# inflation

## neg

### nit – 1nc

#### The United States federal government should implement a negative income tax.

#### Solves & shields politics & inflation.

Jarow ’20 [Oshan; Fellow with Future Perfect at Vox, degree in economics & philosophy; “A Negative Income Tax for the 21st Century.” https://www.musingmind.org/essays/negative-income-tax-proposal] TDI

Such an NIT is both economically and politically feasible. Within a year of passing, it could eliminate official poverty, increase the circulation of capital throughout the economy, reduce inequality, and insulate a basic degree of livelihood from potential shocks such as loss of employment, automation, pandemics, or changing life circumstances.

In the longer term, a basic income improves the conditions for social innovations to occur alongside technological ones. Raising the economic floor lowers the risks associated with experimental behavior. It lifts everyone towards a threshold of financial security beyond which we have more freedom to decide how to spend our time. This kind of free time, contrasted with time that must be spent working for money, is fertile soil for innovation.

### inflation – 1nc

#### Inflation and interest rates are at a fantastic state now, BUT not invincible to shocks.

Armstrong ’7-28 [Robert; US financial commentator. “Falling inflation, sturdy economy, happy Fed.” https://www.ft.com/content/7b8fd9b0-2b69-43f5-9d55-1d42776432cd] TDI

Inflation is falling, the economy is strong, and the Fed needn’t rush

Wednesday’s FOMC meeting threatens to be pretty boring. No one thinks there will be a rate cut, and everyone thinks the Fed will open the door to a cut in September.

If the next CPI and PCE inflation readings are below the Fed’s 2 per cent target, we may indeed get a September cut. But it isn’t anything like a certainty, and it shouldn’t be. The risks of the Fed holding on a little longer are modest, because growth looks firm and steady in the face of the current level of rates.

Many observers, on Wall Street and beyond, are getting jumpy about the economy and worried that the Fed might break something. Unhedged thinks they need to calm down a bit.

Let’s go through the numbers.

Inflation

US inflation is just about at the Fed’s target. June core CPI — Unhedged’s preferred measure — was notably low, recording a 1 per cent month on month increase and a three month average of just below 2 per cent. The Fed’s preferred inflation measure — the personal consumption expenditure price index — is almost as good, but not quite. It came in slightly above expectations at 2.6 per cent annual growth, the same as May’s reading. But the pattern is similar. We don’t need things to get better, we just need the trend to hold.

#### A federal living wage fuels inflation:

#### COSTS. It necessarily forces prices up, which turns the case.

Majchrowska ’22 [Aleksandra; Assistant Professor, Department of Economic Mechanisms, University of Lodz. “Does the minimum wage affect inflation?” Ekonomista, Issue 4.] TDI

This study is part of a research stream that analyzes the impact of minimum wage increases on inflation. Minimum wages can be an element of a policy to overcome poverty and reduce wage inequalities. Higher minimum wages, however, inevitably increase production costs. These can be absorbed by dismissing workers and/or accepting lower mark-ups and consequently reduced profits. Alternatively or concurrently, they can be completely or partly passed on to consumers by raising prices. Even if the minimum wage raises prices without causing a reduction in employment, it might hurt rather than aid the poor, who suffer disproportionately from inflation, especially with respect to goods that have a low price elasticity of demand, e.g. food.

We analyzed the pass-through effect of the minimum wage on inflation in 16 regional labor markets in Poland in 2003–2020. The results demonstrate that this effect is statistically significant and positive. Increases in the minimum to average wage ratio in the analyzed period positively contributed to higher inflation. Moreover, the minimum wage pass-through effects were higher in the case of food inflation. This is in line with economic theory and confirms previous empirical findings.

The results show that the minimum wage effects differ both temporally and across regions. Minimum wage increases are more significant during times of high inflation than in low-inflation periods. The minimum wage also exerts greater inflationary pressure in regions with strong labor markets and relatively high wages. These are mostly regions with big cities (Mazovia, Silesia, Pomerania, Lesser Poland, Greater Poland) where there is more competition among employers. The results show that companies in these regions can pass on more of their increased labor costs to consumers.

The findings of this study are of particular importance for the labor market and regional policy. They show that even if minimum wage increases do not lead to large disemployment effects, they may generate additional inflationary pressure, especially during economic booms and in regions with low unemployment. These findings are especially important in view of the high inflation rate recently observed in Poland and the minimum wage increases planned for the coming years. The results show that minimum wage increases may well cause further inflationary pressure, especially on goods and services with a low elasticity of demand (e.g. food). For this reason, it is recommended that minimum wage policy be closely monitored.

