

2026-2035: It's Going To Be Tricky

March 2026

Our goal, in my view, is not just a systems-level framework of the decade ahead, but an experiential, human understanding as well. This isn't easy but it's worth the effort. So let's dig in.

In last week's Musings Report (*Divining 2026-2035: To Get It Right, Start with Double-O*), the focus was on the critical roles our frameworks for making sense of the world--**our orientation in the OODA Loop decision-making heuristic (*observe, orient, decide, act*)--play in:**

1. how much or little critical knowledge we extract from our observations;
2. how many blind spots that we're not aware of are we carrying into a situation: we don't know what we don't know;
3. how many abstractions (ideological certainties, etc.) and potentially misleading assumptions we're substituting for real-world knowledge;
4. how these ungrounded assumptions lead us to ask questions we already have the answers to, as opposed to asking questions that illuminate the real-world complexities and inter-connections we must assess correctly to make decisions that generate productive actions.

The thesis here is the concentration of wealth and power is intrinsically destabilizing, and this destabilization cannot be reversed by artifice, it can only be masked. The opportunity to change the dynamic is being squandered in the mistaken assumption that modifying the metrics and model is actually problem-solving.

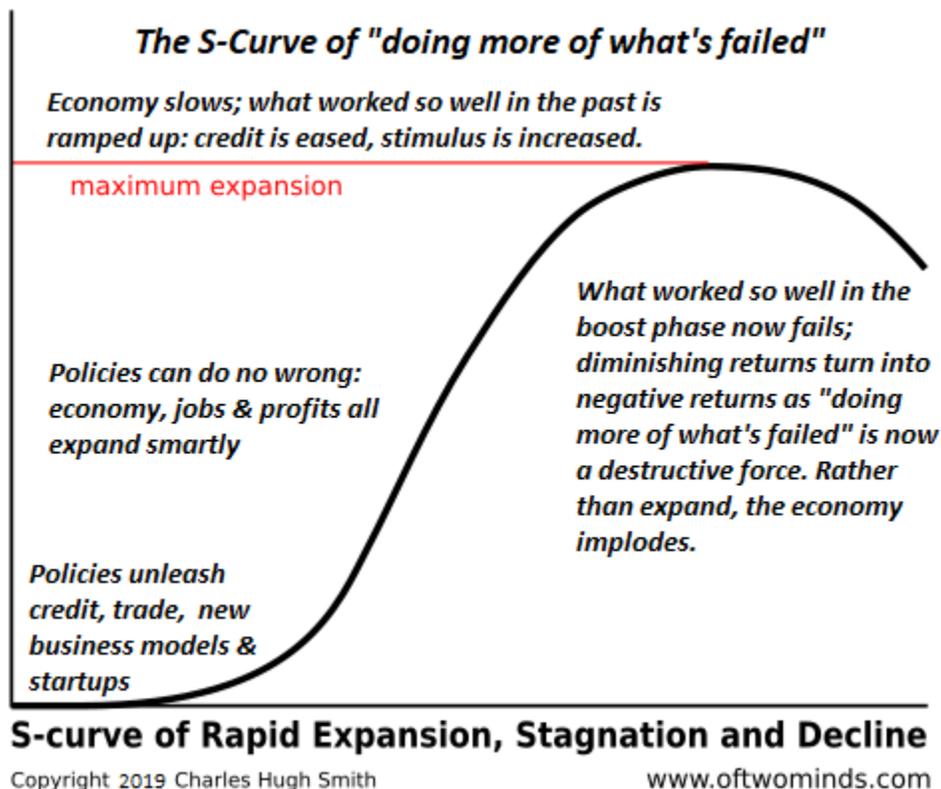
It's actually the opposite of problem-solving. As I explained last week, this is akin to changing the metrics and declaring victory in an unwinnable war.

This frame of reference-- the substitution of artifice for real-world problem-solving--

guarantees disorder.

