



ECONOMIC COMMENTARY

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YOUR WEEKLY
ECONOMIC UPDATE
15 April 2025

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THE END OF AN ERA? NAVIGATING THE GREAT GLOBAL RESET

The world is on the cusp of a historic transformation. Rising debt, geopolitical rivalry, and domestic unrest across leading economies signal not just another cycle but a profound shift in the global order. Scholars from Paul Kennedy to Ray Dalio, Fareed Zakaria, and Graham Allison have long argued that global systems follow predictable arcs. Today's signs echo the end stages of past world orders, where dominant powers overreach, challengers rise, and institutions fail to adapt.

America's decline symptoms are becoming harder to ignore

The United States (US) now carries debt of 120% above their gross domestic product. Interest payments on this debt (more than \$1 trillion annually) are consuming a growing share of the federal budget. Meanwhile, political polarisation and wealth inequality threaten the country's internal cohesion. The top 10% of Americans control more than 70% of national wealth. President Trump's tariffs on especially China are meant to reassert US manufacturing power. This combination of high debt, social division, and geopolitical tension is exactly what Kennedy and Dalio identified as precursors to imperial decline. In Dalio's terms, the US is nearing the "top" of its long-term debt and power cycle.

China's rapid rise faces internal limits

China is the obvious contender for the next global leader. It leads in manufacturing, dominates key supply chains, and is rapidly advancing in artificial intelligence, 5G, and quantum computing. In purchasing power parity terms, China is already the world's largest economy. But cracks are emerging: Demographic decline, a struggling property sector, and tightening state control under Xi Jinping raise questions about China's long-term dynamism. Allison warns that, when a rising power threatens an incumbent, conflict often follows unless both sides act wisely. The US and China are now decoupling across strategic sectors and only time will tell what the result of this will be.

Europe and the Middle East: Testing the edges of order

Europe remains economically advanced but politically fragile. High debt, ageing populations, and slow innovation limit its global weight. The war in Ukraine has revived the North Atlantic Treaty Organisation and pushed countries like Germany to increase defence spending. That being said, energy insecurity and nationalist politics still threaten European Union cohesion. Meanwhile, the Middle East is undergoing its own realignment. China brokered the 2023 Saudi-Iranian détente, marking a new phase of multipolar diplomacy. Yet conflict persists: The Israel/Hamas war of 2023 escalated into broader clashes with Iran-backed proxies, drawing in the US and testing global energy markets. As Charles Kindleberger argued, when no single power maintains order, instability thrives. The Middle East today illustrates that principle.

A fragmenting world economy

Global debt hit record highs recently. Central banks are now cornered: Raise rates and risk financial crises, or ease rates and risk inflation. The world is nearing the end of a 75-year debt super-cycle. International institutions are also under strain. The World Trade Organisation is gridlocked, the United Nations is often paralysed, and new blocs are forming in defiance of the Western-led order. According to a World Economic Forum Global Risks Report, most experts expect a fragmented, multipolar world to emerge by 2030.

What should investors do?

We are entering a world of structural change, not cyclical correction. Investors should focus on:

- + Geographic diversification, especially into non-aligned emerging markets.
- + Hard assets (like gold, commodities, and infrastructure) as hedges against inflation and instability.
- + Defence, cybersecurity, and energy sectors, which will likely grow in a more fractured and militarised world.
- + Reduced reliance on US Treasuries or overexposure to any single geopolitical risk.

Conclusion: Prepare, do not predict

The 2020s will likely mark the transition from a unipolar US-led world to a more contested, multipolar order. This will not happen overnight, and it may not end in collapse, but investors and policymakers alike should stop assuming that the world will simply revert to the stable past. History may not repeat itself exactly, as Mark Twain wrote, but it often rhymes. The global order is changing. Those who recognise the patterns, and adapt, will fare best in what comes next.

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