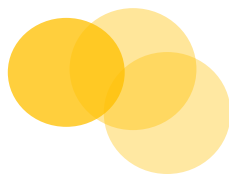


THE RETURN TO A MACHIAVELLIAN WORLD

*Exploring The Uniqueness of this Point in Time
and Its Call to Action*



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Introduction

As the ancient Greek philosopher Heraclitus once said, “The only constant is change.” However, what if change isn't as random as it seems? What if time is cyclical, and by recognizing patterns we can predict and even shape our future?

In this article, we explore the concept of cyclical time and the value of its application in understanding our current world and as a forecasting tool of what is to come – ultimately, how this understanding gives meaning to our current endeavors and in shaping the world of tomorrow.

Specifically, this article reviews the concept of cyclical time and argues that history often repeats itself in a relatively predictable fashion. Using this framework, it posits that the present global order, which originated after the Second World War, is presently in its late stage. Then the paper will review the current U.S. led order and how it has contributed to global security, commerce, and capital on a global scale. Then, it will contrast the existing order, which has existed for the past 80 years, with that which will emerge – a Machiavellian world. Finally, it expresses how this perspective shines new light and significance on the national security ecosystem and the work of all those who work within it.

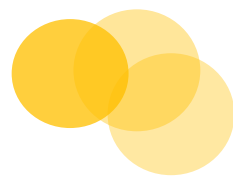
The Enduring Idea of Cyclical Time Throughout History

In "The Fourth Turning," Neil Howe and William Strauss present the idea that the cyclical view of time is an ancient and universal concept that has been present in many cultures throughout history. The book discusses how the Etruscans, an ancient civilization in Italy, believed in a cyclical view of time, in which history repeated itself in a predictable pattern. They also point to the Greeks and Romans, who believed in a cycle of ages, each characterized by a particular set of virtues and vices. According to this view, the cycle began with a "Golden Age" of peace, prosperity, and virtue, which gradually gave way to a "Silver Age," characterized by decline and corruption. This was followed by a "Bronze Age," marked by war and chaos, and finally, an "Iron Age" of misery and suffering. Howe and Strauss argue that this cyclical view of time was not limited to the ancient world but was also present in medieval Europe, where the Christian church believed in a cycle of sin, redemption, and judgment. They also suggest that this view of time persisted into modern times, with thinkers such as Wright, Toynbee, Ferrar Jr., Hopins-Wallerstein, and Modelski-Thompson all espousing cyclical theories of war and politics.

Taking our cues from nature, the cyclical view of time has been a persistent and influential idea throughout human history, reflecting a deep-seated belief that history follows a predictable pattern of rise and fall, growth and decay, and renewal and rebirth.

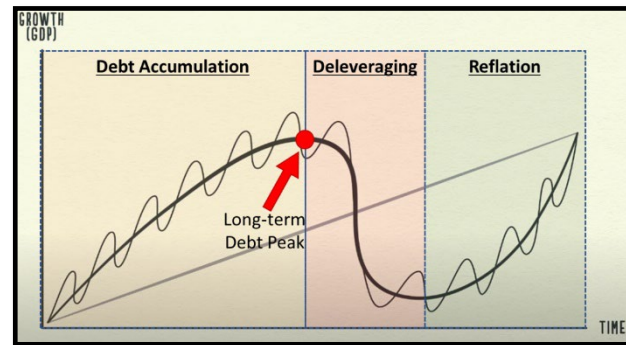
Unlocking Insights Through Cyclical Thinking: A Modern Application

More recently, the idea that time is cyclical has been applied to various disciplines, including economics, finance, history, and marketing to great effect. This perspective suggests that events in the past can be used to predict the future, based on recurring patterns or cycles. As a result, several

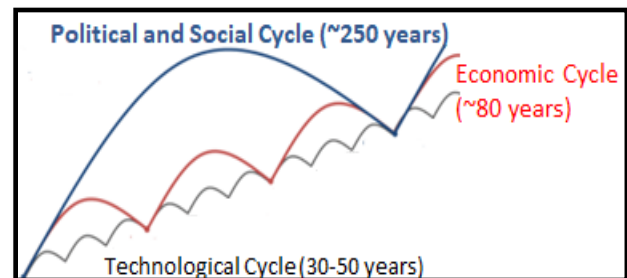


significant figures in these fields have utilized this idea to gain insights into their respective areas of expertise and use them as actionable insights.

