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LEONARDO'S LEGACY

Why investment professionals must
become civilisational stewards



Prepared for the inaugural Da Vinci Lecture at
Portfolio Construction Forum Strategies Summit 2025

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For Leo

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A painter ought to study universal nature, and reason much within himself on all he sees, making use of the most excellent parts that compose the species of every object before him.

His mind will by this method be like a mirror, reflecting truly every object placed before it, and become, as it were, a second nature.

Leonardo da Vinci

A Treatise on Painting (1651)¹

Preface

Leonardo da Vinci saw the mind as a mirror that could reflect all of nature – but only if it remained open to everything. Today, when experts know more and more about less and less, his vision matters more than ever. The lawyer who only knows law, the engineer who only knows engineering, the banker who only knows banking: they all miss the bigger picture.

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Friedrich Hayek understood this danger. “Nobody can be a great economist who is only an economist,” he warned, adding that “the economist who is only an economist is likely to become a nuisance if not a positive danger.”²

What holds true for economists holds true for every profession. Narrow expertise, unchecked by broader understanding, leads to blind spots that can prove catastrophic.

This essay forms the basis for my Da Vinci Lecture at the Strategies Summit 2025. A forty-minute speech can only cover so much. Here, I can go deeper and provide the evidence behind the arguments.

My main points remain the same: Five connected crises threaten the civilisational foundations built by the West from the Renaissance through the Enlightenment to our present day. Investment professionals have become guardians of this inheritance, whether they know it or not.

Following Leonardo's example, this essay moves between topics that most people keep separate. We go from Renaissance banking to artificial intelligence, from old peace treaties to social media, from portfolio management to what makes a good citizen.

Some readers might find this strange. But Leonardo understood something we have forgotten: the mind that studies universal nature becomes like a mirror, reflecting connections others cannot see. When we confine ourselves to narrow specialities, we shatter that mirror. We see only fragments where we should see the whole.

We face serious challenges. That much is clear.

The real question is this: Will we be like Leonardo and let our minds reflect the whole of nature, or will we hide in our narrow specialities while everything around us falls apart?

Wellington, August 2025

Oliver Hartwich

1. Leonardo and the Renaissance blueprint

It is an honour to deliver this inaugural Da Vinci Lecture at the Strategies Summit. I realise that asking an economist to channel Leonardo da Vinci is rather like asking your compliance department to write poetry: technically possible, but probably not what either party had in mind.

Yet perhaps that is exactly why we need to talk about Leonardo today: in an age of hyper-specialisation, he reminds us what we lose when we forget how to think beyond our disciplines.

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When Graham Rich chose Leonardo's name for this series, he could not have selected a more fitting symbol for our moment. Leonardo da Vinci reminds us of the power that comes from weaving different strands of knowledge together. This blend once fuelled human progress, and we risk losing it if we allow our thinking to become too narrow.

So let us begin with the man himself.

We are in Milan, and the year is 1482. Leonardo da Vinci, just thirty years old and still making his name as a self-taught Florentine, shows up at Ludovico Sforza's court with an idea. He brings along a letter that will change the course of his life.³

But this is not an artist's portfolio; it is a presentation by a military engineer focused on tackling some serious security issues.

The letter's structure reveals a timeless truth about value creation. Leonardo lists ten detailed paragraphs of military capabilities: portable bridges for pursuing enemies, methods for draining moats, designs for covered vehicles "safe and unassailable", cannons that hurl stones "like a hail-storm".

Only after this exhaustive catalogue of destruction does he add, almost as an afterthought: "In time of peace I believe I can give as complete satisfaction as any other in the field of architecture... Also I can execute sculpture in marble, bronze and clay. Likewise in painting, I can do everything possible as well as any other, whosoever he may be."

This postscript – "I can also paint" – would produce *The Last Supper* and change art forever.

Leonardo understood what every successful investment professional knows: capital flows first to existential necessities, then to aspirational luxuries.

Sforza, Milan's strongman, needed a military advantage to secure his precarious rule. Art was for peacetime, a pleasant addition once survival was assured. By presenting himself as a military engineer who happened to paint rather than an artist who dabbled in engineering, Leonardo demonstrated profound strategic thinking.

Consider the careful crafting of his pitch. Rather than leading with his own credentials, he first dismisses his competitors – those "masters and artificers of instruments of war" whose inventions, he claims, are nothing special.

He positions himself as the disruptor, the one who sees what others miss. This was venture capitalism before the term existed.

Leonardo offered Sforza asymmetric returns: invest in me, and I will give you competitive advantages your enemies cannot match. The return on investment? Seventeen productive years in Milan, plus immortal works of art as a bonus.

The House of Medici, which dominated European finance through similar strategic thinking, would have recognised this approach. Solve practical business problems first, and then beauty follows prosperity.

But Leonardo's true disruption was in how he thought about knowledge itself.

While his contemporaries looked for truth in ancient texts and religious doctrine, Leonardo pioneered a new, radical approach: "My intention is to consult experience first, and then with reasoning show why such experience is bound to operate in such a way."⁴

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This simple formula – experience first, then reason – would eventually reshape science.

Leonardo's notebooks document this method. To measure gravity, he devised a brilliant experiment: pour sand from a jar while moving it sideways. When the falling sand forms a perfect triangle, you know your sideways acceleration matches gravity's pull.

To understand water flow, he dropped millet seeds into streams to make the invisible currents visible.

"All sciences are vain and full of errors that are not born of experience, the mother of all knowledge," he declared.⁵

And crucially: "Before deducing a general rule ... repeat the experiment two or three times and see if the same results are produced."⁶

This commitment to testing and retesting predates Francis Bacon's formal scientific method by over a century.

Think about what this means for your work. Modern investing has much in common with Leonardo's foundation. It is the belief that markets can be studied, patterns found and strategies tested. Whenever investment professionals analyse historical data or test a theory, they use Leonardo's method. The quantitative revolution in finance is simply his approach applied to money. When you analyse data rather than follow your instincts, you are his intellectual heir.

Here, we encounter a crucial lesson that is most relevant to our current situation.

Leonardo did not separate art and science, beauty and utility, imagination and analysis. His notebooks contain designs for flying machines and mix them with studies of human anatomy, mathematical proofs and architectural visions. A page might contain a foetus, a flower and a fortress. This was not a sign of muddled thinking but of a genius who found everything interesting and saw that everything was connected.

The Louvre's 2019 Leonardo da Vinci exhibition, correctly framed his work as the "science of painting." Leonardo blended art and science together.⁷ For example, when he studied anatomy, it helped him make his people look more lifelike, and his experiments with light led to the soft, hazy effect you see in the *Mona Lisa* (the so-called *sfumato*). Even his inventions showed how much he valued beauty and understanding. He approached engineering with an artist's eye.

This integration of knowledge domains mirrors the Renaissance economic revolution. No wonder today we speak of 'Renaissance people' when we mean people with broad interests and knowledge.

The Medici did not separate banking from art patronage, from political influence, from philosophical inquiry. They understood these as aspects of a single civilisational project. Their financial innovations (double-entry bookkeeping, letters of credit, international branch banking) funded the cultural explosion that created modernity.

Between 1434 and 1471, the Medici spent an estimated 633,000 florins on patronage – equivalent to around US\$460 million in today's terms.⁸ But this was not charity. It was part of the family's business strategy. They called it *magnificenza* – the idea that ostentatious patronage served civic virtue by beautifying the city while reinforcing the patron's legitimacy.⁹ Indeed, the most famous Medici leader, Lorenzo, carried the byname *il Magnifico*, "the Magnificent".

What did the Medici get in return? Botticelli's *Birth of Venus*, Donatello's *David*, and Michelangelo living with the family. As a side effect, Florence still generates billions in tourism revenue five centuries later.

From this excursion into Renaissance Italy, fast forward to our recent past.

From 1989 to 2008, it seemed Leonardo's integrated vision had finally conquered the world. The Berlin Wall fell. Democracy spread – from 69 electoral democracies in 1989 to 119 by 2008.¹⁰ Trade barriers crumbled. Global GDP soared. Francis Fukuyama famously declared this "the End of History," suggesting that liberal democratic capitalism had won forever.¹¹

Humanity, it seemed, had finally built a society that combined Leonardo's empirical method with market mechanisms and democratic values.