#### This is robustly proven.

Leung ’21 [Justin; National University of Singapore Business School. “Minimum Wage and Real Wage Inequality: Evidence from Pass-Through to Retail Prices.” The Review of Economics and Statistics, Volume 103, Issue 4.] TDI

In this paper, I find evidence that the minimum wage increases prices in grocery stores but not in other store types because of rigid pricing within retail chains. A 10% minimum wage hike raises grocery store prices by about 0.58%. This finding holds across different phases of the business cycle and passes a variety of robustness checks. Furthermore, the pass-through elasticity is stronger in regions where the minimum wage is more binding. I present evidence that the minimum wage increases earnings of grocery store workers, but based on cost pass-through theory, this labor cost increase is not large enough to fully explain the rise in prices.

I propose that demand-induced feedback leads to a larger pass-through elasticity by increasing income, lowering demand elasticities, and increasing retail markups. I support this claim with four pieces of evidence. First, I derive pass-through formulas for calibrations to show that demand effects can account for the size of the reduced-form estimate. Second, I find that merchandise stores, which do not raise their prices in response to local minimum wage shocks due to within-chain price rigidity, exhibit large nominal and real sales responses to minimum wage increases. Third, I find suggestive evidence that poorer households lower shopping intensities when the minimum wage rises, consistent with lower price sensitivities. Fourth, I provide evidence that multiproduct retailers raise prices for more demand-inelastic product groups, consistent with retail markups.

Overall, these results have several interesting and important implications. First, while the existing literature has found that the minimum wage reduces nominal wage inequality, the reduction in real wage inequality is less substantial. For example, AMS find that for a 10% increase in the minimum wage, a worker earning the 10th percentile of the national wage distribution experiences around a 1.6% increase in wages relative to the median. Extrapolating earlier findings to the entire consumer basket, with caveats that other products may have smaller responses due to smaller MPCs and rigid pricing in national chains, the increase in real wages would be smaller by 0.3% to 0.9% in poor counties, which brings the increase in real wages relative to the median down to about 0.7% to 1.3%. Furthermore, the poor who are not working would only bear the higher costs of living without increases in income.

#### PRODUCTIVITY. The link is faster than the link turn & aff studies are flawed.

Peterson ’22 [Michael; Grants Specialist, Institute for Humane Studies. M.A. in Economics, George Mason University. “The Effects of Minimum Wage on Productivity.” https://fee.org/articles/the-effects-of-minimum-wage-on-productivity/] TDI

Another study by Joseph J. Sabia finds that minimum wage laws have no significant effect (positive or negative) on state gross domestic product (GDP). However, among low-skilled industries like wholesale trade and manufacturing, he discovers a mild to significant drop in productivity relative to high-skilled industries like finance or real estate.

Overall, he says, “the findings in this study suggest little evidence of aggregate productivity gains from minimum wage increases, and some evidence that low-skilled relative to high-skilled GDP may fall in response to minimum wage hikes.” The productivity shock is greatest in the short term, suggesting that minimum wages can’t stimulate sudden bursts of growth in productivity.

Certain studies do, in fact, observe increases in productivity among individual workers. Unfortunately, these studies only focus on the static effects of minimum wage hikes for a particular group — usually low-skilled workers. Some economists credit efficiency wages as the source of productivity gains in the wake of minimum wage boosts. Efficiency wages are the idea that higher pay results in better employee morale, lower turnover, and an improved applicant pool, which raise productivity among workers directly affected by the wage increase.

Efficiency wages are also interpreted as enhancing worker productivity because low-skilled workers fear the prospect of termination. But any policy predicated on the fear of being fired spells unhealthy outcomes in terms of the long run. In all these cases, the analyses fix their gaze on one group of workers and neglect the dynamic effects of minimum wage laws.

For example, economists Jonathan Meer and Jeremy West use a dynamic model to test the effects of minimum wage on employment growth. They discover that “the minimum wage reduces employment over a longer period of time than has been previously examined in the literature.” The negative impact of minimum wage on employment and productivity amplify once the analysis is broadened to include a longer time horizon.

