

Navigating the New World Order. Understanding the Implications of Political and Economic Crises

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Abstract: This article aims to delve into the current political and economic crises that are giving rise to a new world order. The disintegration of the established global order is leading to a decline in the United States' economic and ideological influence, and capitalism is losing its grip. The article emphasizes the crisis of strategic management in the U.S. and the essence of de-dollarization. The conflict in Ukraine is viewed as an attempt by the U.S. to maintain its reliance on the dollar, while traditional wars are becoming less common and conflicts around the world are escalating. Therefore, certain measures are to be taken by Russian government so as to mitigate the discussed threats and to continue working towards a multipolar world system with Russia's allies.

Key words: political and economic crises, new wars, conventional wars, multipolar system, monetary relations, world order.

Introduction

The current ideological gap in understanding the ongoing collapse of the unipolar world system, the epicentre of which is the crisis in Ukraine, associated with an increasing number of non-systemic regional and global conflicts and embodied in a whole matrix of crises, has required a comprehensive analytical support of political, economic, social and even military transformations that have occurred on the world stage.

A paradox emerges in the Western understanding of the established quasi-democratic traditions: when faced with opposition to the ideas and values set in their

societies, liberal states become belligerent to such an extent that they arm themselves with economic, informational, and mental means of waging hybrid wars and, in their desire to punish " non-democratic governments," implement strategies that were abandoned on paper back in the 20th century. In this way, feigned pacifism is giving way to the global ambitions of the materialist West.

The breakdown of the established world order

The global stage is witnessing the breakdown of the established world order, which is expressed in the approaching catharsis of the Yalta system: the UN loses the status of a priori world regulator, leaving only the issue of nuclear parity within its immutable control: only it matters in the context of the current balance of power. As long as nuclear weapons exist, the Security Council has minimal real power in the field of conflict resolution. Along with the consistent decline of US economic and ideological influence, capitalism is losing ground. However, as long as Washington still claims the status of global hegemon, there is no global power that has the capacity to replace this system. This state of affairs stems from the US's comprehensive control over the institutions of capitalism: the system itself rests solely on them. The final political chord in this system's domination was the freezing of Russian bank accounts as a result of sanctions, which symbolised the expropriation of property by the same actors who invented the rules of the capitalist game. This violated its sacred principle - the inviolability of private property.

The current political and economic crisis, being an integral part of the "hot war", represents only the dawn of the "dark ages" for the financial world and the global economy. The world is undergoing profound transformations in the political and economic sphere, to which it is essential to draw attention. Global monetary relations in the context of changing patterns and military-political tensions, as well as the causes of these metamorphoses and their consequences, are of particular interest.

The transition to a new monetary-relations order

The transition to a "Bretton Woods III", which is likely to be based on the currencies of commodity countries, is now in its high gear. The decay of the Eurodollar system and the rapid growth of inflation among Western countries are leading to a behind-the-scenes confrontation between different interest groups of the global financial oligarchy, which form two large-scale blocs: the first is characterised by adherence to the "status quo" - a system of paper money based on the American dollar. The second, in turn, seeks the return of gold as the currency of international settlements; the social base of the "gold" camp is so broad that it is able to attract supporters from various social structures. First of all, the political and economic crisis is caused by the crisis of strategic management in the USA, the control over which can be regained only through the complete dismantling of the "outdated" management model. There have been heated debates in professional circles and among high-ranking officials about non-viability of Euro-Atlantic strategy and dollar default, which, in fact, can hide more serious structural transformations, especially if they are controlled and dispersed. As for de-dollarization, Ferguson believes that the decline of the dollar is a long and gradual process and for how there is no absolute liquid alternative to the dollar, and it is unlikely that it will appear in the near future¹. It is worth noting that countries that have every reason to hide the volumes and directions of their non-dollar trade and foreign exchange transactions as much as possible are engaged in dedollarisation. At the same time, SWIFT data on the use of yuan or the actual percentage of gold in the gold reserves of countries that publish their statistics on gold reserves once every few years can hardly be called full-fledged and reliable sources. Ruchir Sharma², on the other hand, argues that Central Banks around the world are buying many times more gold than at any time since records were kept in 1950, (gold reserves now account for 33% of monthly global demand), against the backdrop of many Central