The data certainly looked magnificent. World trade as percentage of GDP climbed from 37% in 1989 to a historic peak of 61% in 2008.¹² Foreign direct investment exploded – growing nearly 50% per year in the late 1990s to reach US\$1.5 trillion by 2000.¹³ Net private capital flows to emerging markets exceeded US\$1 trillion between 1990-96, seven times higher than in the previous decade.¹⁴

As far as investments were concerned, it was a time in which we seemed to move towards a borderless world where politics mattered less than ever before. The Charter of Paris for a New Europe (1990) captured the mood: "The era of confrontation and division has ended. ... Europe is liberating itself from the legacy of the past."¹⁵

But examine that peak more carefully, and you see the seeds of our current crisis. The success was so total, it bred contempt for its own foundations.

We took the gift of freedom and treated it as a given.

We enjoyed the returns from a complex global system without feeling a duty to maintain it.

Ultimately, we enjoyed our newfound peace and prosperity yet failed to notice that the very civilisation underwriting both was quietly crumbling beneath us.

As investment professionals, your work assumes a stable world of property rights and rational markets. But these are not givens; they are the fragile outputs of a civilisational foundation that was consciously built since the Renaissance.

The Medici chose to invest in their civilisation, and Florence still lives on their returns. By contrast, Venice chose preservation and became a museum.

Today, we stand at the same crossroads. But the greatest threat to our portfolios is not a normal market downturn. It is a decay we cannot see. For when the shared values that underwrite our system erode, nothing initially feels missing. We carry on trading until a sudden crisis reveals our assets to be nothing more than fragile numbers on a screen.

Therefore, to choose wisely, we must first understand the architecture of our prosperity. Both how it was built, and why it is now cracking.

2. The architecture of order: From Westphalia to Washington

We all know of Leonardo's legacy in art and machines. But he left another, perhaps even more important legacy that is harder to spot: his methods fundamentally changed how the Western world thinks.

By pioneering a scientific approach, he put Europe on the path to modernity. He did so by establishing a powerful new belief: that any problem could be understood, and perhaps even solved, through reason and empirical study.

This new mindset had revolutionary consequences. If reason could build machines, it could also tackle other complex problems. Suddenly, the great challenges of politics and commerce – how nations could coexist peacefully, or how trade could be secured by law across borders – were no longer seen as matters of fate. They became problems to be solved.

But tackling these problems was not the work of a single treaty or a single generation. The architecture of our modern world was constructed over centuries.

This long process began with a raw and visceral memory of what happens when order collapses. Europe experienced this most brutally in the final years of the Thirty Years' War, a catastrophe that led directly to the Peace of Westphalia in 1648 and the birth of the modern nation-state.

To understand the new system of international relations that the Peace of 1648 established, we must first understand the horror the Europeans were trying to escape.

Picture a Swabian family in that year, recording in their Bible: "We live like animals, eating bark and grass."¹⁶ In Breisach, desperate parents consumed their own children: "Three children were eaten in one day. ... In the Fischerhalden alone, eight prominent citizens lost children, probably eaten."¹⁷

This was Europe after three decades of religious war. It had wreaked unparalleled devastation with population losses in some regions exceeding 50 percent.¹⁸

From this catastrophe emerged an idea so powerful it still governs our world: the sovereign state.

The Peace of Westphalia was more than just a treaty. It created a new framework for politics, law and commerce that would last for centuries. The entire global system you work in – every cross-border trade, every currency hedge, every international contract – depends on the order those exhausted diplomats built in the German towns of Münster and Osnabrück.

They would not have thought of themselves as Leonardo's heirs, of course. Yet their rational approach to international relations was a new form of *political* engineering. As such, it showed the same problem-solving spirit Leonardo had applied to art and machines.

The Westphalian revolution

Before 1648, investing across borders was extremely difficult. A merchant faced overlapping claims from emperors, popes, princes and bishops. The Holy Roman Empire contained roughly 300 different jurisdictions. No single authority could guarantee contracts. Any noble could confiscate goods passing through their territory.

The Westphalian treaties created what markets desperately needed: predictable counterparties.

First came territorial sovereignty. The treaties declared that "All and every one of the Electors, Princes and Estates of the Holy Roman Empire, are so established and confirmed in their ancient rights,

prerogatives, liberties, privileges, free exercise of territorial right ... that they never can or ought to be molested therein by any whomsoever upon any manner of pretence.”¹⁹

Those 300 principalities became something resembling modern corporations. They had defined boundaries, clear governance, and the legal capacity to make binding agreements.

Then came the right to foreign policy. “It shall be free perpetually to each of the States of the Empire, to make Alliances with Strangers for their Preservation and Safety; provided, nevertheless, such Alliances be not against the Emperor, and the Empire, nor against the Publick Peace”.

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Finally, religious non-interference. The principle of *cuius regio, eius religio* (whose realm, his religion) removed faith as a legitimate cause for war between states. Rulers would determine their territory's religion, but other states could no longer use religious differences to justify invasion. The treaties even stipulated that princes who converted would forfeit their lands, creating powerful incentives for stability.

Think what this meant. A Venetian banker could now assess the Duke of Brandenburg's creditworthiness, knowing his authority was recognised across Europe. Political risk became calculable. Sovereign states had become standardised counterparties – the foundation of all modern international finance.

But this new system still had a major flaw: It had established sovereign states, but it had not provided a common set of rules for how they should interact. How should these new entities communicate? What laws would govern their exchanges? Even before the Westphalian treaties were signed, thinkers were addressing this very challenge.

Hugo Grotius, a Dutch jurist, had anticipated this need. Writing in 1625, before the Peace of Westphalia, he envisioned a world where sovereign states would need common rules.

His insight was revolutionary. International law should rest on reason and natural law, and these principles would hold true even without divine authority.²⁰

This mattered enormously for commerce. Catholic and Protestant states could now operate under common rules. When Dutch merchants would later negotiate with Ottoman traders, and when English companies would establish warehouses in Mughal India, they did so relying on Grotian principles.

A century later, Emer de Vattel refined these ideas for practical use. He treated states as “moral persons”, not too dissimilar to corporations, operating in a market.²¹

Again, this was not abstract theory but had practical implications. It enabled the financial instruments you use daily. Your ability to buy Brazilian government bonds, enter currency swaps with Japanese banks, and enforce contracts across borders all rest on this intellectual foundation.

The Concert of Europe

Through the contributions of Grotius and de Vattel, we saw the emergence of what we would nowadays call a “rules-based order.” This order did not come into being overnight; and it kept evolving, especially in response to historic events.

Thus, after Napoleon's defeat in 1815, European statesmen were aiming to create a system to channel intra-European conflicts and prevent any one country from dominating all the others. Britain, Austria, Prussia, Russia, and later France established regular meetings to address and resolve

disputes. This arrangement functioned as an early attempt at collective decision-making among major powers.

For nearly a century, this Concert of Europe prevented general war. When Greece revolted against Ottoman rule, and when Belgium sought independence, European powers negotiated rather than fought. This system was not perfect, just think of the Crimean War (1853-56), which pitted Russia against Britain and France over influence in the declining Ottoman Empire, showing the system's limits when core interests clashed. But compared to what came before and after, it was remarkably stable.

This stability unleashed unprecedented prosperity. The classical gold standard emerged, with the Bank of England as the de facto global central bank. Political predictability and monetary stability reinforced each other. Capital could now flow across borders with confidence.

The numbers reveal the transformation.

By 1914, British overseas investment had reached approximately £4 billion, while the entire domestic GDP stood at just £2.5 billion.²² Global trade expanded from 4.6% of world GDP in 1870 to 7.9% by 1913.²³

British capital built Argentine railways. Russian factories. American infrastructure.

When Barings Bank nearly collapsed in 1890, the response showed system evolution. Bad Argentine investments threatened the bank. The Bank of England orchestrated an international rescue, with participation from major financial institutions.²⁴ The crisis was contained through cooperation.

The 19th-century world order was short-lived. The Concert of Europe relied on aristocratic diplomacy, but it failed as nationalism grew, democracies formed, and new ideologies emerged. Its flexible approach soon conflicted with the rise of rigid military alliances in the late 1800s.

The catastrophe of disorder

In July 1914, the rigid alliance structures that once promised peace delivered catastrophe. An assassination in Sarajevo triggered automatic obligations. Treaties fired like pistons. Within weeks, Europe's entire order collapsed.

On 28 June, one shot was fired. By August, stock exchanges from London to St Petersburg had closed. International credit froze. A century of carefully constructed financial relationships disintegrated in a matter of weeks.

After the war, the League of Nations was created to prevent this from happening again. But the League became one of history's most striking mismatches between ambition and capability.

Its flaw was clear from the outset. The United States, the system's chief architect, never joined. The League had no enforcement tools beyond moral appeals. Every member held a veto through the requirement of unanimous consent. It promised collective security through law but offered no power to uphold it.