One paper by Isaac Sorkin uses various statistical methods to determine the long-run effects of minimum wage on employment growth outcomes. Sorkin shows that when minimum wages are permanent — as when the minimum wage is indexed to inflation — the negative employment effects far outweigh those observed when the minimum wage is temporary. Sorkin attributes these effects to employers beginning the early process of substituting away from labor and towards capital, reducing employment growth for the least well off.

#### A 3% increase in minimum wage decreases productivity by 7%. This is theoretically & empirically verified.

Hill ’18 [Alexandra; Assistant Professor of Cooperative Extension, Department of Agricultural and Resource Economics, University of California Berkeley. “The Minimum Wage and Productivity: A Case Study of California Strawberry Pickers.” https://arefiles.ucdavis.edu/uploads/filer\_public/a8/81/a881c6e7-7140-4129-9068-16f69d80a844/hill\_jmp.pdf] TDI

This paper presents the first empirical evidence that increases in the minimum wage can cause workers to decrease productivity. This finding is specific to a compensation policy where workers are paid piece rate with a floor on earnings. Here I study the productivity of strawberry harvesters who are paid per flat delivered, subject to an hourly minimum wage. This empirical example is in an almost ideal setting for studying the incentive effects of this compensation policy. Productivity is easily observed, workers are not fired for earning the minimum wage, and there is no technology to mediate effects from a worker’s ability or chosen effort.

Piece rate payments are the norm for many jobs in U.S. agriculture and, as a low-wage industry, the earnings floor is often set at the state minimum wage. My results have direct policy implications for U.S. agricultural employers. and bear similar importance in other lowwage industries where this payment scheme is common — e.g. construction and automotive services. There are also many jobs in high-wage industries where this type of contract is the norm, e.g. insurance agents, real estate agents, and car salespeople. For these workers, my findings have implications for optimal raise structures. Namely, when employers in these industries raise the hourly floor without a contemporaneous increase in the piece rate, they may see decreases in workforce productivity

In this paper, I use a theoretical model to show how, under this compensation policy, increases in the minimum wage can affect productivity. In particular, I show that for some workers the wage floor removes the incentives provided by the piece rate and creates the opportunity to shirk, i.e. to reduce effort a lot in exchange for a little decrease in pay. In the empirical application, I find evidence that supports the theory. My analysis follows the productivity of workers over two separate harvest seasons during which the employer raises the minimum wage and the piece rate. I show that in both seasons, minimum wage increases cause workers to slow down and piece rate increases cause workers to speed up. Both changes in the minimum wage are roughly three percent increases and cause the average worker to decrease productivity by seven percent. The piece rate is increased several times in both seasons, allowing for estimation of a piece rate-productivity elasticity. I estimate elasticities that range from 1.2 to 1.6. These suggest that a four to six percent increase in the piece rate would offset the productivity losses from the observed minimum wage increases. I replicate this analysis over a season with no changes in the minimum wage and find precise estimates of no effect from placebo increases and similar estimates of the piece rate-productivity elasticity (1.5 to 1.6).

#### MONETARY SUPPLY. Increased demand from low-income workers fuels inflation.

Rasoolinejad ’21 [Mohammad; PhD, Postdoctoral Research Fellow, Kellogg School of Management, Northwestern University, "Universal Basic Income: The Last Bullet in the Darkness.” https://arxiv.org/abs/1910.05658] TDI

In theory, printing money and increasing the money supply causes inflation. Many leading world economies such as Japan and the Europe Union currently suffer from a deflationary environment. Japan has struggled to introduce inflation into the economy for a couple of years. Even massive monetary easing and asset purchasing do not seem to work efficiently. Such an environment also more or less exists through the Europe Union. Many reasons cause these advanced economies to face a deflationary environment. From them one can mention demographics and reduction of births, wealth disparity, lack of spending, lagging in wage growth, increase in national and domestic debt, low manufacturing costs due to automation, the rise of the Internet and e-commerce, increase in competition, electronic banking, close loop inflation control by the Federal Reserve in the US and other central banks around the world, long-lasting low inflation environment and low inflation expectations, the 2008 financial crisis, etc. Many of these forces do not seem to go away in the foreseeable future.