As noted last week, templates and models distill our observations into useful inputs for our decision-making.

One example of such a model is the **S-Curve**, a pattern that can be observed in both nature and the human realm. The basic idea is that some innovation--viral, technological, social, financial--takes root and expands rapidly in a Boost Phase. Once it has spread throughout the populace, territory, market, etc., it plateaus, as its "fuel" has been consumed.



It then enters a **decline/decay phase** with a spectrum of potential outcomes ranging from collapse to stagnation--for example, once everyone is already on the Internet, the growth rate of new accounts stagnates.

One often-overlooked dynamic that I discuss in my book [Investing In Revolution](#) is the lag time between the rapid spread of an innovation in the Boost Phase and civil society's complex, time-consuming response to the longer term downstream consequences.

In the modern era, these disruptive changes are often market-driven, as those producing the products seek to capitalize on their early advantage by expanding as fast as possible to reach

market dominance.

The financial gains accrue to whomever dominates the market, while the downstream costs and second-order effects accrue to civil society. Since there are both shared and special interests at work economically and politically, the process of adapting to the rapid change is slow and often contentious as the winners and losers seek to secure their advantages or moderate their losses.

Another model is the (now over-used) conspiracy, which describes the institutionalization (either formally or informally) of perverse incentives that favor the few at the expense of the many, an arrangement that must be hidden from those being exploited lest the conspirators' privileges be demolished by the light of day.

These models help us organize apparently semi-random observations into causal structures, **but like any tool, they only work when the pattern-match of the observations and the model actually align.** The temptation is: this model worked so well in Situation X, let's apply it to Situation Y.

This leads us to shoe-horn observations / data points into a structure that doesn't really match, modifying both the inputs and the model so it "makes sense." As these distortions veer ever farther from the real world, the model spirals into incoherence, i.e. *Model Collapse*.

Once we're forced to accept that our convoluted model no longer maps the real world, the temptation is to start substituting artifice (perception management / narrative control / PR) for real solutions. The reasons for this include:

1. abandoning the model requires abandoning the perquisites the model provided us.
2. sunk costs--we've invested so much in the model we can't bear to abandon it.
3. pride and loss of prestige / status: if we admit the model we've invested in has failed, we lose face, prestige and status, all harmful to our ego and standing.

These dynamics were on full display in the Vietnam War, as artificial metrics (for example, *body counts*, which incentivized counting dead civilians as "enemy combatants") were shoe-horned into *the attrition model of victory* from previous wars ("as long as we kill two of them for every one we lose, eventually we win.")

That both the metrics and the model did not match the actual situation simply increased the pressure to further distort the metrics and models.

In the context of multi-decade shifts in socio-economic-political systems, my colleague Simon Pearce's succinct explanation of historian Peter Turchin's key driver of historical cycles, [Elite Overproduction](#), describes another model.

The basic idea is that expanding civilizations generate a managerial elite as part and parcel of their success, as centralized management is the secret sauce of expansive states. At some point, resources, conquests and the economy are no longer growing fast enough to absorb the ever-expanding ranks of entitled elites, and so the elites who are now surplus (and therefore marginalized) become a source of disorder that eventually disrupts the status quo, which either unravels or is forced to reorganize.

Turchin and his colleagues have tracked this cycle over various time frames and found a roughly 50-year cycle that then generate longer cycles (100 years, 150 years, etc.)

This is a powerful model, as it's based in human nature (hierarchical social orders, competition for status, etc.) and the S-Curve of expansion, plateauing and stagnation.

But this model also has limits, for civilizations can stagnate and unravel for reasons other than overproduction of elites. Resources can be depleted, weather changes can turn food surpluses into scarcity, buying off restive "barbarians" on the border weakens armed defenses, epidemics kill or incapacitate so many people that the military and food production are fatally weakened, and so on.

We may discern overproduction of elites in these cases, but this wasn't the decisive causal factor, and the temptation to identify that as the primary cause of decline leads to conclusions that don't actually map the complex ecosystem's Leverage Points and inter-connections.