And while the world would eventually feel the geopolitical consequences of this failure in World War Two, the economic effects came first. They were devastating.

Without a hegemon to underwrite global order – Britain could not, America would not – the post-war economy disintegrated. Between 1929 and 1933, world trade collapsed by over 50 percent.²⁵

Nations erected tariff walls, abandoned gold, and raced to the bottom through competitive devaluations.

For investors, the result was destruction. Consider a German saver in 1913 with a diversified portfolio: Russian railway bonds, German government debt, some French equities. By 1923, it was all gone.

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Hyperinflation had wiped out the German holdings. As an observer noted a few years later, "Towards the end of November 1923 a kilogram of bread cost 428 milliard paper marks in Berlin, a kilogram of butter 5,600 milliards, a newspaper 200 milliards, a tram ticket 150 milliards, the postage for an inland letter 100 milliards, and so on."²⁶

The Russian bonds? Repudiated by the Bolsheviks. French equities? Locked behind capital controls.

Ray Dalio's data confirms the pattern. Russia 1900-1918. Germany 1903-1923. China 1930-1950. All experienced 100 percent real wealth destruction.²⁷

Diversification did not help. Sovereign risk became systemic risk. When global order breaks down, when rules no longer rule, nothing works as expected.

Learning from catastrophe: The American solution

The men who gathered at Bretton Woods in July 1944 had lived through the League's failure. They understood what Dean Acheson would later articulate: "There is perhaps nothing more important in the world today than the steadiness and consistency of the foreign policy of this Republic."²⁸

Their design corrected every interwar mistake with great clarity.

Where the League pretended all nations were equal, the UN Security Council gave five powers permanent seats and vetoes. This acknowledged reality: order requires power, and power must be accommodated. Where the interwar system separated economics from security, the new architecture made them inseparable. The IMF managed currencies. The World Bank funded development. GATT reduced trade barriers. All were designed to make prosperity dependent on peace.

Most crucially, America provided what economists call public goods – the things everyone benefits from but no one wants to pay for. The US Navy patrolled sea lanes. The dollar, convertible to gold at US\$35 per ounce, anchored global finance. American markets remained open even when others protected. American troops guaranteed European and Asian security, allowing allies to focus on economic recovery.

The Bretton Woods monetary system exemplified this hierarchical design. John Maynard Keynes, the brilliant British economist, had proposed a symmetric system with a new international currency called the "bancor". Harry Dexter White, as the US Treasury's principal representative, embodied and exercised American power at Bretton Woods. He insisted on a dollar-based order. White won because America held the gold, the factories, and the armies.

The results were spectacular. Global trade rose from 25% of GDP in 1960 to over 60% by 2008.²⁹ Global Foreign Direct Investment inflows grew from approximately US\$13 billion in 1970 to a record annual inflow of nearly US\$1.9 trillion in 2007, while the total stock of global FDI rose from hundreds of billions in the early 1980s to over US\$15 trillion by 2007.³⁰ Interstate wars virtually disappeared among developed nations.

This was not just ordinary economic growth; it was the creation of modern finance itself. But currency hedging, emerging market debt, global equity allocation, complex derivatives, they all depended on the institutional plumbing the Western world had built and America now maintained.

Not everything was perfect, of course. When President Nixon suspended gold convertibility on 15 August 1971, it was not a triumphant adaptation but a confession of failure. An expansionary Federal Reserve had found it impossible to maintain the dollar's link to gold while simultaneously inflating the money supply, not least due to the Vietnam War. The result was the creation of what economists call pure "fiat money", i.e. a currency with no anchors in the real world, no limits on how much central banks can print.

This severing of money from reality would have consequences. It enabled the decades of monetary activism that has since distorted every market, inflated every bubble, and postponed every reckoning.

Still, your ability to construct a globally diversified portfolio is not just a market innovation. It is a gift of the Western order and American hegemony after the Second World War. It is not an exaggeration to say that every assumption in your risk models depends on institutions and rules the West had built and America enforced.

The cracks appear

Yet that 377-year architecture from Westphalia's sovereignty through Bretton Woods' monetary order is now under pressure.

The relative decline of American power removes the system's guarantor. Like the League of Nations without America, institutions without hegemonic support become hollowed out. China offers an alternative model: prosperity without democracy, development without individual rights. Russia demonstrates that revanchist powers can violate sovereignty with limited consequences.

But the deepest threat may be internal. When Western publics reject the very premises of international order – free trade, alliance obligations, international law – the foundations crumble from within.

Nothing feels missing where order is absent, until disorder arrives.

We have travelled from Westphalia's creation of sovereignty through Bretton Woods' perfection of it. Each system built on Enlightenment faith: reason over force, rules over power, commerce over conflict. Each lasted precisely as long as great powers believed its preservation served their interests.

That consensus is gone.

The architecture Leonardo would have admired for its elegant engineering now cracks under pressures its designers never imagined. In the next section, I will show you exactly how those cracks are widening into chasms and what they mean for every assumption underlying your portfolios.

When this order breaks, it will not announce itself with treaties or declarations. It will simply cease to function, taking with it every certainty on which modern finance depends. Nothing will feel missing – until everything is.

3. The great unravelling: five interconnected crises

Five different forces are now putting pressure on progress that took centuries to build. These five forces are working together, and before long, they will begin to put pressure on our established order.

Adam Tooze, the economic historian, calls our moment a “polycrisis.”³¹ Many risk models overlook that what we are dealing with is a web of system failures which are all connected, not just a collection of individual but separate developments.

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Watch how they compound. Trade restrictions create currency instability. Currency problems strain political alliances. Weakened alliances embolden strategic rivals. Each development accelerates the others in ways no model predicts.

Last month, for example, a German truck manufacturer announced yet another restructuring due to “tariff turbulence.”³² Minor news, buried in the business pages. But multiply it by ten thousand companies across every sector, and you see more fundamental and strategic implications.

Your portfolios assume these phenomena are separate, manageable, containable. They are not. They are all connected with each other.

I want to talk about five main crises, even though there are many others out there. I picked these because they cover most of the important challenges we face right now.

Crisis 1: The fracturing of global commerce

We take free trade for granted, overlooking the systems that support it: laws, shipping routes, and stable regulations. Only when trade halts does it become clear that global trade is a human construct – and that it can fail.

In 2022, global trade accounted for 62.8% of world GDP. By 2023, it had fallen to 58.5%.³³ A modest drop, but one that coincided with rising tariff tensions, growing Chinese-American economic rivalry, and supply chain nationalism. With President Trump now reimposing aggressive tariff policies, what looked like a blip may turn out to be the beginning of a reversal.

We have been here before. In 1930, the United States passed the Smoot-Hawley Tariff Act, raising duties on more than 20,000 goods. Within four years, global trade collapsed by two-thirds. What began as a national policy decision became a global economic contraction. It helped turn a downturn into a depression and reshaped the economic landscape for a generation.³⁴

Frédéric Bastiat warned us in 1845 with a parable that feels uncomfortably familiar today. He imagined candlemakers petitioning the government to block out the sun, their most unfair competitor, since it provided light for free.³⁵ What was satire in the nineteenth century is now policy in the twenty-first. Protectionist measures are passed in the name of strategic autonomy, resilience, or fairness. But the effect is the same: less trade, higher prices and weaker growth.

And every company in your portfolio pays the price. Goldman Sachs estimates that 70 percent of current tariff costs are passed directly to consumers.³⁶ S&P Global warns of effective tariff rates reaching 15 to 20 percent, already eroding earnings forecasts across multiple sectors.³⁷ Companies now face an unpleasant choice: absorb the cost and lose margin, or raise prices and lose customers. There is no third option.

At the same time, the legal framework governing global trade has experienced challenges similar to those in the economic sphere. Since 2019, the World Trade Organization's appellate body, which functions as the highest authority in international commerce disputes, has not been operational.

That is mainly because the US refuses to approve new judges. As a result, unresolved trade disputes enter what lawyers now call “appeals into the void.” These are cases that get filed but are never heard.³⁸

Global trade is undergoing major changes: supply chains are shifting, investments are retreating within borders, and new trade blocs are emerging. Yet finance continues to operate as if these disruptions are temporary. But what if the old system is already gone and we have not yet fully realised it?

Think back to the mask and medicines shortages of 2020. That was when we noticed how brittle the system really was.³⁹ Years of chasing efficiency had left us with no safety buffer. Not just in masks, but in medicines, semiconductors, fertilisers, the basics. When the crisis came, the shelves emptied.