¹ Niall Ferguson «The Dollar's Demise May Come Gradually, But Not Suddenly». Bloomberg. URL: <https://www.bloomberg.com/opinion/articles/2023-04-23/dollar-may-fall-to-yuan-crypto-but-not-soon-niall-ferguson>

² Ruchir Sharma «What strong gold says about the weak dollar». Financial Times. URL: <https://www.ft.com/content/e9c78b99-8a29-47e2-b5bf-9f7542608cf6>

Banks testing the introduction of digital equivalents of the dollar for use in international trade due to pervasive sanctions. So far, banks have managed their "paper" assets based on the expectation that states guarantee that gold cannot be returned as a means of settlement. If gold were to be pegged to oil (as Russia attempts to do), this would dramatically increase its domestic value, and "paper" banks would face a structural liquidity shortage. This risk could lead to a sharp change in gold prices and an unexpected mobilisation of reserves. Thus, the outlines of the future translate into a reshaping of the funding market and a reassessment of the way foreign exchange reserves are managed.

Shift to industrial economy amid military confrontation

At the proscenium of the world political theatre, a turn to the industrial economy is taking place due to the world powers' penetration into the era of military confrontation. No one can accurately predict its duration, but the volume of arms production, the price of oil and diesel, the cost of duties, insurance and maintenance of equipment indicate a reconfiguration of global development. This is fundamentally different from the view held by proponents of the transition to a digital economy. There are several reasons for this: firstly, the disruption of logistics, production and transport chains that occurred as a result of Covid-19, which became a significant threat to the stability of the system in wartime conditions; secondly, the loss of relevance of the transition to a green economy due to the need to synchronise the clock with the needs of war: the functioning of industry requires fuel that is extracted using technologies that are far from "green": it is worth considering the hydraulic fracturing method used to extract shale gas. Rising hydrocarbon prices could trigger a resumption of large-scale long-term investments in conventional energy, including not only oil and gas, but even coal³. The conflict in Ukraine is nothing but a desperate attempt by the US to maintain its dollar dependence for as long as possible and to put EU actors in a vassal position vis-à-vis the American hegemon. We can observe the systematic weakening of national currencies and the

³ Tsvetelina, Kuzmanova. EU Facing the Transition: Disagreement Fueling the Conflict, 2022.

erosion of the sovereignty of European states. Permanent inflationary pressure and the effect of anti-Russian sanctions (the practice of which proved to be a failure, but they can no longer abandon it) will entail increased political instability in domestic and foreign policy, especially in the context of paralysed coordination of the world's countries.

The post-Cold War era is over, and the major powers are fighting over the balance of power in world politics, pulling the blanket over themselves. In his articles, Niall Ferguson often questions the status of former empires (meaning China and Russia) as full participants of political and economic relations, pointing out that they "play a disproportionate role in world politics"⁴, which, of course, they should not do. And the economic war launched by the US against Russia is a demonstrative act for China, as it gives a clear example of what can happen to it for a "misstep". Actually, the U.S. is already restricting the introduction of artificial intelligence in China. War has not been declared, but it is coming. However, the US overlooks the fact that the current "Second Cold War" launched by the West is leading slowly but surely to the Third World War, and then the collapse of the "empire" cannot be avoided.

Conventional and new wars

Traditional warfare in the legal framework is receding into the background, but bloody conflicts around the world are growing in numbers. What we used to think of as war has become a vestige of a consolidated State, having an exclusive monopoly on violence. But this does not mean that humanity is moving towards achieving Kant's "eternal peace" – the emergence of the phenomenon of "new wars" indicates that the war has been "reinvented", taking on an eclectic character and becoming the quintessence of unprecedented violations of human rights, organized crime, the shadow economy and conventional warfare. According to Pippa

⁴ Nail Ferguson «How Cold War II Could Turn Into World War III». URL: <https://www.bloomberg.com/opinion/articles/2022-10-23/cold-war-2-with-china-and-russia-is-becoming-ww3-niall-ferguson>

Malmgren⁵, the Third World War hasn't been declared, but it is already in full swing – a "hot war in cold places", namely in cyberspace, space, underwater and so on, and a "cold war in hot places"⁶ (for example, the militarization of islands in the Pacific Ocean and mines in Africa). "New wars" are also being waged for the right to monopolize the use of advanced technologies (for example, the technological blockade of China by the United States), dominate in commodity markets (for instance, restrictions lifted on prices for Russian oil by the Group of 7). And as a result of these new wars, unprecedented monetary and fiscal instability arises, because war is said to be the strongest factor of inflation and defaults in the entire history of mankind.