Money in the hands of the wealthy tends to increase the price of financial assets, whereas money in the hands of the middle class will drive spending on common goods and will cause inflation. The traditional monetary easing and asset purchasing are not the most effective ways to produce inflation. The radical measures implemented by central banks around the world to increase economic productivity and inflation seems not to work anymore. Inflation in security prices was already caused by decreasing the interest rate to their lower bound. The inflation in the bond market keeps the interest rates low, which makes the window of potential further cut the interest rates narrow. These methods increase the monetary supply; at the same time, however, wealth disparity also increases. Corporations and the wealthy benefit the most from such methods. UBI, on the other hand, increases the money supply and at the same time decreases wealth disparity. The spending driven by the middle class will cause rise in prices.

#### That turns any positive effect of the aff.

Glover & Mustre-del-Río ’21 [Andrew; Research & policy advisor, Federal Reserve Bank of Kansas City. José; Research & Policy Officer, Federal Reserve Bank of Kansas City. “What Happens When the Minimum Wage Rises? It Depends on Monetary Policy.” https://www.kansascityfed.org/Economic%20Review/documents/8351/EconomicReviewV106N3GloverMustredelRio.pdf] TDI

Panel A of Chart 1 reiterates the key insight from Section I: an increase in the minimum wage can be expansionary if the central bank is willing to tolerate higher inflation and keep the nominal interest rate fixed. The blue line shows that, in our model, output grows for many periods after a minimum wage increase when the central bank keeps the nominal interest rate fixed. For example, the level of output immediately increases by 2.5 percentage points after a minimum wage increase relative to what it would have been absent a change in the minimum wage. In contrast, the green line shows that output actually falls after a minimum wage increase when the central bank chooses to increase the nominal rate to ward off additional inflation.

Panel B of Chart 1 quantifies the inflationary trade-off the central bank faces in light of the minimum wage increase. The blue line shows that if the central bank is willing to tolerate higher inflation in response to the minimum wage increase, then inflation rises by roughly 2.5 percentage points (annualized) relative to the inflation rate absent the minimum wage increase. These additional inflationary pressures, fueled by the aforementioned expansion in economic activity, decay over time but fairly gradually. Indeed, even after 40 quarters — 10 years — inflation remains 2 percentage points (annualized) higher than the inflation rate absent the minimum wage increase. In contrast, the green line shows that if the central bank chooses to raise the nominal interest rate to temper inflationary pressures, then inflation increases by a more modest 1 percent (annualized per quarter).

#### All of that triggers a wage-price spiral. Even if initial inflation is small, increases are cyclical.

Pilkington ’22 [Philip; Macroeconomist & investment professional, Unherd. “A wage-price spiral won’t help workers.” https://unherd.com/newsroom/a-wage-price-spiral-wont-help-workers/] TDI

This is part of a broader trend, where Left-leaning economists deny the existence of a wage-price spiral altogether. Some claim that a spiral only exists when wage growth outpaces inflation; others claim that inflation must be accelerating for a spiral to be taking place.

In fact, there are only two relevant questions when looking at a wage-price spiral. Firstly, did the wage rises come before or after the inflation? This can give a sense of whether wage growth had a role in sparking the initial inflation. Secondly, what are the specific dynamics taking place between wages and prices? The two charts below help us understand both.

The first chart shows clearly that large wage increases in 2021 precipitated the inflation. This does not mean that these wage increases were the only cause of inflation, but it does suggest wage growth in 2021 was a factor contributing to the present situation.

The second chart (below) shows the strength of the correlation between wages and prices adjusted for various lags. We have taken the data from September 2021 onwards, as this is when the serious inflation started. This may sound confusing, but what the chart shows is simple enough: wages tend to rise two months after an increase in inflation; then, two months after this rise in wages, prices also go up. These dynamics are clear evidence that a wage-price spiral is taking hold in the British economy.

#### Inflation creates domestic & global instability – extinction.

Brands ’22 [Hal; Henry Kissinger Distinguished Professor, Johns Hopkins University’s School of Advanced International Studies. “Inflation’s Biggest Risk Is Geopolitical Unrest.” https://www.bloomberg.com/opinion/articles/2022-01-20/inflation-s-biggest-risk-is-geopolitical-unrest] TDI

Inflation is psychologically demoralizing because it makes growth meaningless, and stagnation [destabilizing] ~~crippling~~, for people whose real wages are in decline. It fosters a sense that the people are victims of forces that their leaders cannot control. It gives credence to arguments that America’s true problems are at home, rather than abroad, and thus threatens to create a more distracted, inward-looking superpower just as global threats are intensifying.