Now governments, spooked by this experience and growing global tensions, are trying to bring production home. Independent estimates suggest that the cost of widespread reshoring of production to the US would likely run into the trillions of dollars over several years, depending on the sectors involved. For semiconductors alone, a joint study by the Boston Consulting Group and the Semiconductor Industry Association puts the figure even higher: at least US\$1 trillion in new capital investment to achieve self-sufficiency, with chip prices rising by up to 65 percent.⁴⁰

At the same time, the world is splitting into different trade camps. RCEP, a China-led trade bloc covering 30 percent of global GDP, excludes the United States.⁴¹ Europe is talking about “strategic autonomy,” which usually means some version of economic nationalism. For small countries, picking sides is getting harder. New Zealand sends 21 percent of its exports to China while relying on American security.⁴²

Capital is already adjusting. According to the UN trade agency's latest report, global cross-border investment has contracted sharply in recent years, with deal activity returning to levels last seen during the global financial crisis.⁴³ Fund managers are increasingly pulling back to “friendly” markets amid growing geopolitical risks. They used to believe that they could manage their global portfolios as one whole unit. Now that seems much less realistic because the world of trade and commerce is disintegrating.

Still, in our day-to-day routines, all this is easy to miss. Business meetings still focus on earnings. Analysts still project returns. Outlooks still assume a return to stability.

Until we realise this stability will not come back.

Crisis 2: The end of the post-war security order

Global trade rules are collapsing, and international security foundations are also shifting. At NATO's 2025 summit in The Hague, members set a new defence spending goal of five percent of GDP.

The new target is more than double NATO's previous two percent benchmark. Incidentally, that was a target many members failed to meet for years.

Under the agreement, 3.5 percent of GDP must go to core defence needs such as troops, weapons, and logistics. The remaining 1.5 percent is reserved for broader resilience investments: cyber-security, civilian infrastructure and military mobility. The formal goal is to meet the full target by 2035. Even usual holdouts like Spain and Belgium signed on, though both are already seeking flexibility in how their commitments will be measured.⁴⁴

NATO Secretary-General Mark Rutte called the decision “historic.” It is. But not just because of the spending increase. The real signal is political. It reflects growing concern that the alliance no longer functions as it once did.

For decades, the deal was simple. The US guaranteed security. In return, its allies aligned economically and strategically.

That old bargain is now under strain. The US is less interested in providing global security guarantees. America's old allies are looking for alternative ways to protect themselves. And the financial world, which was built on that post-war arrangement, will also reflect these changes in security arrangements.

Europe has already begun to shift. In 2024, EU member states spent 326 billion euros on defence, a 30 percent real increase.⁴⁵ BAE Systems, Rheinmetall, and Lockheed Martin currently have significant order volumes. The conflict in Ukraine has reduced stockpiles and revealed certain vulnerabilities. Efforts to replenish military equipment are now underway.

But increased spending across NATO does not necessarily mean greater unity. Ukraine also showed the limits of collective resolve. “As long as it takes” quickly became “let us explore negotiated outcomes.” When Washington paused military aid, the weakness at the heart of the alliance became clear. Remove the US from NATO and not much remains.

Where trust in the Western alliance still holds, it is narrowing. AUKUS is the sign of that. The United States, the United Kingdom and Australia are now to share nuclear submarine technology.⁴⁶ That is not just a defence deal. It is a redrawing of the alliance map. It means that trust is shrinking to the Anglosphere core. Everyone else is in the grey.

Watch how former allies are behaving. Hungary shields Russian energy interests. Turkey buys Russian air defences while hosting American nuclear weapons. Germany calls China a “systemic rival” while its carmakers depend on Chinese sales.⁴⁷ These are not small contradictions. They are symptoms of a deeper strategic drift.

International relations scholars might call this hedging: keeping options open and playing both sides. Apparently, the South Koreans even have a word for it: *anmigyoŋjung*. Security from America, economy from China.⁴⁸

Geostrategic uncertainty has economic and financial impacts. Major events like conflicts or policy changes make investors cautious and raise borrowing costs, especially in emerging markets.

When global security fails, markets move together, and diversification no longer offers protection. There are few events whose implications are only local or regional. When the Yemenite Houthis attack shipping routes in the Red Sea, the implications are felt both in Asia and Europe.

On the surface, the old habits of international security persist. Defence summits are held. White papers are published. Speeches are made. But underneath, the old world order is changing dramatically.

And what the West's rush of new spending and strategic repositioning really reveals is not renewed confidence. But growing uncertainty.

Crisis 3: The twilight of Western hegemony

The weakening of alliances is not happening in isolation. It is part of something bigger. A shift in global power is underway.

For decades, the Western-led order shaped everything from trade law to security guarantees to the language of diplomacy. That order was founded in all the events and developments since the Renaissance, which we discussed before. Its modern version emerged after 1945, and it was reinforced after the end of the Cold War in 1991. The Western-led order was based on the dominance of liberal democracies, backed by American power.

At the start of the century, the dominance of the US dollar and the spread of liberal democracy felt inevitable. It was the so-called unipolar moment. But that moment is well and truly over.

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At the turn of the twenty-first century, the G7 accounted for over 43% of global GDP (in purchasing power parity terms), reflecting its longstanding dominance within the international order. By 2024, this share had fallen to below 30%, while the BRICS nations accounted for approximately 35% to 40% of global GDP (depending on how you measure it).⁴⁹

This shift is a significant rebalancing of economic weight away from traditional Western powers towards emerging economies. These are not just changes in economic activity; they also reflect a shift in weight, influence and political power.

BRICS is not a coherent bloc. But its members share a common aim: to reduce their dependence on the West. That means moving away from Western currencies, platforms, ratings agencies, payment systems and multilateral institutions. For many of them, it also means moving away from Western political ideas and indeed challenging them.⁵⁰ China has made this explicit. Its Global Security Initiative, Global Development Initiative and Global Civilisation Initiative are designed to promote a parallel model.⁵¹

The West is not helping its case. In many Western countries, especially in Europe, economic growth has been weak for decades, productivity growth sluggish, and politics increasingly polarised to the point of becoming dysfunctional. Seen from the outside, the West may no longer look like a model that aspirational countries might want to follow.

That perception is having consequences. The share of global reserves held in US dollars has dropped from 70 percent in 2000 to under 58 percent in 2024.⁵² The dollar still dominates, but less securely.

Russia and Iran now trade energy in yuan. India settles oil purchases in rupees. China is expanding its digital renminbi for cross-border use.⁵³ None of this will replace the dollar overnight. But it chips away at the system that supports it.

That system once rested on more than power. It rested on trust: the belief that global rules were stable, consistent and fair. And that the US and its allies would defend and guarantee this system. As that belief fades, countries look for alternatives. And the more those alternatives develop, the more viable they become.

You can already see the shift in capital flows. Foreign direct investment to developing economies has slowed to its lowest levels since 2005, as rising global barriers and economic fragmentation impede investment, including from advanced economies. The World Bank warns that this reversal marks a distinct break from the era of rapid cross-border investment that defined earlier decades.⁵⁴

Meanwhile, the developing world is building its own financial structures. BRICS+ members are expanding joint institutions: development banks, rating agencies and settlement systems. Some of this is symbolic, but the direction is clear. The Western-shaped post-war financial order is fragmenting, and what comes next is not yet defined.

Investors are used to pricing country risk. But when the system itself is contested, risk becomes harder to map. Which rules apply? Who enforces them? What happens when there is no shared baseline?

Western hegemony is now a concept from the past. But what is about to replace it is not yet a new order. It is something far less predictable.

Crisis 4: The twin collapse – democracy and civic knowledge

Something peculiar happens when societies stop caring about their own foundations. Not rebellion. Not outrage. But something far more dangerous: profound indifference.

Citizens stop paying attention to the institutions that once made their prosperity possible. And because everything still somehow works, nothing seems wrong at first.

I would call this civic apatheism.⁵⁵ That is the condition where nothing feels missing, even when meaning has gone. The same indifference that emptied churches is now hollowing out democratic institutions. Not because people reject them. But because they no longer notice.

In the past, social structures provided connection. Churches, unions and political parties offered identity and belonging. All gave individuals a role in something larger and taught people how public life worked. Now they are dissolving.

In Australia weekly church attendance fell from around one in ten in 1991 to about one in fifteen by 2016.⁵⁶

In New Zealand a similar halving is visible. Estimates suggest weekly church attendance declined from about 20 percent in 1960 to roughly 10 percent today.⁵⁷

Germany has experienced an even more dramatic shift: a 2025 survey found that about 47 percent of Germans described themselves as non-religious, compared with 24 percent Catholic and 21 percent Protestant.⁵⁸ For the first time, non-religious Germans outnumber Christians.

