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ECONOMY AND WORLD POWER BALANCES POST PANDEMIC/WAR

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Abstract

The scientific literature has taken up the theme of secular stagnation of economic growth again in the middle of the second decade of the 21st century, many decades after Alvin Hansen's original contribution.

The resurgence of this phenomenon is also accompanied by profound changes at other levels: the world has become more global, digitization is advancing and, in International Relations, the instruments of power change and soft power joins the military and economy components as the fundamental vertices of power.

Meanwhile, a violent pandemic emerged, causing unimaginable loss of life, significant changes in habits and a deep worldwide economic recession. Soon after, war invaded Europe, destabilizing the Old Continent and having very negative repercussions on distribution channels and the world economy.

The pandemic and the war reinforce a very negative expectation about the evolution of the world economy, in a dual scenario in which not everyone reacts in the same way.

Our analysis focuses mainly on the United States and China, currently the two major economic powers. In fact, the latter will most likely become the world's largest economy in the short term, although the US, aware of the relative loss of its supremacy, continues to resist in different ways in which this top position can be played.

The aim of this article is to assess to what extent all these changes in the paradigms of geoeconomics, with the rise of China to the top of the world pyramid, accompanied by a dual phenomenon, that is, an apparent long stagnation of world economic growth in the advanced economies and the maintenance of solid economic growth in emerging markets, may change the balances of world power.

And this eventual change, it seems to us, will probably involve a strengthening of China's position and the loss of the still dominant power, the USA.

Keywords

Secular stagnation; global power; hard power; soft power; pandemic

Resumo

A literatura cientifica retomou o tema da estagnação secular do crescimento económico em meados da segunda década do século XXI, muitas décadas depois do contributo original de Alvin Hansen.

O ressurgimento deste fenómeno é acompanhado também por alterações profundas a outros níveis: o mundo tem-se revelado mais global, a digitalização avança e, nas Relações

Internacionais, alteram-se os instrumentos de poder e o *soft power* junta-se à componente militar e económica como vértices fundamentais dos mecanismos daquele poder.
Entretanto surgiu a mais violenta pandemia em muitas décadas, que provocou perdas de vidas inimagináveis, alterações significativas de hábitos e uma profunda recessão económica mundial. Logo a seguir a guerra invadiu a Europa, desestabilizando o Velho Continente e tendo repercussões muito negativas nos circuitos de distribuição e na economia mundiais.
A pandemia e a guerra reforçam uma expetativa muito negativa sobre a evolução da economia mundial, num cenário dual em que nem todos reagem da mesma forma.
A nossa análise incide preferencialmente nos Estados Unidos e na China, atualmente as duas grandes potências económicas. Aliás, muito provavelmente esta última se tornará a curto prazo a maior economia mundial, embora os EUA, cientes da perda relativa da sua supremacia, continuem a resistir nas diferentes vertentes em que essa posição cimeira pode ser jogada.
O que se pretendeu neste artigo foi justamente avaliar até que ponto todas estas alterações nos paradigmas da geoeconomia, com a ascensão da China ao topo da pirâmide mundial, acompanhada por um fenómeno dual, isto é, uma aparente estagnação muito longa do crescimento económico mundial nas economias avançadas e a manutenção de crescimento económico sólido nos mercados emergentes, pode vir a alterar os equilíbrios do poder mundial.
E esta eventual alteração, parece-nos, passará provavelmente por um reforço da posição da China e pela perda da potência ainda dominante, os EUA.

Palavras-chave;
Estagnação secular; poder global; *hard power*; *soft power;* pandemia

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The stagnation of world economic growth: some approaches

Alvin Hansen, an American contemporary of John Maynard Keynes, in a speech entitled "Economic Progress and Declining Population Growth", launched the secular stagnation scientific approach in March 1939. Describing the economic situation at the time of the Great Depression, Hansen said: "This is the essence of secular stagnation, tenuous recoveries that die in their infancy and depressions that feed on themselves and create a hard and seemingly immovable core of unemployment" (Hansen, 1939: 4).

