic onslaught. To do that, it will need to challenge the *world state*, the multinational capitalists and the cultural progressives all at once in order to break up existing power monopolies, disrupt existing worldviews, decouple resource connections that are too tightly interconnected, and challenge international loyalties. The net effect will be to catalyze the emergence of new innovations, cultures, behaviors, skills, mindsets, identities and energies that will be the *reorganized* soil from which a new, *rapidly growing* world can then arise.

When a large complex system releases as much energy as what we've been discussing, you can expect fireworks. There will be millions of small adaptations that are generated by people in every walk of life, across every industry, in every

domain of society. A quick walkthrough of anyone's Facebook stream shows how fragmented we're all feeling right now.

Yet among those millions of everyday adaptations that we're all making, there will also be a few hundred seismic adaptations in bigger domains—like journalism, the rule of law, immigration, the role of the church, etc.— that fundamentally tweak the structure, behavior, values and thinking *in each of those systems*. In other words, the resilience-seeking breakdown forces adaptations in holons at every level below it (the holarchy is downwardly causative).

These changes bring great learning, new skills, the challenging of conventions and the development of new methods and technology. Some of the changes wrought will live in the interiors of people or groups, some will be formalized in the exteriors as rules, regulations, policies, techniques, new sciences, etc. Others still will be geographic: as I speculatively imagined above, we might well expect a hegemonic reorganization towards Asia as the new center of world power, something that plenty of signs point to as already underway.

In short, it's a time of incredible fecundity in ideation, experimentation and adaptation. It's uncomfortable at best, downright terrifying at worst. To some it feels like the world has been born anew, to others it feels like the world is in the final gasps of its death. But the uniting factor is the raw magnitude of the energy released, the irresistible compulsion to become engaged, the awesome sense that this is a historical moment and "I am living inside of history in the making."

Here are some systemic adaptations I've either already seen or expect to see it in the next few years, organized into levels that indicate my estimate of the average level of consciousness/complexity of each system being impacted. As you read through them take notice of how these adaptations might increase resilience by changing connections, norms, resources and power flows.

### **Green/Information Age**

*Changes in the multicultural norms of a secular, postmodern culture and the fast-moving, winner-take-all economics of an advanced, globalized information age economy organized around a multilateral, but US-sponsored, world state*

- Trump has exploited cultural relativism to break political conventions, opening the door for political participation to a much wider group of candidates
- Progressive forces are being forced to reexamine their relationship to the political center and compromises they've made with the economic globalists who dominate it (e.g., Obama's bank bailout of 2009)

- As nationalists reject globalization and international confederations, a move for a new United Nations-sponsored “global passport” emerges for globalist citizens
- Universities are being forced to confront political correctness by differentiating their mission to challenge young minds from philosophies that over-privilege the subjective experience of every student
- Supporters of identity politics are being forced to accommodate the natural endpoint of their philosophy: that a significant portion of (majority) whites now claim to feel like a disempowered, repressed minority
- Social networks are creating counterbalancing algorithms against fake news and to reduce their role in rampant *epistemic closure*
- The correlation of asset class values around the world becomes decoupled, and monetary policy stops being the overriding signal for global asset values
- Alternative and cryptocurrencies arise to provide higher, transnational capital mobility in the face of social unrest and inflationary counterattacks by the failing hegemon (in other words, people eventually flee the dollar)
- The United Nations will have its charter implicitly reaffirmed by a group of nations counterbalancing the nationalist regression (and hegemon-status) of the U.S.
- China rises to assert itself as the new patron of the multilateral, international economic order and certainly the sponsor of the Asian trading region (e.g., TPP, Davos)
- The global press is being forced to assert its legitimacy by reminding its audience of the journalistic ethics that undergird its methods and credibility
- Twitter and other short form media becomes less useful as a shock and intimidation tool as it simply becomes rote

## Orange/Industrial Age

*Changes in the liberal, post-Enlightenment norms of a religiously-plural culture centered in the rule of law, and the orderly, robust value-creation of an advanced industrial age economy*

- Mexico, China, Germany and other mercantilist nations will band together with other nations to create an economic counterweight to US hegemony
- Voting participation will increase as complacency becomes engagement and democratic outcomes carry consequences
- The Congressional right will be forced to articulate which principles of core conservatism are real and which are negotiable, including on deficits, taxes, global trade, banking deregulation, violations of political norms, and constitutional violations (a similar analysis is somewhat less applicable to the left because it no longer controls government, at least in the U.S.)
- Silicon Valley begins inquiring more deeply into the purpose and effects of the technologies they're creating, and how to build technologies that foster civilizational sustainability
- Wealth holders realize the real threats posed by an increasingly unequal society, and face the immutability of their reliance on, and interconnectedness with, their fellow national citizens
- Wealth holders flee the declining hegemon by setting up property in safe foreign markets
- Voters and policy makers begin to take more seriously the concept of economic and social class, and the disparate wealth effects that accrue to class-biased policies
- The entire political spectrum, all of which has been mostly backward-looking, will be forced to update their governing doctrines (probably in dramatic ways) to the reality of artificial intelligence and jobs gutted by automation
- Voters, healthcare executives and policy makers are forced to reaffirm which tradeoffs among choice, coverage, quality and cost are acceptable in the U.S. healthcare system
- Scientists will increasingly come under attack or be marginalized in their role of providing an empirical backdrop to policy-makers, and they'll martial forces to counteract illiberal anti-empiricists