Union membership has also collapsed. In the United States union density peaked at about 34.8 percent of employed workers in 1954 and had fallen to 11.1 percent by 2015;⁵⁹ by 2024 it was just under 10 percent.⁶⁰ In the United Kingdom around 22.4 percent of employees belonged to a union in 2023 – the lowest rate since 1995.⁶¹

Australia is similar: 13.1 percent of employees were union members in 2024, down from 40 percent in 1992.⁶² New Zealand has never reached 50 percent union density and membership fell sharply to under 20 percent after the Employment Contracts Act of 1991.⁶³

Party membership is even weaker. In the United Kingdom membership of the Conservative, Labour and Liberal Democrat parties fell to a historic low of about 0.8 percent of the electorate in 2013 and recovered only slightly to 1.7 percent by 2017.⁶⁴

International comparisons show a similar pattern: the share of Australia's electorate belonging to political parties declined from nearly 4 percent to about 1.5 percent between the 1970s and the 1990s, and New Zealand's share declined by roughly 22 percentage points between the 1950s and 1990s.⁶⁵

When people no longer share institutions, they often no longer share values. Social bonds weaken. Common ground narrows. A society of individuals becomes a crowd of strangers.

This is not mere apathy. It is detachment, evident in the widespread lack of understanding about societal systems.

In Lowy Institute polling only about 61 percent of Australians aged 18 to 29 said democracy was preferable to any other kind of government in 2021, up from 39 percent in 2012.⁶⁶ On the other side of the Tasman, New Zealand researchers note that the country has comparatively high civic knowledge, but serious gaps remain. Certain groups show declining electoral participation and a weakening connection to civic life.⁶⁷

A 2019 survey in the United States found that only 40 percent of American adults could name the three branches of their government and 22 percent could not name a single branch.⁶⁸ In Britain the Hansard Society's 2013 audit reported that only 22 percent of adults could name their local MP and just one in ten under-35s could do so.⁶⁹ In New Zealand, a survey undertaken by The New Zealand Initiative revealed similar gaps in the public's understanding of the democratic process.⁷⁰

This lack of civics knowledge highlights a dilemma for liberal democracies. Half a century ago, the German constitutional scholar Ernst Wolfgang Böckenförde warned that the liberal state depends on social conditions that it cannot guarantee itself; a free society requires a public spirit among its citizens that cannot be mandated.⁷¹ The moment the state attempts to enforce those norms, it ceases to be liberal.

The information environment is making the problem worse. In the early 1980s daily newspapers were central to political culture; by 2018 only 8 percent of Australians viewed print newspapers as their main news platform and 61 percent obtained news via online news websites.⁷²

Globally, digital platforms now mediate news: a 2024 survey found that 54 percent of US adults sometimes get news from social media and about one third regularly get news from Facebook or YouTube.⁷³

The effects are measurable. Research on Facebook during the 2016 US election found that fake news dissemination was extremely limited. A small minority of users shared the vast majority of misinformation.⁷⁴

Yet organised manipulation is widespread: the Oxford Internet Institute's 2019 inventory documented social media manipulation campaigns in 70 countries,⁷⁵ and security researchers estimate that automated accounts drive between 10 percent and 20 percent of the conversation during elections and other major events.⁷⁶

A 2024 poll showed that 58 percent of respondents had seen AI generated political content in their social media feeds, but only 12 percent felt extremely confident they could identify- such material. Studies found accuracy in identifying AI generated- content hovered around 50-60 percent.⁷⁷

The decay is not just in information. It is in understanding. Fewer citizens can explain the difference between Parliament and Cabinet, between law and regulation, between a right and a benefit. They do not know who decides what or how.

That is not just a political problem. It is an investment problem too.

Your portfolio's value might assume the rule of law, enforceable contracts and independent institutions. But none of that is guaranteed. These are cultural achievements, not natural facts. And that culture is fragmenting.

Even within the West, the shared assumptions that once made global investment navigable are diverging. The European Union's Corporate Sustainability Reporting Directive now requires large companies to publish detailed sustainability disclosures, while in the US, more than forty anti-ESG bills have been enacted across twenty-one states that restrict the use of environmental, social and governance criteria in investing.⁷⁸

There may be same instruments, but there are opposite rules, sometimes even within individual countries. The consequences for compliance, disclosure and liability are growing. And they are unpredictable.

The people shaping this new apatheistic political landscape, the content engineers, platform moderators and AI developers and influencers, are not trained as civic stewards. Their business model is to create attention, not social cohesion.

The result of these developments is not necessarily a political rebellion, though it provides ample ground for populism. But it sure enough creates the foundation for democratic decay.

And yet, everything still formally works. Parliament sits. Markets open. Contracts hold. Legal systems function. But the knowledge that made all this once possible is disappearing.

And when it goes, economic uncertainty increases.

Crisis 5: The AI revolution

The ground is shifting. Not just economically or politically, but in how we understand the world. A society that no longer knows how to make sense of itself cannot hope to control what comes next. And what is coming next, faster than anyone imagined, is artificial intelligence.

"AI is under-hyped." That was how former Google chief executive Eric Schmidt put it, speaking at TED in Vancouver.⁷⁹ He called artificial intelligence "the most important development in five hundred years." Listeners may have thought he was reaching for effect. He was not.

Because this is not hype. AI is not an extension of the usual development of technology and society. It is something else entirely.

The advances in AI are already extraordinary. In 2023, the biotech firm Insilico Medicine took an AI-designed drug for pulmonary fibrosis from discovery to Phase 1 trials in thirty months,⁸⁰ a process that normally takes ten years. DeepMind's AlphaFold 3 has doubled prediction accuracy for protein structures and solved many problems that stumped researchers for decades.⁸¹ Its AlphaGeometry can now generate Olympiad-level proofs using machine reasoning.⁸²

None of this is speculative or science fiction. This is already happening.

But while this revolution unfolds, many Western countries are still deciding how they feel about it. In Canada, just 40 percent of people say they trust AI. Confidence is even lower in parts of Europe. Rather than asking what to build, these societies ask first what to ban. They start with a risk assessment and fail to factor in AI's potential benefits.

Meanwhile, others are moving. In China, 83 percent of people believe AI will do more good than harm.⁸³ Similar levels appear in Indonesia and Thailand. These societies do not wait for consensus. They coordinate infrastructure, regulation and deployment. And they move fast.

China has already rolled out medical AI to thousands of hospitals, established autonomous vehicle districts and embedded smart infrastructure into its newest cities.

For many emerging economies, AI offers a way to leapfrog. It is a disruption they welcome, not fear. They see in it a way to gain ground while the developed world hesitates. The West worries about governance. Others focus on opportunity.

Culture matters. In Australia and New Zealand, tall-poppy syndrome still punishes visible ambition. We are at risk of missing out on the biggest technological development for decades if not centuries.

In the development of AI, three broad public policy responses have emerged.

The US leads with money. In 2024, it attracted US\$109 billion in private AI investment. That was twelve times more than China and twenty-four times more than Britain. It built forty major frontier models. China had fifteen. Europe had only three.⁸⁴

Meanwhile, China is trying to close the gap through scale and coordination. The Chinese government, platforms, and users move as one.

And Europe? Europe regulates. The EU AI Act places systems into four risk categories and imposes strict compliance for those deemed high-risk.⁸⁵ Maybe Europe hopes to shape global norms in this way. But it certainly slows innovation at home.

Talent is following the money and the opportunity. The United States is now losing AI researchers.⁸⁶ While Western societies argue about regulation, AI is already reshaping the world.

Markets feel it first. Most financial models assume innovation is linear and additive. But AI will fundamentally change entire industries. Think of it like what happened when thirteen Instagram engineers created more market value than Kodak's 145,000 staff. This is the kind of disruption that AI will bring to companies and industries worldwide but probably multiplied many times.

Firms now fall into three groups. First, AI-native companies. There are those building new systems from scratch. They are at the forefront of the AI revolution.

Then there are companies adapting to AI. They may not lead the way, but they will go with the flow and many of them will survive.

But in the third group, there will be firms that will either struggle with AI adaptation or whose business models will be made obsolete by the new AI possibilities. These companies will disappear like horse-drawn carriages did a century ago.

Normal risk frameworks are not built for this kind of change. This is no ordinary disruption. This is on an entirely different scale. And it is at its heart not a technical change we should anticipate but a civilisational one.