For instance, Ray Dalio, considered one of the most successful hedge fund managers in history, has developed his investment philosophy around the idea of cycles.¹ According to Ray Dalio, economic cycles follow a predictable pattern, namely an 80- to 100-year long-term debt cycle. The long-term debt cycle theory posits that these cycles are driven by credit expansion and contraction, which leads to a buildup of debt that eventually becomes unsustainable. Importantly, He believes that by identifying where an economy is in the cycle, investors can make informed decisions about asset allocation and risk management. He has also developed an investment strategy based on this four-phase cycle, which includes a period of expansion, a bubble, a deleveraging period, and a depression.



Taking a more expansive perspective, Mark Moss, a financial analyst and commentator, has proposed a theory of political, economic/financial, and technological cycles that repeat. The 250-year political and social cycle suggests that societies go through a cycle of growth, stagnation, and decline over a period of roughly 250 years.² Then he argues that there is an 80-year economic cycle, with each cycle consisting of four stages: growth, crisis, resolution, and reinvention. The 30- to 50-year technological cycle suggests that major technological innovations tend to occur in cycles of approximately 50 years. Moss believes that these cycles are driven by the pace of technological

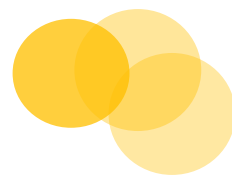


change and the need for new innovations to replace outdated technologies. Overall, Moss's theory suggests that these cycles are interconnected and shape the course of history and the future of societies. By understanding these cycles, Moss believes that individuals and organizations can better prepare for and navigate through the changes and challenges that lie ahead and they his investment thesis.

Moving from Wall Street to Madison Avenue, Roy H. Williams, a marketing consultant, has applied the cyclical view of time to his work. In his book *Pendulum*, he describes how society swings back

¹ Ray Dalio is the founder and co-chief investment officer of Bridgewater Associates, one of the world's largest and most successful hedge funds. Bridgewater Associates has a long track record of success, having produced an average annual return of 12% since its inception in 1975. According to a report by LCH Investments, Bridgewater Associates was the most profitable hedge fund in history as of 2019, having generated over \$58 billion in profits since its inception.

² Ray Dalio also talks of a 250-year cycle for empires in his *The Changing World Order: Why Nations Succeed or Fail*



and forth between a focus on individualism ("me") and collectivism ("we") every 40 years. The full-cycle, is roughly 80 years. By anticipating and adapting to these cycles, marketers can create campaigns that remain relevant over time and resonate with customers.³

As previously mentioned, Neil Howe and William Strauss, are historians that applied the cyclical view of time to their study of history. They suggest that history follows a predictable pattern of four generational cycles, each lasting approximately 20-25 years. These cycles include a "High," an "Awakening," an "Unraveling," and a "Crisis." The saeculum, consisting of all four phases, lasting about 80 to 100 years.

Interestingly, these various analyses of historical cyclical patterns tend to triangulate around approximately 80-year cycles.

Where Are We in the Current Cycle: Winter is Coming Here

If cycles are natural, recurring phenomena that drive macro events in human activity. Where are we in the current cycle? Returning to Ray Dalio, he argues that the current cycle is in the "late stage" of the long-term debt cycle. This stage will eventually lead to a "deleveraging" of the global economy, with central banks struggling to stimulate economic growth while dealing with high levels of debt and low interest rates.⁴

Many have argued that we are in the "Fourth Turning," which is the final turning in the saeculum, and is marked by period of crisis and upheaval.⁵ This period will be characterized by a range of challenges and conflicts, including political polarization, economic inequality, and geopolitical instability.

Filtering world events through this lens of transition, not only helps connect the dots of apparent disparate events but they can also be viewed as a natural and predictable consequence of where we are in the cycle. From the decoupling of supply chains to the rise of populism and nationalism, to geopolitical tensions and conflicts such as the war in Ukraine, to the generationally

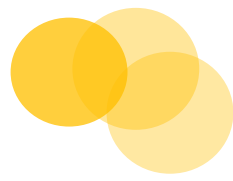
The following geopolitical, economic, and political events/headline should be viewed as part of a bigger cycle and a predictable consequence based on where we are in the cycle:

- The "Great Decoupling"
- "End of the Current World Order"
- "Peak globalism"
- End of the Petrodollar System
- End of the Long-Term Debt Cycle
- Dawning of the Third Industrial Revolution/Digital Revolution
- Demographic collapses
- Rise of authoritarianism
- Growing populism
- Domestic strife and political division
- Peak globalism
- From "Just in Time" to "Just in Case"
- Financial crisis – increasing in frequency and in severity
- 2018 NSS – Great Power Competition
- Russia's Invasion of Ukraine

³ Williams suggests that understanding the prevailing pendulum swing can help businesses craft more effective marketing messages. During a "we" cycle, for example, he recommends emphasizing the benefits of community and group cohesion. On the other hand, during a "me" cycle, marketing campaigns that appeal to individuality and self-expression may be more successful.