Rather than explain or illuminate, deploying this model distorts by pushing more consequential factors into the background.

The limits of all such models explain the endless debates over the causes of the decline and fall of the Western Roman Empire: every attempt to claim the primary or decisive factor was X necessarily blurs the other causal factors that contributed to the fall.

This is why the new term *Polycrisis* has gained traction: in complex systems such as the

Western Roman Empire, the confluence of factors is what led to collapse. But this too can be distorting, for the loss of a keystone--a top predator in an ecosystem, or an essential source of grain--can be clearly decisive.

The book [The Fate of Rome: Climate, Disease, and the End of an Empire](#) offers an illuminating overview of Western Rome's Polycrisis.

These losses are typically contingent, meaning that **were there sufficient buffers and social cohesion still in place, some other response, or a bit of good luck, could have changed the trajectory of history** at critical junctures, and the empire would have had an opportunity to recover.

In other words, the decay of buffers, social cohesion and other sources of system resilience is a decisive factor that is often overlooked or discounted because these kinds of decay do not lend themselves to measurement as readily as crop yields, battles won or lost, etc.

I proposed an alternative framework in my latest book, [Investing in Revolution](#), one that I see as being flexible enough to incorporate other models. The book's [Introduction \(free\)](#) lays out this framework.

The basic idea here is that human nature (incentives to free-ride and seek windfalls, competition for status, group dynamics, etc.) **generates competing interests that establish a dynamic balance in society**, just as the many species of plants and animal life are in dynamic balance in an ecosystem.

Centralization of power and wealth offers benefits in terms of expanding production, resources and territory, but the downside is **those with the centralized power will naturally seek to suppress, marginalize or eliminate competing interests.**

This concentration of wealth and power at the expense of competing interest generates an imbalance that inevitably destabilizes the status quo, **as those whose interests have been sidelined will seek either redress or retribution.**

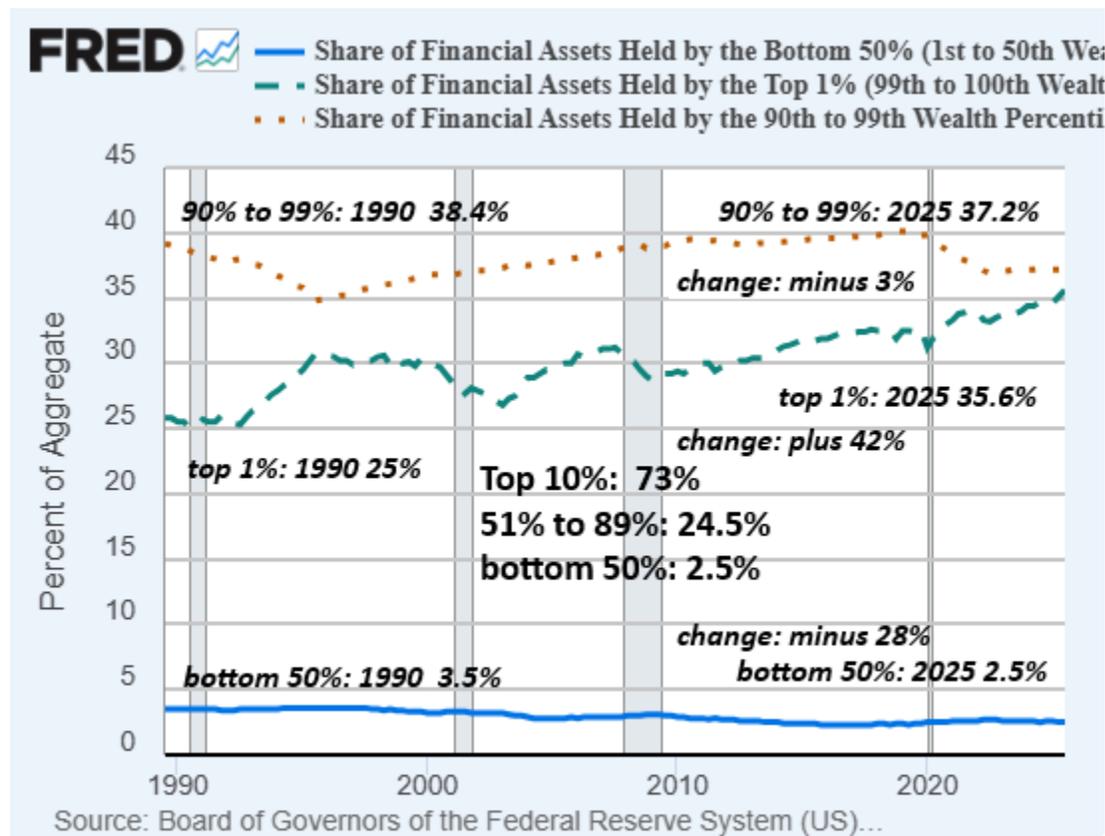
One way to understand this competitive balance is to ask: **who gets most of the gains and who gets most of the pain**, i.e. assess how gains and losses are distributed--not just financial gains (income and wealth) but gains or losses in risk, precarity, political influence, etc.