The West once built the foundations on which this change is now happening. But whether the West will also be able to deal with the change it brings is an entirely different question.

AI will be a mirror of our societies. It will show who is moving and who is resisting change.

In sum: The polycrisis converges

Five crises now reinforce each other in ways no risk model predicts. Trade fragments into hostile blocs. Alliances hollow out from within. Alternative power centres offer competing political and economic visions. Democratic societies lose the knowledge to govern themselves. And AI amplifies every strength and weakness exponentially.

Each crisis alone would challenge our assumptions. Together, they form the “polycrisis” Adam Tooze identified. They are not parallel problems but a single system of civilisational upheaval where each element accelerates the others.

The mechanisms of collapse may not be dramatic in one sense. They will not necessarily lead to a single catastrophic day or year, which would make the system unravel all at once.

Instead, the systemic disruption could well happen incrementally, sometimes to the point of being hard to spot. Because for now, everything still works. Markets open. Contracts hold. But the structures that support global stability are no longer self-sustaining.

Nothing feels missing as foundations erode. Until suddenly, everything has changed.

The question is not whether we are in crisis. The question is whether we still recognise what is breaking. And what dies once the old Western civilisation model has gone.

4. What dies when civilisation retreats

In 1797, Napoleon took Venice without firing a shot. The same city had once ruled the seas, invented public debt, and pioneered modern banking. But when French troops arrived, Venice made no attempt to defend itself. Yes, it had ships. It still had money. But it no longer had citizens who believed the city was theirs to protect.

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In 2019, Venice surrendered again, but this time, to its own apathy.

The question confronting the city was hardly trivial: who should decide Venice's future, especially in the face of mass tourism and the frequent visit of cruise ships.

The 2019 referendum asked whether Venice should separate itself administratively from its mainland borough, Mestre. Seemingly, it was a technical issue, but one connected to deeper questions about local control over tourism and the city's future.

Yet almost nobody voted. Of 207,000 eligible voters, just 45,000 took part – a turnout of 21.7 percent. Two-thirds backed the proposal, but the referendum fell well short of the quorum required for legal effect.⁸⁷

An earlier unofficial poll, organised by activists in June 2017, drew only about 18,000 votes. It had over 98 percent calling for a cruise ship ban but still represented less than one tenth of registered voters -overall.⁸⁸

The problem here is not the choices Venetians made. It was the unwillingness to even make a choice. Venice, which we earlier saw transform from a commercial empire to a living museum, could not muster the civic energy to decide its own future, one way or the other.

Civilisation does not always end in flames. Sometimes, it fades into routine performance. Yes, laws, elections, newspapers and markets may endure, but the living spirit behind them withers.

Citizens become passive consumers. There is no longer a shared purpose or common values. And so, the groceries arrive, contracts are honoured, and portfolios grow – and nothing feels missing. Until it is.

This is the paradox of liberal decay. It does not feel like collapse; it feels like business as usual. Yet beneath the surface, something foundational erodes.

This is Böckenförde's paradox, which we encountered earlier: liberal democracy "depends on conditions it cannot itself guarantee".⁸⁹ It needs civic knowledge, social trust and open debates, none of which the state can manufacture. When these vanish, the state may survive through gentle (or not so gentle) coercion, but it is no longer liberal.

The five crises we traced earlier accelerate this retreat. Trade fragmentation erodes the bonds that align interests. Alliance fractures corrode confidence in shared security. Authoritarianism offers negative examples of what happens when civic responsibility disappears. Democratic ignorance blinds people to what they lose. And AI may speed all of this up. Each crisis affects the foundations Böckenförde talked about.

Investors are not exempt. They may not notice early signs, but the results of this disintegration will affect them.

Most investors assume a stable legal order: property is protected, contracts are enforced, and the state cannot just confiscate what it did not create. These assumptions do not appear in portfolio models. They lie buried so deep that they feel like facts of nature.

But they are not facts. They are cultural achievements. And when culture decays, assumptions fail.

In October 2003, Mikhail Khodorkovsky, the richest man in Russia at the time, was arrested at gunpoint on a chartered flight and later convicted of fraud and tax evasion.⁹⁰ His oil company, Yukos, was broken up, and its assets transferred to state-owned entities, including Rosneft. It was an explicitly political act of retribution after he criticised Putin and funded political opposition.⁹¹

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In late 2020, Jack Ma delivered a public speech criticising financial regulators in China. Within days, the Shanghai Stock Exchange suspended Ant Group's planned US\$37 billion IPO. Ma then disappeared from public view for months. His platform was legal, and his balance sheet was solid. But none of this protected Ma from the state.⁹²

Venezuela pursued an even more direct approach: in 2007, President Hugo Chávez nationalised major oil assets, forcing ExxonMobil and ConocoPhillips to withdraw from the country. Arbitration panels later awarded Exxon roughly US\$908 million to US\$1.6 billion in damages, but the damage to investor confidence was far broader.⁹³

When rights become conditional on politics, capital moves. And people, too.

Russia's brain drain began well before 2022 but accelerated dramatically after the Ukraine invasion. By mid-2023, around 650,000 skilled Russians had fled abroad, representing about 0.85 percent of the workforce. Many of them are young professionals whose departure affects future capacity for innovation and growth.⁹⁴ Data from 2022 showed that at least 100,000 IT professionals left Russia that year alone, a loss of wealth and talent for generations to come.⁹⁵

History offers many echoes. Spain expelled its Jews and Moriscos, and along with them lost bankers, physicians and scientists. Germany in the 1930s expelled Jewish scientists, America gained them.

Today's exodus is quieter but just as consequential. Top AI researchers leave jurisdictions where legal and regulatory frameworks feel uncertain. Founders register in predictable regimes. Capital flows not only to where taxes are low but where the future seems plausible.

Talent leaves first. Capital follows. What remains is inertia.

And so, the Venetian pattern returns.

Venice itself invented many cornerstones of modern finance: public debt, sovereign bonds, bills of exchange and early banking institutions.⁹⁶ But after the Serrata of 1297 closed political participation to a hereditary elite, innovation gave way to hierarchy.⁹⁷ The economy initially stayed strong, until it did not. Venice declined not with a bang, but over time by sealing borders and closing minds.

Florence and Milan, by contrast, remained open. Leonardo da Vinci left his home city for Milan because it offered patronage to a wandering genius. Both cities accepted outsiders and valued new ideas.

What dies in a closed society is not only freedom but the capacity to create and foster genius.

Decline reveals itself in strange places: Investment rules that vary state by state, law firms billing more for compliance than dispute resolution, currency markets moving on sentiment, not fundamentals, and public debates that seem more like religious schisms than policy disagreements.

Investors feel it, not only in price swings but in values volatility.

When shared purpose disappears, every regulation becomes a culture war. When confidence evaporates, markets freeze, not for want of money but for want of trust.

This is a civilisational risk. And that makes it different from ordinary business risks. This is not the same as high inflation. It is not an open war. It is not even deglobalisation. But it is the slow decay of assumptions that once made all those risks manageable. Page | 33

Portfolios rest on time and predictability. On the belief that rules today will apply tomorrow. That tax regimes remain comprehensible. That property remains secure.

Time collapses when civilisation retreats. Why invest for twenty years if the rules may change in five? Why train apprentices when a court might hand your business to a rival? Why build for permanence in a world that is no longer open tomorrow?

Civilisational risk shortens time horizons. And when time collapses, so do planning, enterprise and patience.

And yet, decline is not destiny.

In every civilisational retreat, some still choose to build. In every collapse, some remember what others forget. Foundations can be renewed, but only if they are renewed in time.

Leonardo lived during the Renaissance, an exciting time of rediscovery and invention. His genius flourished because citizens and their leaders cared enough to support commerce, curiosity and culture.

As for ourselves and our time, we are not doomed to forget what makes freedom work.

But we are not guaranteed to remember it either.

5. The Enlightenment defence

By now, this question looms: If the foundations of Western civilisation are cracking, if trade is fragmenting, alliances are decaying, civic knowledge is vanishing, and AI is accelerating it all, then why defend the very ideas that brought us here? Why defend the West when it seems to be failing right now?

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This is the paradox. And that paradox goes further.

Was it not Enlightenment rationalism that gave us colonialism? Did it not justify the conquest of peoples and the exploitation of land in the name of progress? Was it not Enlightenment science that lit the furnaces of industrialism, choked the skies with coal and triggered a climate crisis? Did Enlightenment capitalism not undermine communities and commodify human nature?

So say the critics. And they are not completely wrong.

But they are not completely right, either. Because there is a deeper truth to all these accusations.

