

TeachEcoKnowmics Blog Post 2

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I read the MarketWatch article “Billionaire investor Ray Dalio on capitalism’s crisis: The world is going to change ‘in shocking ways’ in the next five years” by Jonathan Burtan, published September 2020. This article comprises an abridged interview with Ray Dalio, billionaire and founder of the world’s largest hedge fund. As the title suggests, Dalio describes the current state of capitalism in the U.S., and particularly its issues with inequality of opportunity. He suggests that capitalism is very good at increasing the size of the “economic pie,” but not very good at dividing it up amongst the people (while socialism is not as good at increasing the size but better at dividing it). This forms one of the three big issues that will continue to plague the U.S. for the next 5-10 years: wealth and values gap; money and credit cycle; and the emergence of other dominant world financial powers like China. Dalio argues that the combination of these problems, as well as the loss of an education advantage, puts the U.S. in the same situation as the Dutch and British empires shortly before falling.

A year and a half have passed since this article was written, and yet many of his words still ring very true. At the time of writing, the latest presidential election had not occurred yet, and the coronavirus was in its first year of rampage: a time of great uncertainty. Now, we’ve reached almost a predictable equilibrium with the coronavirus in terms of work-life balance, but the increase in inequality that it caused is clear to be seen. We’ve seen technology companies and billionaires grow enormously in wealth – just this last class, we noted that the top ten richest men doubled their wealth during the pandemic – while many lower-income people are still struggling to get back to work normally. There is the highly-relevant “Great Resignation” movement or “antiwork” movement (the latter named after a subreddit that recently took off) that protest working with the current wages and treatment by employers. Just as Dalio said, many people are resentful, and that hurts productivity by making many people not want to work. Also as Dalio said, inflation is getting much worse as a result; people need and want money to survive, and the rich are not willing to pay more taxes, so in order to get enough money to keep the public happy we need to print and borrow more money, and that is leading us into those debt and money-printing cycles that are very difficult to come out of. At this point, it’s getting hard to see what is related to COVID-19 and what is going to continue to be a trend after health restrictions are lifted – at this point, I’m scared to predict what will happen in the next 5-10 years.