A critical distinction is that between income and capital, between a distribution of resources

(money, food, energy) and **ownership of a stake in the system**: the right to have a say in decisions affecting shared interests, and owning capital that generates income that is grounded in a community that sustains the capital/income.

Stakeholders have an intrinsic interest in the community that sustains their income and capital. Those who own nothing and earn an income do not have an equivalent stake in the continuity of the community, as they can seek employment in another locale with no loss of a stake.

Though the status quo measures social mobility by income--if you make more money, you're climbing the ladder--the key measure of true social mobility is the relative ease of acquiring a meaningful stake. Today, the top 90% own the vast majority of capital and the bottom 50% own next to nothing (2.5% of all financial assets).



notes added by Charles Hugh Smith www.oftwominds.com 2/26

A society in which acquiring a meaningful stake is out of reach of all but a few is an inherently unstable society, a forest of deadwood awaiting a spark.

This human drama plays out in a world of resources that are not infinite. As David Hackett Fischer explained in his book [The Great Wave: Price Revolutions and the Rhythm of History](#), human populations expand to consume all available resources (as do other species), and the resulting competition for what's left pushes prices up, pressuring regimes dependent on endless expansion.

Many books address various aspects of this overshoot and the erosion of the status quo's ability to meet all the competing interest groups' demands. **Once opting out becomes the more rewarding option to supporting the status quo, the status quo weakens and unravels.**

Those groups that no longer receive what they reckon is their fair share of resources revolt. These might be surplus elites, commercial interests, military units or peasants, or some dynamic mix of interests marginalized by reduced income / resources and higher prices.

Once an elite class consolidates the vast majority of wealth and power, the result is extremes of inequality that set up unavoidable conflict should resources stop expanding. In an expanding economy, there are enough resources to placate interest groups.

Once resources are no longer available (or are too costly), the elite faces the difficult task of distributing the pain of diminished expectations and shares of the economy across the entire social order so that no class has an incentive (or reaches the point of desperation) to overthrow the status quo.

In my recent essay, [Re-Set: Reversing the Debt-Debasement Death-Spiral](#), I wrote: *"the key for those in power is to distribute the unavoidable pain evenly enough that no one class reaches the point where they have nothing to lose in seeking to dismantle the entire status quo."*

Accustomed to receiving an outsized share of the economy's gains, the elite class is loath to absorb any pain / reduction in income. The point of contention is which class will bear the brunt of the pain, leaving the elite class untouched.

This is where social cohesion--a topic I discuss at length in the book--becomes the critical factor. When sacrifices and gains are distributed along the entire social spectrum--elites, the middle class and the marginalized--social cohesion enables the society to endure hard times, wars and crises.

