

# THE PRINCETON PACKET

**SOLUTIONS**

By Huck Fairman

## A confluence of crises: Warnings from Wall Street

Reports from around the world continue to warn of our changing planet. Most recently, the Greenland Ice sheet has been found to be melting faster than ever. Glaciers in the Himalayas, the source of fresh water for many millions, are retreating. What will happen if there is not enough water?

Added to the threats from global warming come warnings from the financial world, warnings not only about our changing environments but about social and political disarray, division, excessive debt and resulting violence. Just when nations and the world need greater cohesion and partnering, the opposite is happening. We face two unprecedented crises, each exacerbating the other.

In a letter written to the Davos World Economic Forum by billionaire investor Seth Klarman comes a bleak prediction that these social and economic problems can lead to calamity.

He writes, "Social frictions remain a challenge for democracies ..." In addition to social frictions, he informs his audience, nearly every developed country has taken on mounting debt. Our current administration's tax cuts have led to record debt levels. It has long been recognized, since Keynes, that when an economy is doing

well, it is time to reduce debt. But we are being led in the opposite direction.

In other developed countries, as well, the ratio of government debt to GDP is nearing, or has reached, 100 percent. Klarman warns this will affect the dollar, the world's reserve currency and may push lenders to stop financing our debt.

In addition he is concerned the administration's penchant for declaring news it doesn't like to be "fake news" undermines social trust and cohesion. He worries about social unrest among the coming generation, feels it is economically falling behind and sees no way through the growing mountain of debt it will inherit.

Even more widely concerning issues are raised another billionaire money manager, Jeremy Grantham, who presciently predicted the financial crises of 2000 and 2008. He has been giving a talk titled, "Race of Our Lives," which pits rapid global warming against the very possibly inadequate human responses to it.

While Grantham is well known for his predictions of gloom – seen as such by many despite his record of accuracy – he does tout the many "de-carbonizing" technologies coming on line. The problem is they may not be developed and implemented fast enough, with global warming now

accelerating.

In this context, he also worries about the global social and political disunity. He sees, as Klarman does, that divisions and violence paralyze both nations and international bodies – just when they should be coming together. And this may result in a death-spiral of civilization.

Furthermore, Grantham alerts us warming is not our only problem. The planet's population, which is expected to rise from 8+ to 11.2 billion, will tax the planet's carrying capacity. Feeding people will become a challenge, as we may only have another 30 to 70 good-harvest-years left. At that point, there may simply be not enough arable land and food. Grantham, who predicted and then saw the tech and housing bubbles burst, is now concerned the next bursting bubble may be humanity.

On top of these problems, Grantham warns there are still others that may lead to political paralysis.

One is inequality, or huge imbalances in wealth, harkening back to the Robber Baron era. Part of that arises from Right Wing Ideology that places corporations and profits ahead of other social considerations. Grantham asserts the Social Contract of 1964 has been torn up. People are not thinking of the world they will leave

their grandchildren, who may well be beset by all of these crises. Grantham acknowledges capitalism "does a million things better than any other system, but it fails completely on addressing long-term threats." What is needed is strong regulation. But today in our country, and in others around the world, "every conceivable advantage has been given to corporations, and taken away from the man on the street."

At the same time, our current President has taken us out of the Paris Climate Accord and the Trans-Pacific Partnership, and he talks about leaving NATO.

While government and international pacts are never perfect and require constant adjusting, evaluating the challenges the world, and this country, face, makes it clear the only way to solve, indeed to survive, these challenges is to work together to reduce emissions, reduce the population growth rates and reduce inequalities that lead to social unrest. (See France, Venezuela, Great Britain and others.) Not to jointly address these problems detailed by Klarman and Grantham will, they argue persuasively, very likely lead to a catastrophic decline of civilization.