World War II and the economic prosperity that followed condemned the secular stagnation to a long silence, only occasionally interrupted, namely by the North American Marxist school represented by the legacy of Alexander Hamilton, with significantly different assumptions.

This long silence was interrupted when Lawrence Summers relaunched the topic, in 2014, and mentioned the liquidity trap and the imbalance between savings and investment as the main sources of secular stagnation. Summers defines several issues of the process: the difficulty of economic policy in achieving multiple objectives, that is, a good use of productive capacity and financial stability, which, in turn, is closely related to the drop in the interest rate balance and the need for different approaches in economic policies (Summers, 2014: 65-66).

Summers is part of a vast group of economists who highlight the prevalence of demand-side factors as the main determinants of the secular stagnation.

However, even among authors who argue that secular stagnation is essentially the result of demand behavior, the approaches' differences are significant, starting with the diagnosis of the phenomenon, its characterization and even their consequences. Close to Hansen's approach maybe just Samuelson, on the more general assumption that recoveries would be essentially consumption-based, and that therefore would be "short-lived" and would end in a permanent deceleration until another favorable exogenous shock occurs (Samuelson, 2002: 221).

Other authors, more contemporary, establish a conceptual framework similar to Summers´, although with differences in the way they enunciate and/or explain it.

Krugman mentions three reasons that lead him to suspect that secular stagnation is a reality: there is a secular trend of decline in real interest rates; the zero percent cap on

official interest rates seems to matter more than previously thought; and there is a strong probability financial deleveraging and demography will weaken future demand (Krugman, 2014: 61-65).

Blanchard associates the weakness of demand, a phenomenon he considers temporary, to the adjustment of economic agents to the expectation of a less bright future (Blanchard, 2017: 2). On the other hand, Bernanke prefers to "shoot" the responsibility of excessive US deficits and the fragility of the US economic growth for countries with excess savings, namely China and Germany, which would be contributing to an environment of excessively low interest rates, to reduce savings and encourage investment (Bernanke, 2015)

Several authors argue that secular stagnation is mainly the result of factors related to supply, also here with differences in approaches. Gordon and Crafts, for example, say that stagnation is an evidence, as long as a strong decrease in long-term potential growth. Thwaites mentions the (falling) evolution of the value/price of investment goods; Rogoff advances the idea of the debt supercycle, associating the economic growth stagnation with the long period of indebtedness of economic agents that would have reached its end and would give rise to a progressive process of financial deleveraging.

Starting with Gordon, he argues that long-term potential growth has been decreasing significantly in recent decades, given the difficulties felt by human capital in view of the evolution of demography and the less expressive effects of technological changes on economic growth (Gordon, 2015: 54). In this context, slower population growth and declining labor-force participation would be reducing the number of working hours, which, together with the decrease in labor productivity, would cause a slower growth in potential output (Gordon, 2015: 58).

Crafts calls secular stagnation a North American hypochondria and a European disease, saying that as during the Great Depression, also post-Great Recession, secular stagnation in the US may be more hypochondria rather than far-sighted prediction (Crafts, 2014: 91).

While acknowledging the existence of "headwinds", namely lower labor growth and uncertainty about the evolution of production factors total productivity and technology, he states that the US economy registers significant growth in gross domestic product and labor productivity. Moreover, this will hardly be compatible with a permanent drop in savings or the constant need for negative real interest rates (Crafts, 2014: 92).

However, the threat of secular stagnation may be much more real for Europe. The reasons for that are the behavior of the economy, demographic conditions less favorable in Europe and productivity growth that will underperform the US productivity. Furthermore, policy responses will also penalize Europe, namely because the fiscal consolidation with high public debt ratio is very heavy - with high debt values, the restoration of fiscal sustainability will lead to cuts in public investment and education, precisely what should be boosted to combat or avoid secular stagnation (Crafts, 2014: 93).