⁴ He has warned that the ongoing COVID-19 pandemic and the resulting economic disruptions could trigger a debt crisis if not managed properly.

⁵ According to Neil Howe, the "Fourth Turning" began in the aftermath of the 2008 financial crisis and is likely to last into the 2030s.



high inflation, the news should be seen to be part of a larger systemic phenomenon that is transcending geographic and political boundaries and affecting the global political and economic order.

Mapping the Recent Past and Present: Understanding Our Place in History

As we transition from one order to another, it is worth pausing and briefly describing the world order that has dominated for the past 80 years. There are many names for it, but the general consensus is that it came about after 1945, and so for simplicity, we will refer to it as the post-World War II order. This order centered around the United States, which emerged from the war as the dominant economic and military power. The U.S. played a leading role in the establishment of a number of key global institutions, including the United Nations, the International Monetary Fund (IMF), and the World Bank, which helped to shape the international system in the years following the war.

One of the key features of the post-war world order was the establishment of the Bretton Woods system, which was designed to promote international economic stability and prevent the kind of economic nationalism that had contributed to the outbreak of World War II. Under the Bretton Woods system, the U.S. dollar was established as the world's reserve currency, with other countries pegging their currencies to the dollar at a fixed exchange rate. This system helped to facilitate global trade and investment, and provided a framework for international cooperation in economic matters.

The U.S. also played a leading role in establishing a system of alliances and partnerships around the world, including NATO in Europe and the ANZUS alliance in the Asia-Pacific region. These alliances helped to promote U.S. interests and extend its influence around the world, while also providing a framework for collective security in the face of potential threats.

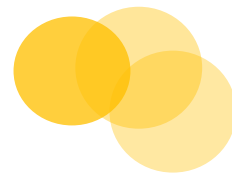
Overall, the post-World War II world order was characterized by a strong U.S.-led international system, which promoted economic stability, political cooperation, and collective security. This system was absolutely critical in allowing for the global trade and security that has come to characterize the past eight decades.

Crystal Ball Gazing: Insights into the Future

As we navigate the Fourth Turning, typified by institutional collapse, the U.S. will likely be unwilling to provide the global security assurance it once did to maintain the previous post-world war II order.

This will likely be exemplified by the decline in most of the factors that Ray Dalio notes as being crucial in determining the strength of an empire: education, technology, productivity, innovation, trade, military, reserve currency, and financial center. As one or more of these factors trend downwards, they can lead to a decline in a nation's overall power and influence.

As the United States retreats from its role in the global order, there will be significant changes to both global trade and security. Peter Zeihan puts it bluntly when he says the following about the post-world war II order: "All of this was artificial. All this was temporary. All this is ending."



The transition from the current order to the next, will bring significant changes to global trade, energy flows, and regional conflicts.

In terms of trade, global trade will decline as the world becomes more fragmented and nations become more focused on their own self-interest. Importantly, countries will be forced to focus more on protecting their own domestic industries, rather than participating in global supply chains. We have seen this with the reorganization of supply chain to reflect a “just in case” mentality rather than the previous “just in time” philosophy.

Similar to trade and food, countries will begin to rely more heavily on regional sources of energy. This will lead to a decrease in global trade in energy, as countries become more self-sufficient in terms of their own energy needs.

A world that is fragmented is one which regional conflicts and wars will increase. Countries will become more assertive and compete for regional dominance. This will lead to increased military spending.

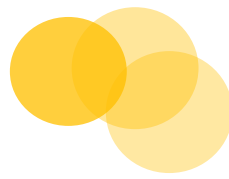
We are entering and will operate in truly a Machiavellian world, where countries will increasingly focus on their own self-interests and prioritize their own national security concerns over global concerns. This is true even if it means acting unilaterally and disregarding the interests of other nations.