## Amber/Agrarian Age

*Changes in the tribal norms of a Judeo-Christian culture and the labor-centric prosperity of an early industrial age economy centered in an agrarian mythos*

- Populist administrations will try to redefine the nature of truth and the credence of propaganda
- Citizens of western democracies are forced to confront the deep divide in their countries to combat *anomie* and begin to find deeper shared values (upon which the social holon can re-animate its agentic/tribal boundary, and also from which to further evolve)
- Opposition voters are forced to accept that the image of their nation they've held in their mind (and heart) as an ideal is contingent and not an inevitable historical reality
- Russia makes overtures to re-normalize relations with the west given the buildup of NATO on their western front while testing and provoking the newfound instability of the US in other theaters
- The Islamic world is forced to decide whether its own sectarian divides are more important than confronting the U.S. as a united front in its declaration of war on Islam
- Populist voters will confront the tradeoffs produced by their protectionism, such as the London banking sector being moved to Europe post-Brexit, or a stronger dollar produced by Trump's policies wiping out Rust Belt exports and jobs (est. 400K jobs lost first 90 days after election)
- The free press will come under increasing attack as authoritarians try to shift public trust from the media and to themselves personally
- As families become increasingly divided members will be forced to confront their media echo chambers and fragmenting value systems
- Spiritual communities will confront the tension between active political engagement and passive nourishment for the soul

These lists could go on. My goal was not to create a list of *good effects* or *bad effects* but to simply show how and why the rupture in the governing geopolitical power contract since 1945 has such manifold ripple effects. I tried to stay neutral in my judgment, simply diagnosing and describing either what I've seen happening or what I think will happen (and it goes without saying that reasonable people can disagree about my placement or description of each one). Again, each one of these is itself a complex adaptive system responding to a new landscape, and it's my goal to demonstrate the scope of disruption,

innovation, new thinking and energy released that occurs when we're inside of a system *release* of this kind.

What's most notable about the lists above is the fact that inside each adaptation there is a set of tradeoffs: some people will be better off, some worse off; some people will have their values affirmed, others will have theirs violated; some people can afford to weather the disruption, some will have almost no resilience at all. But in no case will anyone in the western world not feel the effects of the release phase; it's ubiquitous and central to our daily lives.

As *Business Insider* reporting recently summarized in describing General David Petraeus's testimony before the US Congress:

The post-World War II world order had begun to face an “unprecedented threat from multiple directions... Americans should not take the current international order for granted,” Petraeus said. “It did not will itself into existence. We created it. Likewise, it is not naturally self-sustaining. We have sustained it. If we stop doing so, it will fray and, eventually, collapse.” During his testimony to the House committee, he warned against isolationism and protectionism, which the new administration's policies support, instead advocating the kind of promotion of democracy around the world that the US has engaged in since World War II. “To keep the peace, we led an effort to establish a system of global alliances and security commitments underwritten by US military power and the deployment of our forces to bases in Europe and Asia,” Petraeus said. “To create a foundation for prosperity, we put in place an open, free, and rules-based economic order intended to safeguard against the spiral of protectionism that produced the impoverishment and radicalization of the 1930s. And to protect freedom here at home, we adopted a foreign policy that sought to protect and, where possible, promote freedom abroad along with human rights and rule of law.”

This *world state* is precisely what is under attack. And in the case of each adaptation above you can detect dynamics we've addressed throughout this essay: systems becoming irresilient and stagnant as they settled into their monopolistic patterns, now being broken apart and having to *reorganize* in order to maintain their *purpose*; systems that had become over-dominant *parts* having to confront the realignment and pushback from the wholes they've purported to serve; wholes getting pushback from parts as they over-regulated, or stifled freedom and innovation, or had system misalignments, which in some cases even threatens the continuation of the whole itself (e.g., Eurozone).

When we watch how the world is adapting, we can also draw another important conclusion about our moment: we're being stifled by our narrowness. Our political instincts aren't geared to whole-systems thinking, we fall into the trap of bounded rationality almost automatically, and we almost never think about system purpose and resilience as desirable determinants of national health in themselves.



Since 2008 we have been in a systemic struggle for a rebalancing that no one political leader has been willing to accept—not here in the US, nor around the world. President Obama avoided it in the name of mature global stability, and on behalf of globalists and corporate powers. Very few leaders *want* to be the release phase disruptor.

Yet President Trump takes pride in it, and he won because it's actually *who he is*; the quotes from his supporters—many of whom evidence the “tribalist” mindset that I described in *The Great Divide*—make clear that they voted for him precisely because they want the system disrupted. In their own ways, they are inadvertently pushing the system to higher resilience, and they don't totally care where the chips fall as long as they achieve their goals: erect a stronger border; bash the cultural hypersensitivity and loosen up the cultural thought policing; create good jobs; shrink the Federal bureaucracy and put more power into the hands of the states; decrease tax rates; withdraw from international confederations; eliminate regulations.