We know how to make these critiques only because the Enlightenment taught us how. It gave us the tools for self-examination. It insisted that authority must justify itself, that evidence must trump tradition and that reason must be universal. It gave us the intellectual equipment to dismantle its own excesses.

You can only denounce colonialism if you believe in universal dignity. You can only measure environmental damage if you believe in empirical truth. You can only protest injustice if you believe that power must answer to principle. All that is the Enlightenment criticising and correcting itself.

The Enlightenment never was a fixed dogma. It has always been a revolutionary method. It started as a new way of approaching reality. It said: Test your ideas. Doubt your instincts. Let evidence speak.

Leonardo da Vinci preceded the Enlightenment's revolution. In an age of religious dogma, he studied nature directly. He dissected bodies, measured shadows, dropped seeds into streams to visualise currents. He wrote that sound experience is the common mother of all the sciences and arts.⁹⁸

A century later, Galileo aimed his telescope at the heavens and upended centuries of cosmology. Newton reduced the movement of planets to a few simple laws. William Harvey traced the circulation of blood. Knowledge was no longer inherited. It was discovered.

But the Enlightenment did not stop at science. It reshaped politics, commerce and morality.

In 1609, Hugo Grotius, whom we encountered earlier, wrote that the seas must be free to all. He argued that every nation is free to travel to every other nation and to trade with it.⁹⁹ This was not a maritime policy. It was a philosophical declaration: that there are universal rules which apply even across borders. From this came the possibility of a law of nations, of international arbitration, of global trade governed by something other than force.

In 1689, John Locke declared that every individual owns their own person.¹⁰⁰ That idea was both simple and radical. Property now existed before the government. The state became the servant to protect property rights, not the master who granted them. That distinction lies at the heart of every functioning legal system.

In 1758, Montesquieu argued that power must be checked by power.¹⁰¹ Madison made it happen in the US Constitution. Out of that principle came the architecture of modern democracy: separation of powers, institutional balance, systemic restraint.

Adam Smith brought it all together. In *The Theory of Moral Sentiments*, published in 1759, he showed that markets only function because of natural human sympathy: “principles in our nature, which interest us in the fortune of others”.¹⁰² To Smith, there is an implicit moral contract behind every act of exchange.

In *The Wealth of Nations*, he then argued in 1776 that self-interest, when channelled through transparent rules and mutual trust, can produce public good: “it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest”.¹⁰³

These were not abstract theories. They became institutions. You feel the Enlightenment every time a court enforces a contract. Every time a company raises capital in a transparent market. Every time a stranger trusts a stranger enough to invest.

Modern finance depends entirely on these assumptions. Without private property, without stable currency, without rule of law, there are no valuations. No models, no strategies, just bets in the dark.

And when those assumptions collapse, the consequences are swift and brutal. In the early twentieth century, investors who held Russian bonds, German debt and French equities saw their wealth disappear within a decade.

After the Bolshevik Revolution, the new Soviet government repudiated Tsarist-era debt.¹⁰⁴ In April 1918 France introduced exchange controls requiring permission from the Ministry of Finance for residents to export capital, and these controls remained until 1927.¹⁰⁵

Germany's post-war hyperinflation made the mark worthless – a loaf of bread that cost 250 marks at the start of 1923 cost 200 billion marks by November.¹⁰⁶ In Zimbabwe after 2000, the state seized farmland without compensation. The economy collapsed. Monthly inflation reached 79.6 billion percent.¹⁰⁷ Wealth vanished in weeks.

And yet, despite all the obvious signs of crisis around us, we act as if the Enlightenment is still with us. We build models that assume risk is calculable, law is stable, politics is rational. We optimise portfolios on the presumption that time horizons will be honoured. That contracts will be enforced. That innovation will compound.

But what if those assumptions are already false?

The five crises we sketched – trade fragmentation, alliance decay, hegemonic competition, civic collapse and AI amplification – all attack Enlightenment foundations. Each removes a pillar that made rational markets and global investing possible. And they do so in ways that feel invisible at first. Nothing feels missing when you can still place trades. Until the trades no longer settle.

We saw this in Venice. The institutions remained – the councils, the ceremonies, the ships – long after the civic spirit had died. There were still elections, but no participation. Still laws, but no legitimacy. Still structures, but no soul. That is what civilisational decline looks like from within. Not a great fire. Not a war. But inertia.

And what died in Venice was not just economic strength. It was the Enlightenment impulse itself: curiosity, experimentation, adaptability. The very qualities that Florence and Milan still cultivated. That is why Florence gave us Michelangelo. And Venice gave us glass beads.

This is the moment we now face. The Enlightenment is not being toppled. It is being forgotten. Not actively. But quietly. Passively. Apathetically.

We live in the systems the Enlightenment built, but we no longer remember how or why. The institutions remain. But the spirit is gone.

The damage is not theoretical. It shows up in portfolios. Every investment you hold depends on Enlightenment assumptions. That risk is quantifiable. That contracts bind. That markets reflect something real. That innovation compounds. That the world makes sense.

If those assumptions disappear, so does the logic of investing.

Modern Portfolio Theory is Enlightenment in action. When Harry Markowitz introduced mean variance optimisation in 1952, he assumed that returns could be predicted and that markets followed -patterns.¹⁰⁸ None of that survives in a world in which nothing is certain anymore.

So, what must we do?

First, we must defend the Enlightenment. Not as nostalgia. Not as a relic. But as the most successful framework ever devised for understanding the world and improving it.

Second, we must restore its memory. Because ideas do not survive by inertia. They must be taught, argued and lived. Otherwise, they will fade.

Third, we must reconnect Enlightenment principles to our daily practice. They are not academic curiosities. They are the conditions that make business possible. They are why Venice became a museum, while Florence still thrived.

The Medici knew this. They funded art and philosophy not to feel good, but to build a civilisation. That is investment. That is strategy.

Nothing feels missing as Enlightenment values fade – until everything you have built depends on them.

But defending these principles is not enough. We must also build. Create the institutions and communities that can carry them forward.

That requires more than understanding. It requires action.

6. Building Renaissance people in dark times

To defend the Enlightenment is not enough. If the foundations of our civilisation are eroding, then the task is not merely to explain the decline but to reverse it. That means rebuilding the conditions that once sustained it. And that means equipping people to do so.

If you look back at history, you will see that some Florentine families, especially the Medici, shaped Europe by getting involved and making smart investments, not by holding back. When Cosimo de Medici started the Platonic Academy in 1462, his goal was to blend ideas from classical times with Christian beliefs and the spirit of the Renaissance to create a new way of seeing the world. The art made during that time was meant to last and to show these ideas for everyone to see and think about.¹⁰⁹

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Culture, for the Medici, was not a luxury. It was strategic infrastructure. Their 633,000 florins of patronage, in today's terms, over US\$460 million, were not expenses. They were capital expenditures with a return measured in centuries.¹¹⁰

History offers more than one example of this principle in action. Just as the Medici's investments seeded the flourishing of the Renaissance, other moments of civilisational renewal have begun when leaders cleared the way for trust and productivity to return.

In 1948, Ludwig Erhard faced a nation reduced to rubble. Aid was limited. Trust was gone. Institutions were hollowed out. But Germans still wanted to build. Erhard's genius was not to create incentives but to remove distortions. He replaced worthless currency. He ended price controls. He re-legalised the basic mechanics of trade. Within months, production surged. Shops filled. Confidence returned.¹¹¹

Reconstruction is not about making something new. It helps what already exists to grow. People do not always need to be convinced. What they need are systems that give their actions real meaning. Civilisation helps with this. Decay gets in the way.

Today, the real problem is harder to see. Institutions keep going on the surface, but trust and shared belief slowly fade. When confidence becomes empty and people stop caring, decay is easy to miss until things suddenly break down.

Revival does not depend on grand plans or big solutions. Real repair starts close to home where some trust remains. It begins with small, thoughtful steps.

Professional associations help people develop habits that support civic life. When neighbours come together for an initiative, they strengthen their community ties. Companies find ways to bring Enlightenment ideas into how they work. All these efforts help connect different pieces and make things feel more unified.

Burke called these "little platoons."¹¹² Tocqueville saw them as the genius of American democracy. Robert Putnam documented their collapse. Bowling leagues, neighbourhood associations, unions and churches all declined in parallel. The social capital they once created, and the civic virtues they transmitted, vanished with them.¹¹³

Putnam demonstrated that decline does not have to last forever. Trust can grow again if people make the choice to nurture it. When things change, there are chances for anyone who is ready to build new institutions and help shape what comes next as older ones disappear.