For Thwaites, secular stagnation is the result of the complex interaction between investment goods progressively subject to changes in the production technologies and the life cycle of savings.

Thwaites identifies new behaviors in the more industrialized countries, namely the increase in housing prices and the consequent greater indebtedness of families, as well as the decrease in nominal investment rates and real interest rates. He mentioned "these movements can be explained by the decline in the price of investment goods and not by factors such as demography, excess savings in emerging markets and the worsening of inequalities that are seen as responsible for the decline in interest rates but which, on the contrary, would lead to higher nominal investment rates" (Thwaites, 2015: 3).

Rogoff is more skeptical about the secular stagnation hypothesis and poses a question: we are living in a period of secular stagnation, or at least low growth in per capita output or, on the contrary, the reduced growth of economies after the financial crisis results from a debt supercycle and it is expected that after deleveraging and debt reduction, the expected growth trends may be higher? (Rogoff, 2015: 1).

Rogoff recognizes the merit of many of the factors pointed out by defenders of secular stagnation to justify the reduced economic growth that followed the 2007/2008 financial crisis, especially with regard to the issue of demographic transition (a decreasing population and more aging, women participating heavily in the labor market) and technological developments. However, he states that the debt supercycle view is much more appropriate, because it is validated by hundreds of year's behavior of economies in similar crises (Rogoff, 2015: 2).

In conclusion, the authors mentioned the possibility of a long period of weak economic growth and certainly below potential in a wide range of economies, namely advanced ones.

When it comes to characterizing any of these economies as being in secular stagnation, hesitations are more frequent, even in cases where the statistical information seems to show this phenomenon. Here, at least in analyzes we have identified uncertainty prevails.

However, both for those who confidently defend the idea of secular stagnation, as for the most skeptical, there is a common conclusion, namely the need to rigorously and carefully monitor some economic and financial indicators that may, in the short and medium term, contribute to a more rigorous characterization of the shape of the world, regional or national economy.

A dual phenomenon with consequences for the balances of world power

Having presented the concept, we think is time to present our main argument in this article: secular stagnation is a dual phenomenon, which is probably only observed in some advanced economies and which, therefore, is likely to contribute to changes in world power balances.

Believing in Nye's description of the three-dimensional chessboard that came to characterize power, and, therefore, not letting us be tempted by the simplistic analysis of unipolar power, even so, with regard to classic military issues, this unipolarity seems clear to us, with US hegemonic power. The US hegemony is not evident in matters such as trade, international investment and financial regulation, among others, in what Nye called the middle board of economic affairs between States or in matters such as terrorism, international crime, climate change and the spread of infectious diseases. Yet,

it seems clear to us that US global leadership is now under serious threat, for the first time since the Cold War, by a country, China, which has been preparing for decades to dispute the main role in the power stages with the US (Morais, 2021:95).

In recent decades, however, there has been a significant slowdown in economic growth in the US (as part of a broader process that takes place in advanced economies) and, on the contrary, in emerging markets and, especially, in China, growth remains robust and well above the world average. Although, we can state that a slowdown in recent years is also evident, which is understandable in an economy that for more than thirty years has registered such expressive growth rates.

This strength of the Chinese economy turns China a privileged actor to discuss with the US the hegemony of global power, despite, as we will see later, this power is not only based on the economic component and on the so-called hard power.

Empirical evidence

Three aspects of analysis/dimensions can empirically prove the existence of a phenomenon of secular stagnation.

The first dimension corresponds to the wealth generated by a country or economic zone, in the case of the euro area, and can be measured by gross domestic product (GDP) or by the capacity production, in this case as an advanced indicator of what may happen.

The second dimension is more financial and is related to full employment equilibrium and the possible need for interest rates, in real terms (nominal rate minus inflation) to be at very low (or even negative) levels in order to ensure the fundamental equality between saving and investment.

The third dimension has to do with demography, on other words, the demographic transition that will be hitting advanced economies.