For those who rail against the current turmoil of our polity, I have what might be an unpopular thesis to put forward: many of the nationalist's objectives are resilience-seeking moves.

The language nationalists use is precisely the language you'd expect at the end of a *conservation* phase when resources have become stagnant, bound up in unproductive monopolies that benefit too few in society and around the world. Trump won because he spoke directly to this pain. Trump voters, if I had to choose a single word, are *defiant*. They seem to say: “We don't want your truth. We don't want your policies. We don't want your establishment. We don't want your rules. We don't want your norms.” That is the essence of defiance, a standoffishness against anything that the current system *is*. They want the current system broken up, and in that desire is the unwitting demand for the system to move to higher resilience.

From a whole/part dynamics point of view, they want the *national holon* to reassert itself *upwards* against the *world state holon*, and laterally over the *multinational capital holon*, and they want it to reassert its purpose and function downwards over the *immigrant community subholon*, the *corporate community subholon*, and the *progressive cultural subholon* (just to name a few). They do so because they want to restore freedom to the parts and more *hierarchical integrity* to the whole (integrity, in the strict sense: does the national holon have the right to set and defend its own boundary, and if yes, then it's doing a terrible job, ergo: “Build that wall!”).

But that doesn't let them off the hook.

No complex system is simple, and much of what nationalists and populists are proposing will likely *decrease resilience* in terrible ways. If Trump's detractors miss the system resilience he's catalyzing, than his supporters miss how status quo he really is and how crudely he's mis-executing what's required. He is disruptive in many of the wrong ways, and under his watch we could very well end up with a prolonging of the system's search for resilience and reorganization:

- The international order works well when you have friendly nations united in common purpose, and ditching those allies or treating them as second rate citizens is not a recipe for engendering support when and if the US ever needs it (and, be sure, it will).
- Resilience doesn't decrease when national debt levels go even higher, as they're projected to under the tax and spend plans of the Trump administration.
- Resilience goes down when we put an entire religion on notice that the U.S. considers them an enemy.
- Resilience goes down when we try to discredit the national media, which exacerbates the lack of a consensual reality.
- Resilience goes down when we use beggar-thy-neighbor protectionism and start trade wars in a reversion to 19th century mercantilism, which will decrease overall growth and prune job diversity.
- Resilience plummets when we pick irrational or bigoted fights against minority groups, further straining our shared national values.
- Resilience goes down when the level of wealth disparity continues going up, which it will with wealth-friendly supply-side tax policies driven by a massive tax cut for the wealthy (saddling the middle class with huge deficits and an increase in the national debt).
- Finally, I suspect that resilience goes down when we "over tighten" our immigration policies (either through restricting our labor supply or by militarizing our border).

### **Why is resilience so important as an end in itself?**

As we've seen, resilience refers to a system's capacity to withstand change without loss of its identity: structure, purpose and form. And yet we live in a world where the pace of change is beyond conception. Digital technologies, the speed of computing, the interconnection of high-speed networks, artificial intelligence...if for no other reason than these, there is a deep and compelling argument that *human societies will not survive post-singularity if they don't adopt a thorough politics of resilience*. But let's move beyond that argument, even though that one alone is enough for me.

Resilience itself is a scientific term, not an ethical one. So if the system is unethical than obviously you would hope it's irresilient and breaks down quickly so that a new system can be put in its place. This clearly animates many of the detractors hoping for an end to the U.S. led cycle of hegemony and the increasing class conflicts it's generating.

I would guess that most people fall somewhere in the middle: though they may not appreciate it until it's threatened, at the end of the day they cherish what the U.S. and its allies have helped to provide: relative peace since the end of World War II and relatively-robust opportunity for economic advancement, education and a decent quality of life. This is by no means universal and clearly there are huge failures along the way, but for a species that mostly hasn't stopped warring, perhaps ever, the relative peace and prosperity of the past 70 years has been indisputable. That said, there's no doubt it has begun to falter in the past several decades for many in the west (while in the east they are enjoying incredible new prosperity and opportunity). So while the report card is mostly positive there's no doubt we have the onset of a deep-seated, and unacceptable (to me and many others), set of problems. As I've told many of my friends, I may be one of the winners this generation, but I will not contribute to the perpetuation of a winner-take-all world that my kids will inherit; it's unethical and insane.