You can see how trust levels affect the economy in all sorts of ways. In places where people do not trust each other much, there is more checking, more legal disputes and extra paperwork. This slows down business because people feel less confident, not because there is no money.

On the other hand, when trust is high, people find it easier to work together, even outside of official systems. This helps protect everyone if something goes wrong and can make things run more smoothly and profitably.

This idea comes up in places you might not expect, like community gardens. In one study from New York City, homes close to a community garden went up in value by around 9.4 percent over five years.¹¹⁴ When people come together to work, they begin to build trust with one another. This sense of trust can really help open new opportunities for business and trade.

Entrepreneurial ecosystems are similar to guilds because they give much more than just financial support. Startup accelerators bring people together so they can learn from mentors, set common goals and create networks that last. The best accelerators help people become true founders and build communities of alumni who stay in touch long after those first investments.

When you put these ideas into action to help renew civilisation, you can see some highly impressive results. Take the University of Austin as an example. A group of scholars and donors came together to start it up instead of relying on government direction. In September 2024, the university welcomed its first class of 92 students which showed a clear dedication to truth and freedom of expression. What stands out is that more than a hundred people applied just on the very first day.¹¹⁵

Or take the example of Grameen Bank. Instead of using traditional banks to support small businesses, they created lending circles where group members back each other up for loans. If someone cannot pay one month, the whole group helps cover that payment. This kind of teamwork has helped the bank keep a repayment rate of about 98 percent, which is remarkable.¹¹⁶

Another example is Stably, a Web3 finance platform from Seattle that helps people buy digital assets with stablecoins and easy payment options, all without going through traditional banks. The company reaches users in more than 200 countries, opening up financial opportunities for people who have not had access before.¹¹⁷

These are not strange outliers but early signs of what happens when builders take action right away. They suggest that people who believe in Enlightenment values will help shape what comes next by going back to rebuild the core ideas that matter most.

So, what can we do? And what can you do?

First, you might want to consider joining an organisation because being involved really matters. These days, many people decide not to take part, so when you choose to get involved, you actually help create change.

Second, consider the Medici way and put your resources into building things like schools, civic spaces and independent knowledge networks. Think of this as building tomorrow's foundation, not just as giving to charity.

Third, work on being adaptable. Leonardo took what he learned in one area and used it in another. He studied water to help him paint better. He dissected bodies so he could improve his artwork. He even designed weapons as a way to earn money. Seeing how different things connect made it easy for him to move between different fields. That is a big part of why people remember him as a true Renaissance person.

These days, most people focus on one specialty. It is not very common to meet someone who brings together ideas from different fields. Still, people who make these connections often have a real impact. They are the ones who help shape what comes next.

Fourth, make an effort to build real connections with others. Professional relationships can turn into close friendships as time goes by. For example, when you join an alumni group, you get more than just a warm welcome; sometimes they help new organisations start out too. In the same way, associations can do much more than just set up conferences. They can inspire everyone involved and give real meaning to everything they do.

Fifth, try thinking in longer time frames. The Medici planned for generations, while most investors today look for quick returns. Real progress usually happens over much longer periods.

Some people think your job is only about managing money and staying out of society. That idea does not capture everything that matters. The returns you see depend on researchers bringing new ideas to life, entrepreneurs who take risks, and workers who show up every single day. These results happen because of the social and institutional foundations that make them possible.

The barbarians are not at the gates. They are inside. They are the voices in boardrooms that say, "not our problem." They are consultants who turn big ideas into compliance. They are the citizens who cannot be bothered to engage in society. They are the specialists who refuse to see beyond their spreadsheets.

If we really want to help people become true Renaissance thinkers, we need to pay attention to our basic instincts and put in genuine effort to create things, build relationships and connect with each other.

Small groups of people can make a difference. Just a handful of Florentine leaders started the Renaissance. Only a few writers brought about the Enlightenment. A handful of Meiji leaders helped modernise Japan. The growth of Singapore has been guided by a core group of government elites.¹¹⁸

Margaret Mead understood this. "Never doubt that a small group of thoughtful, committed citizens can change the world," she said. "Indeed, it is the only thing that ever has."¹¹⁹

This is not just wishful thinking. It means staying grounded even when things get tough. When people wonder what is real, those who act help shape what comes next. As truth becomes harder to find, clear thinking matters more than ever before.

The Enlightenment was not inevitable. It was a choice. So is its renewal. If we want to live in a world where reason, liberty and dignity endure, we must build the institutions that embody them. No one else will do it for us.

In dark times, builders become the light.

7. The choice before us

You will remember Leonardo's letter to Ludovico Sforza. It began with weapons, bridges and cannons. He promised covered chariots that would terrify the enemy. Only at the end did he write, almost as an afterthought, "I can also paint."¹²⁰

Eight years later, while still in Milan, he drew something stranger. A man in motion. Arms and legs extended. A body reaching inside a circle and a square.¹²¹

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People often think of the Vitruvian Man as a symbol of perfect proportions. Yet when you look at the drawing, you see four arms and four legs reaching outward and it seems like there is movement. The figure looks like it is trying to fit inside both a circle and a square at the same time.

The square represents the material world while the circle symbolises something ideal. In Leonardo's drawing, you see the person reaching for meaning within structure. Is that not the ongoing challenge at the heart of civilisation?¹²²

This is not some esoteric philosophy, but it has relevance for your portfolios.

Just as the Vitruvian Man stretches within his world, so do you. You aim to achieve excellent results, but you do so embedded in a legal, social and political system – a system you have come to rely on.

When that system stops, both the circle and the square fall apart. Rules become arbitrary. Risk becomes unquantifiable. And time horizons collapse.

We have seen this before. When Russia invaded Ukraine, investors scrambled to recalculate sovereign risk.¹²³ When Ant Financial's IPO was suspended, markets learned how quickly politics can override profit.¹²⁴ When ESG rules splintered between Texas and California,¹²⁵ and between Brussels and Washington,¹²⁶ compliance became a map of values, not a matter of law.

Your models did not and could not predict these shifts. Because they were not market anomalies. They were symptoms of civilisational retreat.

Australia and New Zealand depend on global trade, laws, stable currencies and open technology. When big powers shake up these systems, it is usually the smaller countries that feel it first.

Nothing feels missing when the system still protects you. Until it does not.

As we discussed earlier, there is no shortage of big, potentially existential, crises in our world. And yet, even now, nothing feels missing. The indexes still print. The GDP forecasts still update. But the people who once defended the system have started to forget what it was for. That forgetfulness is the real danger.

The world we created from the Peace of Westphalia to Bretton Woods owes much to thinkers like Grotius, Locke and Smith. Now that structure is coming apart. The old rules are fading away and nothing seems to be stepping in to fix things by itself.

What happens next depends on us.

This is not merely a philosophical choice. It is an investment one. Will you optimise within decline? Or will you look at the bigger picture?

Will you assume that others will protect property rights, fund civic knowledge, build institutional trust? Or will you help do so yourself?

What kind of investor do you want to be?

It means thinking in cycles longer than election terms. It means planting cultural institutions that may not mature within your career. The Medici thought this way. So did Ludwig Erhard. So did the Renaissance builders who created systems strong enough to withstand centuries of noise.

And yes, it means recognising what dies when we stop trying.

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Think of the Vitruvian Man not just as about symmetry. He is about responsibility. He is the figure who holds the geometry together. Who refuses to collapse into one shape or the other.

This is your role now.

When rules threaten to fall apart, the people who stand by them step up as protectors. If alliances fall away, the ones who stay true take on the responsibility. When values start to fade, those living by them become the foundation for what comes after.

Leonardo offered us more than just his art and inventions. He helped people see how to live with curiosity and purpose.

That vision still stands. So must we.

The circle and the square await. Will you stretch, or will you stand still?

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The Western order that has long underpinned global prosperity is cracking. Not dramatically. Quietly. And nothing feels missing, until everything is.

In this essay, Dr Oliver Hartwich traces the origins of Western order from the Renaissance through the Enlightenment to reveal five interconnected crises now threatening its foundations: fragmenting trade; collapsing alliances; fading Western hegemony; vanishing civic knowledge; and, an AI revolution that will amplify every weakness. Business leaders and citizens alike have become unwitting guardians of this inheritance. When its foundations crumble, the rules we take for granted simply stop working.

Just as the Medici invested in civilisation and created returns measured in centuries, today's leaders must become Renaissance people in dark times. That means thinking across fields, building what lasts and looking beyond the next quarter and to the next century. Our choice is simple: optimise within decline, or rebuild the foundations that made our prosperity possible.

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