In this article, we will focus on the dimension associated with the behavior of the wealth created, although the indisputable importance of the other three variables.

Table 1 provides information on the average annual growth rate of gross domestic product in a set of countries/economic zones.

In advanced economies, there is a sharp decline in gross domestic product growth between the 1980s and 1990s, when average growth in any of these economies did not exceed 2 percent per year.

In China, on the other hand, only in the last ten years there has been a much more contained slowdown in economic growth, which, moreover, starts from a much higher base, close to or above average annual growth of 10 percent.

Table 1. Gross Domestic Product (constant prices) – annual percentage average growth rate

	1980-1989	1990-1999	2000-2009	2010-2019	2020-2027
World	3,2	3,1	3,9	3,7	2,9
Advanced Economies	3,1	2,7	1,8	2,0	1,6
European Union	2,2	2,0	1,7	1,7	1,5
Eurozone	-	2,0	1,4	1,4	1,3
Emerging Markets	3,2	3,7	6,0	5,1	3,9
USA	3,1	3,2	1,9	2,3	1,8
China	9,7	10,0	10,3	7,7	4,9
Japan	4,4	1,5	0,5	1,2	0,5
Germany	1,9	2,2	0,8	2,0	1,0

Source: International Monetary Fund, World Economic Outlook, April 2022, information plotted by the author. Data from 2022 are IMF projections.

While the US gross domestic product (GDP) decreased its weight in the world context from 29.2 percent in 1999 to 23.9 percent in 2021, China saw the same drop from 3.3 percent to 18.1 percent in the same period[1]. In purchasing power parity, a measure more advisable for international comparisons, the data are even more expressive: China's GDP was, in 2021, of 27.206 billion dollars, already well above the 22.998 billion of the US and the 4,857 billion of Germany[2].

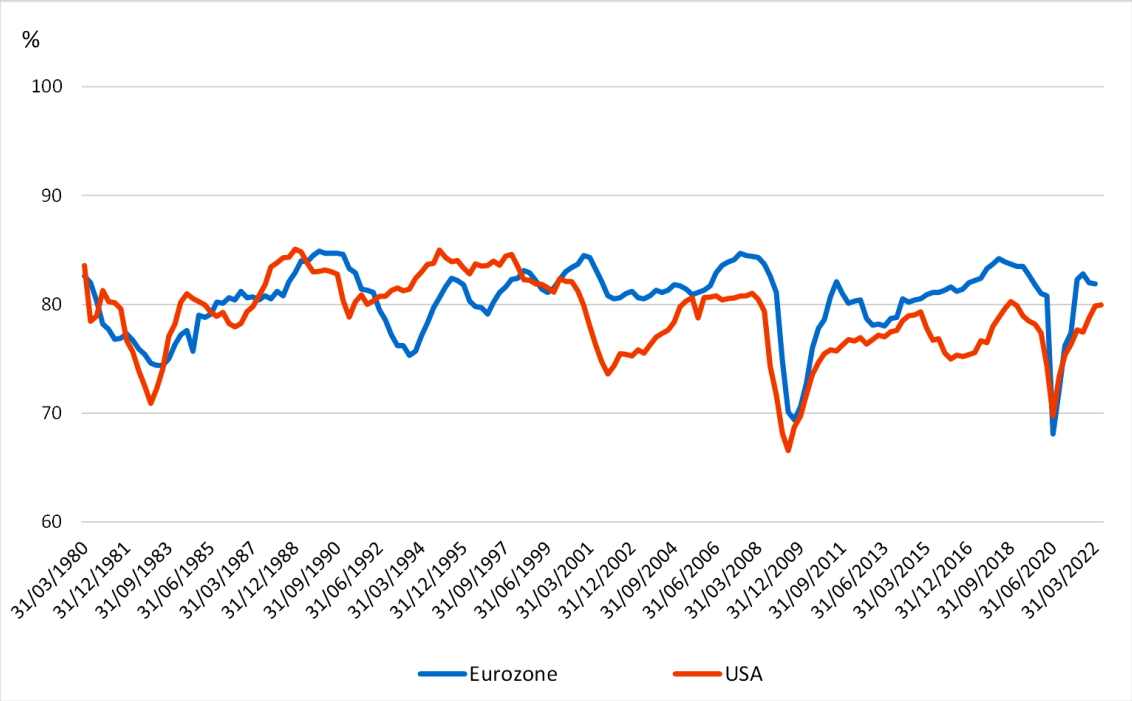
The weight of advanced economies in world GDP has been decreasing, especially throughout the 21st century. Thus, the group that includes, among others, US, European Union and Japan was responsible, at the end of the 20th century, for around 80.3 percent of the world's GDP. Twenty-one years later, in 2021, this weight was only 58.3 percent, with the IMF predicting that in 2027 it will reach around 54.4 percent of world GDP[3].