What's striking, however, is the degree to which the problems arose with financialization since the 1970s (again, I'm assigning correlation, not total causation). As leading moral philosopher Michael Sandel writes in *What Money Can't Buy*:

The most fateful change that unfolded during the past three decades was not an increase in greed. It was the expansion of markets, and of market values, into spheres of life where they don't belong... The reach of markets, and market-oriented thinking, into aspects of life traditionally governed by non-market norms is one of the most significant developments of our time... In a society where everything is for sale, life is harder for those of modest means... but as money comes to buy more and more—political influence, good medical care, a home in a safe neighborhood rather than a crime-ridden one, access to elite schools rather than failing ones—the distribution of income and wealth looms larger and larger... It is not [just] about equality and fairness but about the corrosive tendency of markets. Putting a price on the good things in life can corrupt them... This is a debate we didn't have during the era of market triumphalism [the 1980s and 90s]. As a result, without quite realizing it, without ever deciding to do so, we drifted from *having* a market economy to *being* a market society. [his italics] (Sandel, 2012, p. 7-11)

From this viewpoint, resilience become more than a scientific term: it becomes a way to appreciate that when society is sharing its resources more widely, it has greater flexibility and a deeper appraisal of those things that transcend price. Resilience does evidence system diversity and agility, and a capacity to withstand

shocks and hardship. Beyond that though, resilience is fundamentally a *good* thing, a way to assess whether society is taking care of its moral obligations as a unified tribe. It is not the only gauge of that, certainly, but with respect to a system that has become stagnant over the course of 70 years, it is perhaps one of the more important guide lights to judge how to proceed. Resilience becomes a reply to the amoral, totalizing logic of markets, of neoliberalism run amok.

How might resilience, alongside better discernment of whole/part logics—becoming more aware of the appropriate hierarchical functions for holons: purpose, regulation, freedom, growth, etc.—how might these concepts practically guide us to better social, economic, and political choices:

- Which policies and technologies promote autonomy and innovation?
- Which policies and technologies promote resource diversity?
- Which policies and technologies promote appropriate submission to higher purposes?
- Which policies and technologies are smothering and repressing lower purposes?
- Which policies and technologies create shared prosperity and cultural trust?
- Which policies and technologies foster communal resources?

On these questions and others, President Trump and his administration have some strengths, but are also a disaster. After 70+ pages of making certain arguments that might give populists comfort, let me be clear the other direction: Donald Trump evidences almost the worst form of simplistic thinking possible. It's bad enough that he is a narcissist who has no capacity to hold a moral center for the country (much less the world). The brutish simplicity of his thinking is exactly what we don't need. It is an extreme form of the pre/trans fallacy that Wilber talks about, but applied to world governance: just because destroying everything in your sight can produce more simplicity and thereby generate a form of renewed resilience (i.e., it can take us back to *pre*-world state governance where some reorganization, *any reorganization, no matter how ugly*, is forced upon us), it's a massive and harmful regression compared to the skillful leadership that could include resilience-generating policies of a *post*-world state governance.

This is classic pre/trans thinking on part of the nationalists and a mistake in both logic and principle I see some of my friends on the right making: because Trump is not Hillary, and because he's a rejection of the globalist status quo, he must therefore be taking us forward. Wrong. He's trying to take the U.S. back quite explicitly to the ethnic and economic nationalism of the pre-World War I period,

and the public record is almost a caricature of itself in how demonstrably clear that is.

Meanwhile, we continue to seek a *trans*-world state leader: a post-world state leader whose platform and governance will evidence unbounded rationality, whole/part logics, restoration of hierarchy, and a concerted and explicit platform of resilience-generating policies. Let's just call this what I think it is: we're looking for an integral politician.

### **What might such an integral politics entail?**

This is a book-length topic in itself but hopefully some of the spirit of such a politics has already come through. To start with, let's outline a few of the basic admissions that we need to make across the political spectrum.

Sophisticated conservatives need to...

- Admit that market failures are real and not uncommon, and that "bounded rationality" is a real and extremely-powerful fact of life: People and entities will always make decisions that are bounded by their own rational best interests and narrow viewpoints, but those rational choices for the individual can create devastating impacts for the community, for the economy, for the citizenry, and for the planet.
- Admit that free market capitalism has serious contradictions that will, at some point in the material evolution of the species, become untenable: growth cannot be infinite (we have a limited planet, with finite resources); capital cannot wipe out returns to labor without also wiping out market demand (people can't pay for goods with money they don't have); prices do not fully capture total real costs (and so capital always exports externalities on to society); and so on
- Admit that individual freedom can never be the sole moral arbiter for social life (or else nonsensical propositions arise: murder would be legal, etc.) and markets cannot be in any way, and so there will always be an appropriate but valuable tension between individual and collective interests, and the goal should be to manage this tension, not eliminate it (which is impossible)
- Admit that while system resilience *is* found through diversity (like empowering state policies over a single federal government), better feedbacks (like free market price signals) and nominally less regulation, it's also true that power and capital accumulation *do also* foster irresilience, *as do* stripping out support for other forms of diversity (like the arts, sciences, education etc.), *as do* economic and political monopoly
- Admit that the purposes and functions of systems in the hierarchy of social life (individual, family, community, government etc.) are often perverted by

financial interests hiding behind the libertarian side of the individual-collective polarity, and that regulatory capture and other forms of domination and alienation of the life world by capital is quite explicitly part of its DNA: it has no innate conscience, which is neither good nor bad unless we pretend that it is capable of internal self-regulation

On the other hand, sophisticated liberals need to...

