Raising interest rates and reducing fiscal spending is a foolish strategy. Emerging markets and the bottom 15-25% in developed countries (the world’s poor) are most harmed by unsustainable technological innovations, volatile energy commodity pricing and environmental degradation. Billionaires cannot buy their way out of the systemic problems. Low oil prices are indicative of a much larger problem. I certainly hope the glut will put a stop to Canadian shale oil projects … they are one of the biggest CO2 polluters and the sludge corrodes pipes, making Keystone a recipe for environmental disaster. My vote goes to investment in the environment and sustainable economics ... the catastrophic risks associated with global warming are making models of mitigation, adaptation and sustainable economics look better and better every day ... could be the catalyst to change a number of the systemic and political ills cited above. Money and technology should be designed to serve people ... not the other way around. The worldwide Economy is the biggest concern for 2016. Central Banks around the Global really don't have any bullets for the next crisis. Rates are already at zero most everywhere. The world is not at full employment or at full capacity. Central banks’ reserves have accumulated in safe financial assets and investment in capital goods has disproportionately declined; setting the stage for a continued decline in natural real rates of interest, reduced GDP and disinflation. We are seeing very powerfully a kind of inverse Say’s Law. Say’s Law was the proposition that supply creates its own demand. Here, we are observing that lack of demand creates its own lack of supply to restate, the potential of the U.S. economy has been revised downwards by 5 percent, largely due to reduced capital and labor inputs. There’s also the concern that in a period of zero interest rates or very low interest rates, it is very easy to roll over loans; and therefore there is very little pressure to restructure inefficient enterprises. This is not, according to those who make these estimates, a temporary decline, but is a sustained, long-term decline. Technological innovations are steadily nibbling away at the structure of our economies. Crowdsourced cab drivers and odd-jobbers using platforms such as Uber and TaskRabbit work without the usual protections companies traditionally give employees, such as healthcare and unemployment benefits in the US. Increasing numbers of humans may disappear from the workplace with the arrival of mass automation. Economists speculate over what kinds of workers are most likely to be laid off, and what this means for income and gender equality. Carl Benedikt Frey and Michael Osborne at the University of Oxford estimate that about 45 per cent of jobs in the US are susceptible to automation. More broadly, automation increases the productivity of machinery so that less investment is needed to produce the same or higher returns over the long term. Although this sounds like good news, it could contribute to a long-term growth slowdown in rich economies, a phenomenon known as secular stagnation. The worry is that while rich households continue to pile up their savings, investors will be investing ever less, since a smaller amount of capital earns a higher return with automation. This results in a savings glut, which leads to a contraction in the size of the economy. Public investments in sustainable infrastructure have a potentially substantial role to play. The colloquial way to put the point is to ask if anyone is proud of Flint Michigan, and then to ask how it is possible that at a moment when the long-term interest rate in a currency we print is below 3 percent and the construction unemployment rate approaches double digits is it not the right moment to increase public investment in general—and perhaps to repair the Flint water system in particular? But there is a more analytic case to make, as well. The preferable strategy, I would argue, is to raise the level of demand at any given rate of interest—raising the level of output consistent with an increased level of equilibrium rates and mitigating the various risks associated with low interest rates. A temporary increase in fiscal stimulus (investment in public infrastructure) during a period of low interest rates reduces, rather than increases, the long-run debt-to-GDP ratio. Look at what increasing demand (the multiplier affect) had upon the Marshall Plan. This should serve as a prelude to the day when we can return to the concerns that I think almost all of us would prefer to have as dominant: the achievement of adequate supply potential for the U.S. economy. See: U.S. Economic Prospects: Secular Stagnation, Hysteresis, and the Zero Lower Bound http://larrysummers.com/wp-content/uploads/2014/06/NABE-speech-Lawrence-H.-Summers1.pdf That begs the next question – where should the public prioritize invest of our money? Invest in a Marshall Plan for a sustainable environment. Debt for construction of public green energy infrastructure, tax incentives for consumer and private industry development of green technology markets and transitioning carbon industry employees can be balanced with incremental CO2 regulation, reductions in carbon industry subsidies, a gasoline tax increase to account for free riders while oil prices are low and taking back some of the Bush II trillion dollar tax transfer to the 1% that is sitting idle in savings accounts or chasing risky financial investment. Such safe and sound investment creates good paying jobs, quantitative easing adjusts the risk/return over time and modest inflation helps people pay their debts. No evidence that inflation is a problem. The window of opportunity to avert climate change risks is rapidly closing, deflationary forces are gathering and the world is already in danger of being demand short. To make such excuses poses an existential risk. The most important climate issue is the cost and consequences of inaction. The climate science has now reached the point that one can definitively say failure to very aggressively try to “solve” climate change is not either a rational or moral option for a nation or humanity as a whole. To be crystal clear, my position — what the literature and field experience make crystal clear — is that solving climate (stabilizing at 2°C) is cheap, by any plausible definition of the word. Indeed, it is “super-cheap.” The always overly-conservative Intergovernmental Panel on Climate Change reviewed the entire literature on the subject and concluded the annual growth loss to preserve a livable climate is 0.06% — and that’s “relative to annualized consumption growth in the baseline that is between 1.6% and 3% per year.” So we’re talking annual growth of, say 2.24 percent rather than 2.30 percent to save billions and billions of people from needless suffering for decades if not centuries. The 2014 IEA report, “Energy Technology Perspectives,” explained that an aggressive effort to deploy renewable energy and energy efficiency (and energy storage) to keep global warming below the dangerous threshold of 2°C would require investment in clean energy of about 1% global GDP per year. But