If elites have taken the gains and refused to accept any of the pain, social cohesion unravels: the "glue" that holds society together melts away, unleashing open conflict between

classes and competing interests.

Theoretically, social structures such as democracy can mediate these conflicting interests by forging compromises that give every interest a sense that their needs have at least been addressed in some measure.

But if these mediation structures have been hollowed out and are now shells that do the bidding of the elite class behind a facade of public service, then the mediation of conflicts is for show, as it no longer changes the distribution of the gains and pain.

Suppression of dissent works, but at a cost: either the system becomes a pressure cooker that eventually explodes in disorder, or those receiving the majority of the pain (while the elite continue living large) eventually opt out.

Young Chinese have coined the phrases *laying flat* and *let it rot* to describe the passive resistance of doing as little as possible.

To maintain their control, the dominant class turns to artifice (perception management / narrative control / PR) to persuade the classes forced to absorb the pain that all is well and this extreme inequality is simply "the way the world works" rather than the result of specific policies designed to secure the dominance of the few at the expense of the many.

This framework makes sense of the current situation: those holding the majority of wealth and power are happy with the status quo and are deploying artifice to distract and persuade those losing ground that the system they control is still beneficial to all.

But this assertion no longer maps our real-world experiences, and so the Powers That Be are modifying their metrics and models to support their self-serving conviction that the fatally imbalanced arrangement they control is sustainable.

Artifice isn't a substitute for actually changing the distribution of the gains and the pain so that a meaningful stake is within reach of commoners. As the gap between the real world of diminished social mobility and the happy-story status quo narratives widen, **the dominant model becomes increasingly incoherent.**

Once the model no longer makes sense, it collapses, and the response unleashes nonlinear forces that are unpredictable and uncontrollable.

Even with the best intentions, it's going to be tricky to adjust who gets the pain and the gains so no class reaches the breaking point, where obedience and compliance are generating more pain than non-compliance / opting out.

At this point, those holding the majority of the wealth and power are showing no signs they're willing to modify the distribution of pain and gains beyond virtue-signaling and PR. The model of control is to distract and fragment those left behind by exaggerating simplistic ideological / financial abstractions as 1) sources of contention--Us and Them, and 2) illusory solutions that don't distribute any pain because they're painless to all, for example, stablecoins and cryptos.

This refusal to distribute the gains and pain more evenly across the social spectrum makes disorder inevitable. It's going to be tricky to manage this, as the elite class sees no need to absorb any pain. They are above the law imposed on commoners and can maximize their self-interest with impunity.

It's the difference between a monoculture and an ecosystem: the concentration of wealth and power are equivalent to a monoculture whose inherent vulnerabilities are hidden until it collapses.

That the inevitable result of this is the collapse of social cohesion, and with this collapse, the collapse of the entire status quo, is not visible within their model.

That social cohesion is rapidly evaporating is obvious to all, so the elites' control model--distract, fragment, offer illusory painless solutions, virtue-signal policy tweaks, and all the other tools of artifice--will fail.

The elite's model is blind to the core dynamic--concentrating wealth and power destabilizes the dynamic balancing of competing and shared interests--as this concentration is the source of their outsized share of wealth and power.

This framework--that what matters is the distribution of gains and pain to the entire spectrum of interests within the social order--is expansive enough to make sense of all the complexity and inter-connections of the next decade, for it incorporates any models that map critical dynamics: the S-Curve, overproduction of elites, overshoot, rising costs of essentials, decay of social cohesion, etc.

If we discount / ignore all the hype, distractions and fragmenting narratives and focus on

whether the distribution of gains and pain has actually changed, we will not be confused or led astray.

Concentrating the gains in an elite while distributing the pain to the bottom 90% is understandable in terms of the incentives embedded in the status quo, **but it's a system that is engineering its own unraveling. We would be wise to plan accordingly.**

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This essay is part of the series *How Things Break*.