- Admit that governmental failures are real and not uncommon, and that the “bounded rationality” of protecting groups over individuals often leads to repression of individual interests and liberties
- Admit that progressive views of capital often lead to policies that obscure price signals, lead to inefficiency and waste, and obstruct innovation and competition over the long-run
- Admit that collective interests can never be the sole moral arbiter for social life (or else individual freedom would not exist), and in the valuable tension between individual and collective interests, the goal should be to regulate for liberty (individual) *and* emancipation (group), generativity (growth) *and* resilience (sustainability)
- Admit that progressive goals to centralize the function of social and economic justice (in a powerful federal government for example) can, over time, lead to increasing system irresilience, necessitating policies that restore diversity (decentralization), system feedbacks and that break down social and political monopolies
- Admit that the purposes and functions of systems in the hierarchy of social life (individual, family, community, government etc.) are often perverted by social interests hiding behind the communitarian side of the individual-collective polarity, and that “cultural capture” and other forms of repression in the life world are innate risks of social justice: it aspires to pure conscience, and in so doing often misses its moral contradictions

Because fools rush in, here are some concrete policies we might consider for the evolving life conditions of the twenty-first century:

To maintain societal sustainability in the midst of structural drivers of wealth disparity, we might need, as Piketty suggests, a tax on capital.

A universal basic income is not unlikely in a world of rising automation (and almost a certainty in a world of free energy).

We could very well benefit from a balanced budget amendment that forces national resilience over time and brings the national debt under control; perhaps this could be struck alongside a grand bargain that establishes in law a range of

tax rates that the government can move between among generations but never exceed nor dip below: in effect, anticipate the adaptive cycle itself and give the political process and society the range it needs to grow and contract as the cycle progresses, sometimes with lower rates, sometime higher.

We need campaign finance reform in order to eliminate power monopolies and restore proper feedbacks in the political process. Personally, I think elections should be financed by the public with a set amount of funding for every candidate, with no private funding allowed. Beyond the direct effect on non-citizen electioneering (i.e., corporate interests, special interest lobbies etc.) would be the even larger complex systems effect on political behavior as feedbacks change: politicians would no longer be passing special interest legislation this year to ensure full campaign coffers next year paid for by those same interests. If there is a single change we can make to restore resilience to the U.S., I believe this is it.

We no doubt need to liberate innovation in healthcare, education and other areas that have become stagnant due to government centralization. Fundamentally I think this entails acknowledging and restoring proper hierarchies and designing for (not ignoring) irresolvable polarities inside these domains. To take healthcare as an example (but it might apply to education as well): we might need to move toward a nationalized healthcare system at the base of the pyramid and a market system that sits atop of it. We have already nationalized the demand (through Medicare and Medicaid) but we've allowed the supply (hospitals, doctors, drug and DME providers) to pretend to free market pricing—we should simply re-align the system so that there is nationalized demand and supply in one safety net system, and market-based demand and supply that sits atop that. Some might say we have this already but we don't: there are immense tradeoffs in quality, innovation, risk, price and access that accompany each side of this spectrum, and a smart hierarchical health system would explicitly acknowledge and accommodate each of them and stop pretending that one system can perfect these tradeoffs (it can't and won't). Whether we like it or not this is what we're evolving toward: it would be better to acknowledge it and do it explicitly.

(As an important aside, healthcare is as good an example as any to highlight a systemic meta-critique: As a society, led by politicians who can't be honest with voters under the existing campaign finance system, we're simply not able to even have the right, honest conversations about the real problems we face. If we can't have the right conversations, we have no hope of even identifying, never mind solving, the real problems.)

I believe we need a more forceful *Constitutional tribalism* that centers on the Constitution and the binding shared values of the country; this should be a

much more rigorous, mandatory education from K-12 on the nature, power and responsibilities of our republic.

We obviously need a radical rethinking of our trade adjustment policies (though, if automation ends up causing job destruction the way some think it might, it might make trade adjustment a “deckchairs on the titanic” issue).

We need to fully price environmental impacts and ensure that the commons is represented in market pricing. This should include a massive tax on carbon and an even bigger tax on methane.

We should probably get the government out of the business of financing higher education. It’s causing a large misallocation of societal resources, creating huge student loan burdens, distorting otherwise-badly needed vocational education supply and innovation, and driving massive inflation in higher education. In a digital age, a college education (as classically understood) is not and should not be a requirement for life success, and those who point to evidence showing that is has become that are, I suspect, conflating cause and effect (the government has been the cause promulgating that effect; life success does not naturally require a college degree, especially in an age where capacity to self-learn at a rapid rate is the defining career skill of our time, a skill that developmentally can be very well-developed by late adolescence).

