

The Five Macro Crises of Our Times: The Financial, Energy, Political, Moral and Demographic Crises

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“Men accept change only when it is a necessity, and they see a necessity only in a crisis.” Jean Monnet (1888-1979), French political economist and statesman

“I have two great enemies, the southern army in front of me and the financial institutions, in the rear. Of the two, the one in the rear is the greatest enemy..... I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country ... corporations have been enthroned and an era of corruption in high places will follow, and the money of the country will endeavor to prolong its reign by working upon the prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed. I feel at this moment more anxiety for the safety of my country than ever before, even in the midst of war.” Abraham Lincoln (1809-1865), 16th President of the United States (1861-65)

“The faster the present generation draws down the fossil energy legacy upon which persistently [exuberant lifestyles](#) now depend, the less opportunity posterity will have to live in anything like the same way or the same numbers. Yet most contemporary political proposals for solving problems of economic stagnation or inequity amount to plans for speeding up the rate of drawdown of [non-renewable resources](#).” William Catton, American environmental sociologist and population ecologist

“Societies characterized by enduring deep divisions of income and wealth, such as most third-world societies, are wounded societies with little sense of the common good... As America drifts in this direction, ending poverty and redistributing income should be at the top of the national agenda.” Charles Derber, Corporation Nation (p. 203)

[There are] “three ways to be influential in American politics: make donations to political parties, establish think tanks, and control media outlets.” Haim Saban, Pro-Israel billionaire and major political contributor, (2009)

Our world has become very complex, and, as a consequence, it is increasingly open to macro crises of huge proportions.

Indeed, what makes our time such a dangerous period, I think, is the fact that we are facing simultaneously at least five intractable worldwide crises that it will take years to solve or to outlive. They are a **financial crisis** that will take at least twenty years to jugulate, **an energy crisis** that’s looming on the not too far horizon and which threatens the very foundation of the economic prosperity of the last half century, a double-barreled

demographic crisis of a magnitude never encountered during the entire history of humankind, **a political crisis** that is related to the ingrained inability of governments most everywhere to solve society's problems, and, as a general background, **a moral crisis** that corrupts most institutions and makes them ineffective in promoting the **common good**.

I-The Financial Crisis

The misguided experiment with **new synthetic financial instruments** under the coat of hardly any government regulation is proving to be very disastrous to the world economy. They led to the near complete collapse of the banking and credit system in the fall of 2008, and are very much instrumental today in destabilizing the **euro monetary zone** and the **European economy**, the largest in the world. In fact, these new financial instruments play a central role in pushing down the American and European economies.

Indeed, these so called financial "innovations" have turned the world financial sector into a **vast casino** in which international bankers and speculators reign supreme. One may ask how was it possible to allow a **casino-like financial capitalism** to develop, especially after the hard lessons learned during the Great Depression of the 1930s?

When President Bill Clinton accepted the Republican proposal (GLBA) to gut the 1933 **Glass-Steagall Act**, that had regulated investment and commercial banking until then, he had no idea that his simple signature would herald, less than ten years later, a financial crisis of historical proportions. With this deregulation move and with the dismantling of other financial safeguards that had been in place for a long time, some since the financial panic of 1907, international bankers were allowed to merge their investment banking and commercial banking activities and discard many traditional banking rules. They adopted the new model of **asset securitization**, through which large banks *de facto* ceased being banks to become brokers, that is they ceased being lenders to become sellers of the sophisticated but untested new synthetic financial securities. Their names are now well known if not yet fully understood by many: **Asset-based security** (ABS), "Collateralized Bond Obligations" (CBOs), "Collateralized Debt Obligations" (CDOs), and **credit default swaps** (CDS). — In financier Warren Buffett's words, they turned out to be true financial weapons of mass destruction, and they are still doing their ravages, because politicians have as yet refused to rein them in and put an end to excessive **financial speculation**.

II- The Energy Crisis

Economic prosperity and population growth over the last half century have been sustained in large part by the access to relatively cheap energy and by an elevated capacity to produce food. But, the **age of cheap energy** is about to end, and this basic source of economic growth will disappear, unless some untapped cheap oil discoveries come to the rescue.

If the age of cheap energy is coming to an end, can the world economy continue to support a fast rate of population growth? This is unlikely.

Already, we observe a reemergence of **hegemonic wars for oil and resources** in some parts of the world that can be explained, at least partly, by the looming energy crisis.

Not surprisingly, the United States, with less than five percent of the world population while consuming about 25 percent of the daily world oil output, is at the center of this crisis.

Nobody can deny that oil access under American control played an important role in the Bush-Cheney decision to launch an unprovoked **war against Iraq** in the spring of 2003. Similarly, the recent Anglo-French involvement in Libya, under the cover of NATO, had something to do with Libyan oil riches.

In a globalized and shrinking world, geopolitics and the approaching energy crisis are closely intertwined.

III- The Demographic Crisis

The world is about to have a **population** of 7-billion to feed and equip with the necessities of life. And a larger share of that population is going to be older as the 21st century unfolds.

