

A little change is coming...

Fiscal policy will join monetary policy in the fight against stagnation.

10 years of loose monetary policy has inflated assets while failing to raise growth or inflation. Orthodoxy is slowly pivoting towards fiscal policy.

The textbook dangers of unlimited monetary and fiscal support are, excessive and rising national debt and the eventual loss of confidence in policy and currency leading to runaway inflation or a currency crisis. This has not happened in Japan where nearly 3 decades of constant support have failed to either provide results or induce a crisis. Whether such policies can be operated elsewhere with such benign and ineffective results remains to be seen. Japan might be a special case.

A more fundamental question is, what is the right level of growth that policy should aim for? Is it that level that maintains low unemployment? And what if inflation resurfaces? (Unemployment and inflation are important catalysts for social change.)

Since the 1980s most policy responses to recessions have been monetary which exerts downward pressure on interest rates. The engagement of fiscal policy exerts upward pressure on interest rates and will have unfamiliar implications for markets and the economy. Additionally, fiscal policy is not only an economic decision but involves many political ones and can raise lines of division.

Inequality

In a knowledge economy, the ability for institutions to accumulate generations of intellectual capital versus a human being's ability to store but one lifetime of IP encourages a chronic decline in

labour's share of output. Owners of capital benefit from passive accumulation of IP and hence wealth whereas labour must constantly acquire knowledge to maintain relevance. This increases inequality, potentially without bound.

In many countries, electoral success correlates with the ability to raise campaign finance. Political outcomes are therefore influenced by wealth. Political lobbying further biases outcomes towards the interests of the wealthy.

Inequality in moderation encourages progress. However, excessive inequality lowers the informational efficiency of an economy and lowers growth. It is also a risk to social order. The awareness of inequality has risen in recent years. When inequality begins to feel like injustice, social stability is threatened. Dissatisfaction can manifest in many ways which may appear only tangential to the real issue.

Climate change and its social implications.

The adverse effects of climate change impact disproportionately upon poor and low-income communities . The poor also have less access to mitigants such as climate control, medical resources and disaster insurance for example. Rising sea levels, drought and famine encourage mass migrations which can catalyse anti-immigration tendencies. The UN has highlighted the risk of a climate apartheid where the wealthy pay to escape heat, hunger and conflict while the rest of the world suffers. The resultant deprivation and discontent could stimulate xenophobic, nationalist and racist sentiment. It could also precipitate anger and anti-establishment sentiment. Today, climate change is in the centre of media and public attention.

There are many ways to avert a climate crisis. Fundamental among them is the need to grow more trees and to stop releasing carbon (by burning fossil fuels which hold carbon sequestered over millennia.) Only plants can effectively sequester carbon.

Sustainable consumption can help the cycle by consuming less resources and less energy.

For general sustainability, parsimony is an important concept. The world consumes more than it needs to leading to acute levels of waste. By consuming only what humans need and changing desires regarding what they want, it is possible to hasten the advent of a post scarcity economy. The transition may be difficult.

Post scarcity

Is the world capable of sustaining a population of 10 billion people? According to the Brookings Institution, the answer is yes. The question, however, is complex. Humans may exhaust land, minerals and fossil fuels, air, water, habitable areas, and other scarce resources. The carrying capacity of the earth is not constant but affected by many factors. The impact of humans is not only characterized by their number but depends also on their per capita consumption and the impact of technology. In addition, projections of population are subject to many assumptions. If the developed world's demographics are an example, developing world populations will, after a period of high growth, slow and decline as well. Linear or exponential growth models should be tempered. Non monotonic growth is more likely in the long run. The path to a post scarcity future is therefore a possibility. The problem is how we get there. The transition may be difficult.

Money must lose relevance and value. Labour must become irrelevant. The former must follow from the latter, possibly after a period of difficult adjustment. The latter may already be in progress as automata replace humans. Universal basic income may be one policy to help the transition. Ownership of capital is a question that may be raised along the way. These are questions with risky implications for society.