Two thoughts in this regard. The growth paths between advanced economies and emerging markets are different, as well as between the US and China: in advanced economies, economic growth slowdown (in some cases with growth close to zero percent) has been real, while in emerging economies, and especially in China, a very strong pace of economic growth has been maintained. In addition, advanced economies have had negative output gaps for almost twenty years (economic growth below potential), which is not the case in most emerging economies, including China[4].

Given this scenario, it is useful to observe the degree of capacity utilization, namely because if it is at historically low levels is it likely that the negative output gap will be maintained or even intensified. The following chart shows this even when comparing the US economy and the euro area economy.

[1] According to IMF data (World Economic Outlook, April 2022), nominal gross domestic product (GDP) in China reached, in 2021, about 17.458 billion US dollars, which compares with 22.998 billion for US economy.
[2] The Chinese gross domestic product in purchasing power parity was higher than the US for the first time in 2016 and since then the difference has been accentuating.
[3] According to the IMF (World Economic Outlook, April 2022), world GDP at current prices would be around 96.293 billion US dollars in 2021, with 56.095 billion in advanced economies and 40.20 billion in emerging markets.
[4] A negative output gap over an extended period is a clear sign of stagnant secular economic growth.

Figure 1: Capacity Utilization – US and Eurozone, percentage rate



Source: FED St. Louis and ECB

During the long period presented, the capacity utilization stayed at low levels (also historically), without even approaching values above 85 percent, which reflects the excess of installed capacity. To this extent, the underutilization of productive capacity makes unlikely any increases in investment in the near future, excluding any impulse from the supply side for economic growth, for more robust increases in gross domestic product.

Economic consequences of the pandemic (and the war in Europe)

The SARS-CoV-2 virus, responsible for the Covid-19 disease, has been detected in November 2019 and gave rise to a pandemic with serious consequences, especially until the appearance of vaccines from the end of 2020.

In addition to the loss of human life, which is already at 6.5 million people, of which 5.4 million by the end of 2021, the pandemic had brutal economic consequences, namely in 2020, with (almost the whole) world entering a deep recession.

Table 2. Gross Domestic Product (constant prices) – annual percentage average growth rate

	2018	2019	2020	2021	2022	2023
World	3,6	2,9	-3,1	6,1	3,6	3,6
Advanced Economies	2,3	1,7	-4,5	5,2	3,3	2,4
European Union	2,2	2,0	-5,9	5,4	2,9	2,5
Eurozone	1,8	1,6	-6,4	5,3	2,8	2,3
Emerging Markets	4,6	3,7	-2,0	6,8	3,8	4,4
USA	2,9	2,3	-3,4	5,7	3,7	2,3
China	6,8	6,0	2,2	8,1	4,4	5,1
Japan	0,6	-0,2	-4,5	1,6	2,4	2,3
Germany	1,1	1,1	-4,6	2,8	2,1	2,7

Source: International Monetary Fund, World Economic Outlook, April 2022, information plotted by the author. Data from 2022 are IMF projections.