it would still be astoundingly cost-effective. The $44 trillion additional investment needed to decarbonise the energy system in line with the 2DS by 2050 is more than offset by over $115 trillion in fuel savings – resulting in net savings of $71 trillion. That doesn't begin to account for job, peace and other dividends. I have not even begun to talk about reversing tax policies that have transferred trillions to the 1 percent ... or the trillions in health costs associated with pollution … or the trillions in lost job opportunities … or the carbon industry free riders like a trillion annual military cost to guard oil and global $5.3 trillion annual oil subsidies and the trillions in cost to clean up climate catastrophes. The IPPC estimate for the cost of climate inaction does not factor in the economic benefit of avoiding climate catastrophe. A few years ago, scientists calculated that benefit as having a net present value of $615 to $830 trillion. The IPCC stresses that with past emissions making some impacts unavoidable, adaptation will have to happen at the same time as mitigation. But the report also warns it’s not realistic to think we can adapt indefinitely. At some point, the damages will become unaffordable ... an additional annual cost of approximately 1.2 percent of global output for each increased degree of temp. But even if the planet wasn’t at stake; even if 2014 wasn’t the warmest year on record — until 2015 turned out even hotter — why would we want to pass up the chance for American businesses to produce and sell the energy of the future? Seven years ago, we made the biggest investment in clean energy in our history. Here are the results. Wind power is now cheaper than dirtier, conventional power. Solar is saving Americans tens of millions of dollars a year on their energy bills, and employs more Americans than coal — in jobs that pay better than average. Meanwhile, we’ve cut our imports of foreign oil by nearly sixty percent, and cut carbon pollution more than any other country on Earth. The problem will not permit us to act unilaterally ... it must be a global effort to reduce CO2. This is where Pope Francis chimed in with his 2014 environmental encyclical ... trillion annual investment in 3rd world sustainable infrastructure and critiques of consumerism, neo-liberalism and greed. The only people quaking are the Exxons who pay their CEO $600M annual, record 2015 $32B profit and do not want to see 26-year reserves become a sunk cost. They will tell you anything to preserve the status quo ... fabricate pseudoscience ... invest $100M in lobbyists and McKinsey studies (subsidized) ... knowing full well they intend to destroy the environment in our lifetime. A balanced budget is an utterly irrelevant issue ... a straw man ... but that's the snake oil the Koch brothers and Exxon are selling. Believe it or not, many economists argue that the economy needs a sufficient amount of public debt out there to function well. And how much is sufficient? Maybe more than we currently have. That is, there’s a reasonable argument to be made that part of what ails the world economy right now is that governments aren’t deep enough in debt. I know that may sound crazy. After all, we’ve spent much of the past five or six years in a state of fiscal panic, with all the Very Serious People declaring that we must slash deficits and reduce debt now now now or we’ll turn into Greece, Greece I tell you. But the power of the deficit scolds was always a triumph of ideology over evidence, and a growing number of genuinely serious people — most recently Narayana Kocherlakota, the departing president of the Minneapolis Fed — are making the case that we need more, not less, government debt. Why? The answer is that issuing debt is a way to pay for useful things, and we should do more of that when the price is right. The United States suffers from obvious deficiencies in roads, rails, water systems and more; meanwhile, the federal government can borrow at historically low interest rates. So this is a very good time to be borrowing and investing in the future, and a very bad time for what has actually happened: an unprecedented decline in public construction spending adjusted for population growth and inflation. Beyond that, those very low interest rates are telling us something about what markets want. I’ve already mentioned that having at least some government debt outstanding helps the economy function better. How so? The answer, according to M.I.T.’s Ricardo Caballero and others, is that the debt of stable, reliable governments provides “safe assets” that help investors manage risks, make transactions easier and avoid a destructive scramble for cash. Now, in principle the private sector can also create safe assets, such as deposits in banks that are universally perceived as sound. In the years before the 2008 financial crisis Wall Street claimed to have invented whole new classes of safe assets by slicing and dicing cash flows from subprime mortgages and other sources. But all of that supposedly brilliant financial engineering turned out to be a con job: When the housing bubble burst, all that AAA-rated paper turned into sludge. So investors scurried back into the haven provided by the debt of the United States and a few other major economies. In the process they drove interest rates on that debt way down. And those low interest rates, Mr. Kocherlakota declares, are a problem. When interest rates on government debt are very low even when the economy is strong, there’s not much room to cut them when the economy is weak, making it much harder to fight recessions. There may also be consequences for financial stability: Very low returns on safe assets may push investors into too much risk-taking — or for that matter encourage another round of destructive Wall Street hocus-pocus. What can be done? Simply raising interest rates, as some financial types keep demanding (with an eye on their own bottom lines), would undermine our still-fragile recovery. What we need are policies that would permit higher rates in good times without causing a slump. And one such policy, Mr. Kocherlakota argues, would be targeting a higher level of debt. Not only were governments that listened to the fiscal scolds kicking the economy when it was down, prolonging the slump; not only were they slashing public investment at the very moment bond investors were practically pleading with them to spend more; they may have been setting us up for future crises. And the ironic thing is that these foolish policies, and all the human suffering they created, were sold with appeals to prudence and fiscal responsibility. The stars are aligned ... Stop investing in unsustainable technological fixes and industries that pollute the environment and kill off the demand side of the economy. The world is not at full employment or at full capacity. Invest in a Marshall Plan for a sustainable environment. Debt for public infrastructure is a safe and sound investment, quantitative easing adjusts the risk/return over time and modest inflation helps people pay their debts. No evidence that inflation is a problem. To make such excuses poses an existential risk.