In summary, an integral politics includes (but is by no means limited to) the following high-level principles:

- **Polarity Thinking:** There are irresolvable polarities in the natural universe, such as individual and collective interests, and we must be able to recast unipolar debates (e.g., *either* government-provided healthcare *or* free market healthcare) as bipolar debates (e.g., *both* communal-level healthcare *and* free market offerings). Polarity thinking knows that *polarities aren’t problems and they can’t be “solved:”* they are opportunities for more functional hierarchies and whole/part solutions. Polarities only get worse the more resistance they’re given. They can only be harmonized, and we need political leaders who can reframe political “problems” as social polarities that are opportunities for everyone to get some important part of their core needs met.
- **Whole/Part Logics:** We need political leaders who understand the appropriate purpose, function and feedbacks of natural and social hierarchies and ways that policies so often distort these hierarchies by either *repressing the freedom, autonomy or purpose of the parts* or *lead to domination and cannibalization of the structure or purpose of the whole*. Here, both the left and right are compromised in their choices,



favoring freedom *from* domination for certain favored groups and freedom *to* dominate for other certain favored groups; they're both failing to lead from the unbounded rationality of whole-system thinking. The judicial system is doing its best to keep the whole/part logics embedded in the Constitution on track, but they're getting very little help from administrators, regulators, legislators, capitalists and citizens. This can and must change.

- **Systems Thinking:** the ability to think about systems as complex adaptive organisms that follow understandable adaptive cycles and will go through phases that call for changing political accommodations over time: that is, inhabiting a single position on the political spectrum—individual vs. collective interests, market privatization vs. shared commons, etc.—will never work as a permanent strategy in a changing, evolving universe *because the nature of systems is to become irresilient and stagnant the longer a single, dominant strategy endures*. We absolutely must have processual system logics amongst our political leaders who can provide citizens with a longer-term context for our current moment and place their political advocacy within a cyclical background.

### Why am I optimistic?

Despite the challenges we face, I'd be lying if I didn't close by stating my optimism. I'd like to think I'm a pretty realistic, evidence-based thinker. While I don't expect our political process to get smart over night, I do know that on both sides of the aisle we're living through an extraordinary moment of renewal.

I see a revolution in thought and action happening everywhere I look. The rise of the blockchain and decentralized autonomous organizations; the sharing economy; the co-living and minimalist movements; the incredible innovation in environmental and clean technology; the incredible advancements in biotechnology; the technology platforms driving direct democracy; the rise of social work co-operatives, benefit corporations, and the freelance economy; the move towards Conscious Capitalism and social impact investing...in these and hundreds of other areas we are experiencing a veritable explosion of grassroots innovation. I've said it before and will again here: the Information Age ended in 2007, and since then we've been living through the rise of the Transformation Age, made possible by the interconnection of high-speed data networks and smartphones. These enabling advancements have liberated *innovation of the noosphere*: every thought, action, worldview, movement, etc. are now open to social hacking through software innovation. And it's happening, sometimes for the worse, and in many ways for the better.

This doesn't argue against the deep and pervasive systemic irresilience I address in part I, in fact it corroborates it. We're nearing (or within) a transitional moment precisely as grassroots innovation is responding to the widespread systemic stagnation that sits "above it." These efforts are often started by social entrepreneurs, funded by the crowd, and develop social traction and efficacy as they grow. Tens of thousands of these experiments die, as they were destined to, but many succeed.

I will also state my unequivocal belief in the next generation of emerging leaders: I've talked to millennials who are politically engaged for the first time and, despite the fact they didn't fully show up in 2016, I expect they won't make that mistake again. They are a generation of doers who are combatting climate change. They're building companies and starting movements. They came of age during the recession and terrorist attacks of 2001, major wars in the middle east, and a financial disaster of 2008. They don't believe in our financial system, they don't believe in profit-at-any-cost business, they don't believe in shutting doors on minorities or the oppressed. For all their well-documented narcissism, they may also just be the generation that adopts the integrative thinking and political activism necessary for the reorganization to occur before it's forced upon us. For that matter, they might be the generation that leads us beyond the U.S. cycle of hegemony in a way that is not as violent, fracturing and dramatic as the picture I illustrate above or those that have come before. And of course, they can't do it alone: they don't yet have the wisdom, resources and skills needed to do it all; we'll either do this together or not at all.

## IN CLOSING

When we step back and look at the rise of populism and our current moment we can see quite easily that it is, as Wilber writes, an "evolutionary corrective." We can look at the underlying reasons why it's upon us, and he and I have done that from what I think are the two most operative vantage points—the progressive culture war since the 1960s and faltering economic progress since the 1970s—and see how the systemic tensions were building over the course of the past two generations. Throw in a financial meltdown in 2008 and it becomes inevitable that we were due for disruptors who would break up old patterns and catalyze change (whether Trump, or Brexit, or LePen doesn't matter).

We can step back even further and detect that global *financialization* since 1980, as a response to threatening cultural forces of the 1960s and stagnating capital in the 1970s, reflects a deep structure similar to the waning days of hegemony in previous systemic cycles of capital accumulation going back nearly 800 years. Their global-economic reorganizations, which allowed them to become hegemony in the first place, had run their courses and become the development

path by which other states grew and rose to compete. As the hegemons became less agile and less competitive, it prompted reallocations of capital that hurt domestic labor at the same time as it fueled wealth disparity through gains to the capital class. This process can be understood as an adaptive cycle of complex systems as they become increasingly irresilient and monopolistic, finding seemingly-irresolvable tensions amongst their social and economic constituencies. As victors they try to hold on to their spoils and perpetuate their power monopolies, undermining their moral legitimacy and undermining agile, forward-looking strategic accommodation. In short, as complex systems, they become slower, stupider and more stagnant.