Indeed, between now and 2050, the share of the population aged 60 and over is projected to increase in nearly every country in the world. All countries, both developed and developing, will be affected by this demographic shift, although in different ways. In the developing world, where fertility rates are still high (although declining), the crisis will come from too many young people without employment and too many old people living in poverty.

In advanced economies, the crisis will come from an onslaught of older citizens requiring more health care and social services at a time of economic stagnation and fiscal tightening.

The aging of the population will have a major impact on a society. For one, it will profoundly affect the economy during the next two decades, as the large contingent of **baby boomers** (USA: those born between 1946 and 1964; in Canada: 1946-1966) enters retirement and as mortality among the elderly continues to decline. In the U.S., 75 million people and close to one quarter of the population are baby boomers.

The retirement of baby boomers at the rate of between 3 and 4 million persons each year will redefine the basic economic structure and will create new economic, social and fiscal challenges.

Currently, in the United States, there are 3.3 workers to support each retiree, but by 2030, less than twenty years from now, this number will fall to only two. Consider also that twenty percent of Americans will be over 65 by 2050, up from 12 percent in 2005. As the consequence of the **graying of America**, payroll taxes and other taxes may have to be raised, which in turn will exert an important drag on economic growth. With so many retirees as a percentage of the working population, I would not be surprised to see a serious **pension crisis** developing in the coming years. It could arise either through uncontrolled inflation or through a general decline of the real return on capital. Either way, an erosion of pension income could ensue.

Secondly, it can be expected that some basic industries, such as manufacturing, will contract while those other industries related to health care and social services, like medicine and senior care, are destined to expand. The overall saving rate is also bound to decline, thus diminishing the pool of financing available to support new productive investments.

The result will be an economy that will become, even more than today, a service-based economy and also a more knowledge-based economy rather than being primarily a goods producing economy. With such a structural shift, unless per-worker productivity were to pick up substantially, considering that such productivity is lower in service industries, economic growth is bound to suffer and taper off.

In **Canada**, for instance, average annual economic growth has registered 2.8 percent, between 1977 and 2010, but it is expected that between 2011 and 2086, mainly due to demographic shifts, economic growth could slowdown to a meagre annual average of 1.6 percent. A slower economic growth means less government revenue at a time when demand for public services can be expected to increase.

That is why governments should prepare, fiscally speaking, for the expected onslaught of older citizens requiring more health care in the not too distant future.

IV-The Political Crisis

In many democratic countries, government has become the near exclusive tool of powerful private interests who use it at will to promote their narrow agendas. The cause is well known—the need to have tons of money to have access to the media, especially the electronic media, to get exposure. The result is everywhere to be seen: The people end up with the best politicians that money can buy.

The source of embedded corruption in politics is the overwhelming influence of money in politics. In the United States, things went from bad to worse on Thursday January 21, 2010, when the **U.S. Supreme Court** took upon itself to profoundly change the U.S. Constitution and American democracy in ruling that legal entities, such as corporations and labor unions, have the same purely personal rights to free speech as living individuals and can therefore use as much money as they wish to elect public officials of their liking.

In doing so, the U.S. Supreme Court severely devalued the individual's right to vote and made sure that the percentage of people who will bother to vote in the future will keep declining. Mind you, voter participation during the mid-term 2010 U.S. federal election, for example, was a meager 42 percent of registered voters. When a majority of the people don't even bother to vote, democracy is morbidly sick. Even though **voter turnout** is generally higher in American presidential elections than for midterm contests, it was nevertheless as low as 49.1 percent in 1996 (Bill Clinton vs Bob Dole) after it had reached a high of 60.1 percent during the 1960 presidential election between Richard M. Nixon and John F. Kennedy.

A question must be raised: Who profits the most when democracy dies?

V- The Moral Crisis

Our times mark the triumph of **Machiavellism**, i.e. of the corrosive ideology that politics and business should not adhere to any moral principles but should only be guided by narrow political interests and by the ruthless pursuit of profits. In this endeavor, the only principle that counts is the one that says that "the end justifies the means" and that craft, deceit and greed are OK in the pursuit of political power or of economic resources. —It is against this very destructive ideology that I wrote my book "**The Code for Global Ethics**". I have the deep conviction that many of our other macro crises are the result of this moral vacuum.

If we go back in history, we see that the big financial crises of the past, those of 1873-1880 and 1929-1939 for example, had pretty much the same type of causes as the one we are experiencing today: They were basically caused by a general collapse of public and private **basic morality** among a very small elite that pushed its exploitation of public institutions to the breaking limit. For such a small elite, there comes a time when all means justify the supreme goal of enriching itself at the expense of the rest of society. All combines, tricks and schemes become acceptable and justified by pious ideological slogans such as “the market always knows best”, the new “wealth (no matter how acquired) will trickle down”, or, for the more delusional ones among them, “God is placing all that money in my hands, therefore, I must be doing some good”!

When that frame of mind takes hold, a decline of civilization can be feared. Unfortunately, that’s where we stand today.

*Dr. Rodrigue Tremblay, an economist, is the author of the book “**The Code for Global Ethics, Ten Humanist Principles**”,*

Please visit the book site at:

TheCodeForGlobalEthics.com/

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