The recovery seen in 2021 seems to have been ephemeral and we would expect that the economic growth indicators in 2022 will be lower than those projected by the IMF in April of this year, as institution itself, in July, carried out a review mid-term decline in world growth forecast for 2022 to just 3.2 percent.

The effects of the War in Ukraine, namely contributing to the shortage of some basic and agricultural products and an even greater growth of inflation, already out of control in the face of the disruption of supply chains following the pandemic, the need for greater restrictions on monetary policy, with rising interest rates and deteriorating conditions for accessing the financial market, especially in advanced economies, and a stronger-than-anticipated slowdown in economic growth in China, given the ups and downs of the pandemic, all this contributes to this new disappointment in world economic growth.

In summary, we have a scenario of high inflation, with forecasts that in 2022 it will reach an average of 6.6 percent in advanced economies and 9.5 percent in emerging economies, and with no prospects of a slowdown, especially if the labor market remains restrictive and "demands" the compensation of these increases. We also have a war in Europe with no end in sight and threatening to cut off gas supplies in autumn/winter and a Covid-19 pandemic still far from allowing a full "normalization" of life worldwide.

All this leads to even the most optimistic forecasts pointing to growth in advanced economies below 2 percent from 2023 onwards, essentially marking a return to pre-pandemic levels that, as earlier mentioned, have re-launched the theme of secular growth stagnation in some economies.

What to expect in the balances of world power?

We saw earlier that economic growth is stagnating in the US and in the advanced economies as a whole, but this is not the case in China or in most emerging economies.

Since the economic dimension is so relevant for global power nowadays[5], this dual scenario may affect global power structures, as we will try to demonstrate in this chapter.

It is thus expected that we can contribute to the perception that the "new normal" in economic growth and, above all, that the clear asymmetry between growth patterns in the US and China is progressively contributing to changes in the organization of global power and the relative strength of its main actors. We have seen a clear rise of China and its global influence and consistent signs of loss of influence, in some aspects even of hegemony, of the US (Morais, 2021: 155).

The phenomenon has several aspects.

First, in the so-called hard power component, the economic and financial dimension stands out. The relative reduction of wealth in the US compared to China and, on the financial side, the US deficits and their potential consequences on financial stability may induce greater inequality in income distribution, which is, in fact, one of the most commonly accepted causes of secular stagnation.

Other hard power indicators, on the military side, corroborate, if not the loss of importance of the US, at least the rise of China: we are talking about the evolution of spending, total arms sales and the component of arms exports, as well as the greater diversification of the destinations of these exports.

Military spending has in the US, by far, its main actor: in 2019 the expenditure reached about 718.7 billion dollars, a figure that exceeds the accumulated of the other countries that make up the top 10 ranking of arms spending[6]. Moreover, in the seventy years to 2019, US military spending increased at an average rate of 2.3 percent per year, higher than any other industrialized country.

If we look only at the behavior of military spending in the 21st century, between 1999 and 2019, US military spending growth was 2.4 percent (slightly above the average of 2.3 percent between 1949 and 2019). However, other countries seem interested in increasing their military power, such as Russia (average growth of 6.8 percent), South Korea (4.1 percent), and Saudi Arabia (4 percent). In China, the growth in military spending overtook all others during the period in question, reaching an impressive 10 percent on average per year.

These data will be even more impressive, particularly as far as China is concerned, if we take into account that, in the last decade of the 20th century, US and Russia saw their military spending fall by an annual average of 3.7 percent and 13.2 percent[7], respectively. In the meanwhile, China was once again the record holder in the universe of the biggest spenders in terms of average annual growth, which stood at 7 percent during this decade. Given this movement, it is not surprising that in 2019 Chinese military spending would already reach about 37 percent of US spending and would be by far the

[5] The idea of the influence of economic power on global power dynamics is heavily analyzed in the literature, and this is certainly not the original contribution of the author of these lines.
[6] That is China, Russia, Saudi Arabia, France, Germany, the United Kingdom, Japan, South Korea, and Canada.
[7] Strictly speaking, in the case of Russia, the comparison refers to the period from 1922 to 1999.

second largest in the world, when at the end of the twentieth century it was only 8.8 percent (Morais, 2021: 199).