And then creative destruction starts, something that started in the Great Recession of 2008 but was artificially aborted by the inconceivable powers of the world state's central banks. The process of creative destruction was left unsatisfied. We remain irresilient today, and populists are rising on this wellspring of tension-energy in order to push for system renewal and the breakup of old patterns. In turn, this is releasing some of the pent-up tension and beginning to shatter monopolies, worldviews, and resource connections amongst the world state's power holders. At the same time, it drives untold innovation across systems that are adjusting to this disruption while also educating people to the potential costs of the pre/trans fallacy: they really wanted forward-looking change that transcends and includes the gains of the past, not a regressive-nihilism that takes us back to the Gilded Age.

The acute release phase of the United States's hegemony probably has not occurred yet, but when it does a terminal crisis will be upon us. It's important to recall that the inadequate reorganization that occurred after World War I accounted for the recurrence of *more* creative destruction a mere twenty years later in World War II. From the first shot of WWI to the last shot of WWII was about 30 years, and during that time the geopolitical landscape morphed from a highly-nationalistic order to the international order we've enjoyed during our lifetimes. That pendulum is now swinging back the other way. And although the process of creative destruction is usually very fast relative to the other phases of the system, what we can't know is precisely where we are in our own cycle; it's quite possible we'll look back and see the 2008 Great Recession as the start of a 30 year process marking the rise of the next global hegemon. Regardless of how it's measured, it is a time of incredible division, disruption and opportunity for the agile.

The 21st century is too complex to navigate personally or socially without a deeper, integrative philosophy to guide the way (this was generally the subject of my [TEDx talk](#)). But leading-edge ways of thinking about the world, or conducting one's life, feel a bit inert in times when they're optional. Something important has shifted with the election of President Trump. I have great respect

for the democratic process and the office of the president, but rarely have we seen a leader who so vocally and unabashedly challenges everyone to up their game by challenging existing conventions...on both sides of the aisle...at every stage of human consciousness...in countries all over the world. Trump is acting as a serious catalyst for growth and movement towards things that can and need to work better for everyone.

And yet, because he's not a systems thinker who understands how to progress the systems we have, he's genuinely tilling the soil for people who will be looking for an effective, integral approach to the world of tomorrow. We cannot move forward without restoring the logic of growth—true, healthy, developmental growth—throughout our families, companies, nations and the world. We need to understand the logic of whole-parts and healthy hierarchies, the *unbounded* rationality of whole-systems thinking and historical context, and the wisdom of polarities and both/and solutions. Robert Kegan has argued for Deliberately Developmental Organizations. We're seeing that we also need Deliberately Developmental Families, Deliberately Developmental Schools, Deliberately Developmental Nations... a Deliberately Developmental World.

Healthy human development and the expanded mindset it engenders is largely the answer to what ails us. It's what can give nationalists and globalists what they both seek. It can allow us to discern the best path forward. It can allow us to slow down so as to see how faster feedbacks are changing human life (we've removed the natural delays in our news-response systems, and it's having devastating impacts on our social fabric). It will enable us to raise the smart, engaged citizens of tomorrow who will embrace a post-singularity politics of resilience. It's capable of training sophisticated partisans who see, admit and are willing to accommodate the partialities of their philosophies while advocating for every part of the whole, not just their own narrow part, in order to protect the whole itself. It will allow politicians to have more honest conversations so that we can begin to have a more honest, trusting society, led by people who aren't precluded from showing up with integrity. It will invite capitalists to move from capitalism without a conscience to a more fully-awake conscious capitalism. And it will give us a full-spectrum, whole-systems language so that we can intelligently consider the tradeoffs between stability and agility, freedom and community, market and government, power with versus power over.

We're at a time when we need our fullest capacities, language, consciousness and leadership to navigate the rich tradeoffs of the twenty-first century. Let's continue to engage in the awesome opportunity we've been given to do so.