According to Zoltan Pozsar, the economy of the United States of America, as well as probably the rest of the world, will have to go through a deep and prolonged recession before inflation is brought under full control, as the world is literally engulfed in an economic, inflationary war that undermines deflationary expectations.

Clash of economic orientations

This (more economic than political war) is a direct clash between the West with its consumer orientation and the East with its production orientation, which provides the optimal level of supply to meet the needs of the Western world. But this model is no longer relevant (against the background of the same sanctions and, accordingly, supply disruptions, tightening of labor markets as a result of migration restrictions and a significant decrease in movement, that is, mobility caused by the coronavirus pandemic) – the global monetary system will no longer be the same. Whether this will be the third Bretton Woods system, or monetary relations will develop in a completely different dimension is an open question, but there can be no doubt that a new world monetary order is being born, based mainly on commodity currencies "on impulse" of the countries of the East - the eurodollar system is

⁵ Interview. Dr. Pippa Malmgren: WWII Has Already Started. March 3rd, 2022.

⁶ Zoltan Pozsar. «Bretton Woods III». Credit Suisse report.

obviously losing its position. Since most economic crises today occur at the intersection of financing and collateral markets, it is necessary to pay attention to the alarming patterns of their occurrence and subject them to careful analysis. According to Zoltan, if we associate them with the four prices of money, namely: face value, percentage, exchange rate and price level, we will see a pattern that should alert us.

Emergence of a multipolar world order

Today, along with the weakening of the positions of the Washington world order, the world is returning to two blocs – Russia-China and the United States, in which there is no place for the West, which turns from a subject of world economic relations into their object. This was marked by the political consequences of the economic meeting between Xi Jinping and V. Putin, which became the starting point for the joint work of the two actors in international relations on the future of state interaction. The question arises about the shape and architecture of the state of the future, about its role and powers; about the architectonics of economic relations and who will determine them; about the alignment of "friends" and enemies," about the combination of alliances and the distribution of areas of responsibility.

It is essential to continue working on the creation of a multipolar world system together with Russia's partners. The new, multipolar order, which the BRICS and SCO summits give us an idea of, is the mirror opposite of the Washington order that the United States would like to put into practice. At this point we can say with confidence: both unipolar and multipolar realms are actively involved in the construction of competing world orders, and this global rivalry is inevitably acquiring clearly distinguishable geopolitical contours.

Findings

The Belt and Road Initiative is proposed to be considered as the basis of the multipolar project, since it claims to be global and covers all continents. When conducting domestic and foreign policy, it is necessary to keep in mind the U.S.

intentions aimed at neutralizing Moscow and Beijing and destabilizing the multipolar order. Washington has brought its subversive policy to the culminating level of hybrid warfare, thereby unleashing extremely destructive forces by gradually turning color revolutions into unconventional wars. These destabilizing practices are ready to be used against key transit States along the transnational network of connecting infrastructure between Russia and China. In order to take a leading position in this new world, Russia needs not only to focus its efforts on the war front, but also to take part in multilateral projects put forward by its partners in the dynamically developing Eurasian space. There is a need to settle oil payments in national currencies; undertake collective activities and cooperation initiatives, in particular support for the Africa Programme. The world of changing alliances will once again demonstrate the language of balance of power.

Thus, it can be noted that the last few years in particular have seen a number of inconceivable macroeconomic scenarios in action. At the same time, there is a return of the economy to the bosom of public administration as a dominant force. Against the background of discussions about the erosion of state sovereignty, however, it is expected that the state will determine the development of further monetary and fiscal relations and make appropriate decisions.

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