When looking at the evolution of research and development (R&D) indicators, it is possible to conclude that there have been some striking movements in recent decades. The first corresponds to the consistent increase in Chinese investment in this area, both when measured in terms of its weight in relation to the gross domestic product, both nominal and per capita, and, rather curiously, also in terms of research and development by the private sector. Secondly, in a specific and cutting-edge sector, information and communication technologies, very important in the digital society that has been solidifying in this century, China today has the primacy of research and development, and this has catapulted the country to the leadership of the export market, with more than a quarter of total world exports. Finally, despite the Chinese rise, it is undeniable that the US remains the great power in research and development. (Morais, 2021: 211).

It is also interesting to observe what the composite hard power indicators tell us, which allow us to measure hard power at the country level and, in this way, make international comparisons based on military, economic and demographic criteria possible. One of the oldest and most renowned indicators of this type is the Composite Index in National Capacity (CINC), created in 1963 by David Singer, as part of the Correlates of War project. This indicator considers military, economic and demographic factors to identify the power of each country, namely, military expenditure and contingent, total and urban population, steel and iron consumption.

This indicator, with observations since 1816, allows us to infer the existence of three distinct periods. The first, which lasted until the end of the 19th century and which shows the superiority of the United Kingdom and the approach, slow but decisive, of the US. The second, between the end of the 19th century and 1971, that is, the beginning of the first oil crisis, in which the superiority of the US is affirmed. Finally, a third period in which the US leadership in this indicator of national capacity is initially challenged by Russia, and, since 1995, China assumed itself as the nation with the greatest capacity at the world level (Morais, 2021: 212).

Not all composite indicators point as clearly as the CINC to the rise of China to the top position, to the detriment of the US, certainly due to the weight that this indicator gives to economic and demographic factors (in addition to the military component, of course). Others, like the global militarization indicator, show these two nations in very modest positions globally, which means that the weight of the military in their societies and economies is more balanced than in much of the rest of the world (Morais, 2021: 224).

In fact, when we look at indicators on the digitalization of economies, Internet development, e-government and cybersecurity, among others, the supremacy of the United States is still evident and China is still very far from even coming close.

Moreover, what do the soft power indicators tell us?

The set of indicators used in the literature to evaluate the soft power of a country and, from there, to make international comparisons is very wide. Within the dimensions, it is very common to find governance, with indicators that measure the effectiveness of governments, the pursuit of individual freedoms and human rights, or even the degree of violence in society. Culture and education are also almost obligatory in the soft power

dimensions, the former being evaluated by indicators as diverse as tourist visits, the success of the country's arts and sports, or even its historical heritage. In education level, we may mention the academic production and quality of universities, the country's ability to attract foreign students, or the researchers and awards they manage to obtain at an international level stand out. We also find other dimensions such as diplomacy and the country's capacity for international influence, its attractiveness for international business, its level of digitalization and its reputation (Morais, 2021: 225).

Given the profusion of existing indicators, we have chosen in this article to focus on composite indicators that identify and analyze the dimensions in which the states' capacity for influence and power is translated, evidently through a definition of weights that translates the importance that authors attribute to each of the components, by means of soft power instruments.

This is the case of the Soft Power 30 (SP 30), which encompasses a set of objective indicators, in dimensions such as governance, digitalization, culture, business, commitment and education. The SP 30 presents also indicators obtained in opinion surveys, more subjective, in topics as diverse as local cuisine, technological products, the friendliness of the people, culture, luxury goods, foreign policy and the attractiveness of the country to live, work or study (Morais, 2021: 225).

A similar analysis is provided by the Global Soft Power Index, based on the dimensions of familiarity, influence and reputation, in pillars ranging from business and trade, to culture, governance, education, and science, as well as, among others. And also the case of the Pew Research Center survey, particularly in the assessment made by a very large group of citizens from dozens of countries on the economic power of states and their opinion, more or less favorable, of these states (Morais, 2021: 228).