*A Cheat Sheet of Questions to Stimulate Integral Political Thinking*

- What is whole and what is part in this situation? What are the purposes, needs and values of the wholes and parts?
- What is the system we're looking at, and how will a given policy foster/damage its purpose, change its structure, enhance/disrupt its function or improve/distort feedbacks?
- How resilient is the system/holon/entity we're looking at: is it capable of withstanding a significant exogenous shock or change in its environment without threat to it fulfilling its purpose?
- Are the system/holon's resources stagnant, overconnected, monopolized, and pursuing dominating "to the victor go the spoils" strategies of preserving its hegemony (rather than accommodating change and innovating to new levels of strategic agility)?
- Will a given policy allow the part to dominate (sub-optimize) the whole or the whole to repress/restrict the freedom and autonomy of the part? Will the policy allow the healthy, natural and purposeful hierarchy to be preserved and enhanced, or is it setting in motion a disruption of the hierarchy at the expense of the part or whole?
- Where in the adaptive cycle is a system/entity/holon: is it in the maturity/conservation phase and so it needs the wisdom and enlightened action that can counteract monopolies and thereby promote fairness and prolong stability, or foster more innovation to offset stagnation? Is it in the release phase and so it needs skillful, stable leadership to help it move *forward* toward reorganization and not *regress* in fear and isolation? Is it in the reorganization phase and so it needs experimentation that can try new configurations of resources and power? Is it in the rapid growth phase where it needs the free flow of resources to fuel the demands of a rapidly-growing system?
- Are the tensions inherent in a situation irresolvable ends of a spectrum or polarity that cannot be solved but only harmonized? And if so, are leaders framing the discussion in terms that go beyond either/or thinking or solutions? Rather than dwell in a single opposable tension, can the situation be reframed as a hierarchy of tensions where different interests can be served at different levels of the hierarchy (e.g., public option vs. private market healthcare)?
- Are partisans being sophisticated in their admissions about the evidence of market and government failures, and admitting that

monolithic, simple political philosophies almost always pursue some hidden-hegemony that seeks to repress another's interests?

- Are leaders caught in the bounded rationality of their narrow interests, which seeks to exclude the interests of others, rather than leading from the unbounded rationality of a larger, more inclusive whole (e.g., the partisan legislator who would rather overpower the opposition rather than defend the function and sanctity of a legislative process that enables and preserves healthy differences to begin with)?

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<sup>1</sup> First, based on the theory that every cycle ends with a financialization phase, we'd expect to find that it's the dominant hegemon's capital class that drives the growth of the coming hegemon. According to Thomas Piketty, this doesn't seem to be the case. Instead what seems to happen is the hegemon's development path becomes a driver for the diffusion of knowledge necessary for inter-state competitors to arise. And rather than being funded primarily by international investors, these emerging states tend to be financed internally through the higher relative savings rates of their own populations. In other words, while the hegemon provides the systemic backdrop for development and supports the spread of skills and knowledge to increase wealth for emerging states, it's largely the states themselves that have to finance their growth:

Furthermore, if we look at the historical record, it does not appear that capital mobility has been the primary factor promoting convergence of rich and poor nations. None of the Asian countries that have moved closer to the developed countries of the West in recent years has benefited from large foreign investments, whether it be Japan, South Korea, or Taiwan and more recently China. In essence, all of these countries themselves financed the necessary investments in physical capital and, even more, in human capital, which the latest research holds to be the key to long-term growth... Studies also show that gains from free-trade come mainly from the diffusion of knowledge and from the productivity gains made necessary by open borders, not from static gains associated with specialization, which appear to be fairly modest. (Piketty, 2014, p. 70-71)

<sup>2</sup> There needs to be a further distinction between the growth in total capital and the rate of return on capital. I've not spent any time discussing this difference, but suffice to say that returns on capital can vary while total capital is still growing. There is evidence that the returns on capital were relatively high in the first half of the 19th century, which is the so-called trade expansion of the English hegemony. In the second half of the century returns on capital appear to decline relative to labor before stabilizing going into the new century. This seems consistent with the theory of cycles of accumulation. During the period from WWI to WWII, 30 years of hegemonic reorganization, total capital was decimated around the world. Total capital started growing again (aggressively so) after the war despite the fact that capital's share of total national income declined to historically low levels in the 1950s.

After the 1950s, and into the contemporary period capital has reasserted itself with growth in total capital and increasing returns on capital relative to labor (i.e., capital is now at historical highs of its share of national income relative to labor). In other words, the recent cycle of accumulation didn't see capital dominating labor in the first phase and an equalization in the second phase, it was precisely the reverse. This suggests to me that to the degree that the cycles are real—and as I've said, I think that at the level of deep structure and through the lens of complex adaptive systems there is much that is valid about them—then perhaps the return on capital relative to labor is a surface feature that is contingent on the specific social, historical and economic forces for each cycle. Arrighi takes pains to suggest that each hegemon's cycle is not pre-determined, and it is well-understood that the Depression, New Deal and thereby Roosevelt's *reorganization* after the war has particular characteristics that would have kept labor in the driver's seat relative to capital during the rapid growth phase after the war. That may be among the central drivers for the crises of the 1970s and the re-assertion of capital interests since then. One of the deep structures of capitalism is that capital wants to grow, *especially relative to labor*.

Another perspective is warranted here though. Piketty convincingly argues that capital has for two thousand years always had a significant share of societal income, and it is only during the period from WWI to WWII that this was knocked off its historical ratio, a time during which capital was devastated and labor's share of income rose substantially. However, he argues that because capital tends to demand 4-5% a year in return, and economic growth tends to average less than 1.5% a year over much of history, increasing wealth inequality is in the long-term nature of capitalism. In other words, he suggests that our experience from 1980-2017 is more the norm, and quite characteristic of societies of the 19th century. He suggests that, barring another world war, and without major policy changes, it is what we can expect in the twenty-first century, or worse.