Implications for those in the National Security Arena: Giving Meaning to the Daily Grind

Although a strong U.S. military is necessary to maintaining the current world order, the U.S. Navy plays a particular role within the current paradigm. The U.S. National Security Strategy emphasizes this fact when it states that "The United States is a maritime nation, and our security and prosperity depend on the seas. Our National Security Strategy recognizes that we have a unique responsibility to secure the global commons of the sea, space, and cyberspace to advance our prosperity and security." Furthermore, it underscores the importance of maintaining a strong naval presence to protect U.S. interests and ensure freedom of navigation on the world's oceans.

The freedom of navigation, access to markets, and reliable source of energy and food the global trade and free flow of goods and services, energy, and food. The U.S. Navy has underwritten the freedom of navigation, access to markets, and reliable source of energy and food by protecting the sea lanes.

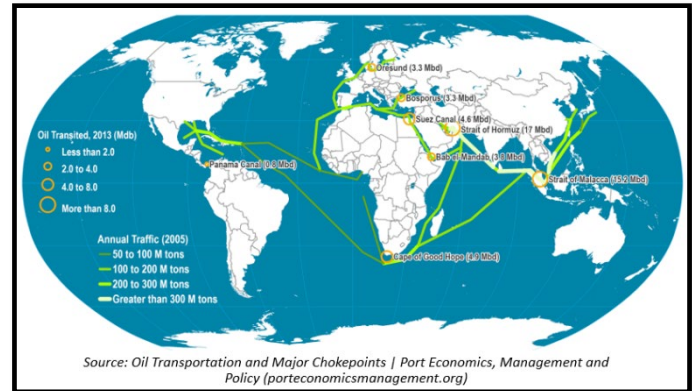
Some of the most critical sea lanes that the U.S. Navy protects include the Strait of Hormuz, which connects the Persian Gulf to the Arabian Sea and is the world's most important oil chokepoint. The



Navy also maintains access to the Strait of Malacca, which connects the Indian Ocean to the Pacific Ocean and is one of the busiest shipping lanes in the world. Other important sea lanes include the Suez Canal, which connects the Mediterranean and Red Seas.

The degree to which the U.S. Navy secures these sea lanes will determine what trade is allowed to flow and which nations are able to secure economic stability.

The diagnosis of the world entering into a Fourth Turning or that the previous world order is going through a transitional phase is a call to action for all those who serve in the national defense and the broader national security arena.



It is extremely rewarding to work as a defense contractor – to be in the business of working with the various security stakeholders to help bring strategically important capabilities to the warfighter. This broader context injects meaning to all the PowerPoint slides, excel model, dashboards, and recommendations on which we and others work.

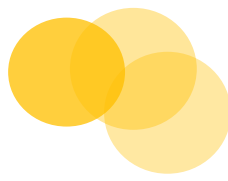
Striving towards competitive outcomes in sole source environments, supporting negotiations that defend fair and reasonable prices, conducting root cause analysis, building complex cost models that better understand risk, viewing and managing production plants as systems and that cost and schedule performance or highly correlated across units and production lines, and leveraging open-source data coupled with proprietary government information to illuminate insights within the industrial base are all needed to support the National Defense Strategy and the National Security Strategy. They play a role in freeing up Total Obligation Authority to acquire more important weapon systems, build the capacity to meet the future order's demand signal, either limit schedule overruns or possible shave months or years off of delivery to support the future's CONOPS and OPLANS.

Ultimately, the work of those in the national/defense arena – from policymakers to acquisition professionals to the warfighters themselves – support the mission to potentially lengthen the current world order, mitigate the effects of the transition, and support efforts for the United States and its allies to emerge stronger.

Conclusion

To summarize, the idea that history follows a predictable pattern is supported in part by its wide acceptance throughout time among different cultures as well as more recent scholarship and its successful application across various disciplines. Applying the cyclical view of time and the approximately 80-year cycle as a paradigm or framework can be an extremely useful tool for analyzing and understanding the complex events or phenomena that we observe in the news daily.

More importantly, are the insights derived from this perspective, such as understanding where we are and where we are going. We are likely in a Fourth Turning and in a period of significant transition.



A transition from a free, global, and relatively peaceful and prosperous world order to one in which “might makes right.” The future order is one in which our interests and those of our allies will be supported by the weapons systems on which we work.

Although this colors all the work we do at Pantheon - building cost models, analyzing data, supporting contract negotiations, assisting financial execution and planning, optimizing acquisition strategies, and aiding in supplier base management efforts - it adds meaning to the innumerable efforts done by all the various national security stakeholders.

Summary of Article: Flow Diagram