Contrary to the analysis carried out based on hard power indicators, which were very consistent in affirming the strong growth of Chinese power and the US attempt to resist this evolution, the conclusions regarding the evolution and hierarchy of countries seem less evident with regard to the analyzed soft power indicators.

Although this conclusion is not surprising, it still calls countries, especially those that dispute the leadership of world power, to a constant concern, which must be translated into active policy measures, to prevent that, circumstantially or more structurally, the perception that the world has of them suffers some deterioration (Morais, 2021: 232).

In addition, in the last ten years, from this perspective, two phenomena can be evaluated as very striking. The first was the election of President Trump in the USA. In the year following his election, Transparency International (TI) in its US Corruption Barometer 2017 report showed that 44 percent of US citizens considered corruption to be prevalent in the White House, compared to 36 percent in 2016, while seven out of ten citizens thought that the government was failing in the fight against corruption, compared to only five out of ten in 2016. In fact, among the different institutions and social groups, Trump's cabinet was even the most corrupt, at 44 percent, compared to 38 percent for Congress, 33 percent for federal leaders, and 20 percent and 16 percent for the police and judges and magistrates. All this just one year after Trump's election (Morais, 2021: 232).

The second phenomenon we are still living it and, therefore, its contours are uncertain, corresponding to the Covid-19 pandemic. In a survey conducted in fourteen countries in

the summer of 2020, before the second and more deadly wave that began in the fall, Pew showed that 73 percent of respondents considered "good" the way their own countries had dealt with the pandemic. However, that level dropped to only 37 percent in China, which meant that 63 percent considered China's handling of the pandemic "bad," and in the case of the US, that level was even higher, reaching 84 percent (Morais, 2021: 233).

Regardless of these epiphenomena that would influence, as we mentioned, the evaluation of the soft power of states, it still seems that the analysis carried out provides us with a dynamic but sustained vision. That vision is the idea that China has evolved favorably in this eventually increasingly important component of global power, but that the US continues without much doubt to maintain a primacy at this level. In fact, safeguarding the economic "splashes" that this dimension of soft power always ends up also encompassing, eventually the leadership of the US will be followed by the European Union, and not by China, at least judging by most of the indicators that we have detailed here (Morais, 2021: 233).

Conclusion

The empirical analysis shows that the US economy has many of the characteristics that identifies the secular stagnation and that this is not the case with China.

If a significant disruption of the world order does not occur, a scenario more likely with recent events, in particular the war in Ukraine, it is possible to foresee changes in the geography of the world economy, with US leadership being challenged even before the end of this decade by China.

These changes in the hierarchy of countries in economic matters will be more likely the more consistent (and more asymmetric, particularly between advanced economies and emerging markets) the signs of secular stagnation of growth are revealed.

Starting from this economic background, we can envision how these developments may come to influence the balances of world power.

In the classic military dimension, as evidenced for example by military capability and defense budgets, the superiority of the US remains indisputable. In other dimensions of hard power, namely the economic one, we are witnessing some loss of relative influence of the US, which is also evident by some of the soft power indicators analyzed.

Although the superiority of the US remains indisputable in the aforementioned military dimension, in the financial sphere, in multiple composite indicators of hard power, in research and development, but also in social and soft power indicators, what we also see is a growth of China in all those components.

Everything indicates that, progressively and at a very consistent pace, a new actor in the power dynamics is asserting itself.

That actor is China.

In addition, it will be difficult to understand how this process was consolidated, and especially how far it may go, if we do not look at one of the central phenomena analyzed

in this article: the stagnation of economic growth that has affected the different countries in a dual manner.

The position that China already occupies today in the geopolitical context and world power would hardly have been reached, or at least so quickly, without Chinese economic strength over the last four decades.

Probably this new global dimension of China will help strengthen its already very powerful economy.

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