The damage isn’t hypothetical: As John Ferrari of the American Enterprise Institute points out, the U.S. defense budget is already at risk of being strangled by the “inflation anaconda.” The 5% bump that Congress approved for the Pentagon this year sounds impressive, but only until one considers that inflation is running at 7% and the military is particularly exposed to rising costs for energy and materials such as steel. As inflation builds up, Pentagon is forced to build down — just as China is racing to expand its military capabilities, Russia is threatening a major conflict in Eastern Europe and relations with Iran deteriorate.

#### Independently, the Fed hates wage growth in the current climate. That causes the Fed to hike rates.

Popli ’23 [Nik; Reporter covering economic policy and national politics, who focuses on Congress, technology, and the economy. "It Could Be Harder to Find a Job and Get a Pay Raise if the Fed Gets Its Way." https://time.com/6253699/federal-reserve-inflation-interest-rates-workers/] TDI

Despite the good news, Fed officials were “probably hoping for more of a slowdown in the jobs report,” says David Wessel, director of the Hutchins Center on Fiscal & Monetary Policy at the Brookings Institution. “What we’ve seen in the last couple of months with a falling rate of inflation and slowing wage growth at a very tight and strong labor market does challenge the conventional wisdom on which economists, including those at the Fed, generally rely,” Wessel tells TIME.

In his first public comments since the jobs report, Powell acknowledged this week that the jump in hiring was “stronger than anyone I know expected” and that the process of getting inflation back to normal levels will require some pain for workers. “There has been an expectation that it will go away quickly and painlessly—and I don’t think that’s at all guaranteed,” Powell said during a moderated discussion before the Economic Club of Washington, D.C. on Tuesday. “The base case for me is that it will take some time, and we’ll have to do more rate increases, and then we’ll have to look around and see whether we’ve done enough.”

To Powell and central bankers, the hiring boom is viewed as an obstacle in its fight to corral the fastest inflation in decades. Officials are also worried that wage growth could stop inflation from returning to their 2% target, another of the Fed’s aims that puts its interests at odds with American wage-earners.

Wessel points out, for instance, that the Fed was likely glad to see the pace of wage increases come down. Average hourly pay grew 4.4% in January from a year earlier, down from a peak of 5.6% in March.

The Fed’s long-standing belief is that a job market with strong hiring and increased wages typically fuels higher inflation. Under this economic model, consumers are more likely to spend freely when they have higher incomes, and companies tend to raise their prices to help cover climbing labor costs. It might seem odd to regard wage increases as a problem, but the Fed’s approach highlights the harsh trade-offs at the heart of the battle against inflation: To keep prices stable, it needs to be harder for workers to find a job and get a pay raise, according to the Fed.

#### Perception alone triggers the internal. Expectations matter just as much as actualized inflation.

Lee et al. ’22 [James; Research Analyst at The Hutchins Center on Fiscal and Monetary Policy. Tyler Powell. David Wessel. "What are inflation expectations? Why do they matter?" https://www.brookings.edu/articles/what-are-inflation-expectations-why-do-they-matter/] TDI

Why are inflation expectations important?

Inflation expectations are simply the rate at which people—consumers, businesses, investors—expect prices to rise in the future. They matter because actual inflation depends, in part, on what we expect it to be. If everyone expects prices to rise, say, 3 percent over the next year, businesses will want to raise prices by (at least) 3 percent, and workers and their unions will want similar-sized raises. All else equal, if inflation expectations rise by one percentage point, actual inflation will tend to rise by one percentage point as well.

Why does the Federal Reserve care about inflation expectations?

The Fed’s mandate is to achieve maximum sustainable employment and price stability. It defines the latter as an annual inflation rate of 2 percent on average. To help achieve that goal, it strives to “anchor” inflation expectations at roughly 2 percent.

Here’s how former Fed Chair Ben Bernanke explained what central bankers call “anchoring,” in an address given in 2022: “[T]the extent to which [inflation expectations] are anchored can change, depending on economic developments and (most important) the current and past conduct of monetary policy. In this context, I use the term ‘anchored’ to mean relatively insensitive to incoming data. So, for example, if the public experiences a spell of inflation higher than their long-run expectation, but their long-run expectation of inflation changes little as a result, then inflation expectations are well anchored. If, on the other hand, the public reacts to a short period of higher-than-expected inflation by marking up their long-run expectation considerably, then expectations are poorly anchored.”

If everyone expects the Fed to achieve an inflation rate of 2 percent, then consumers and businesses are less likely to react when inflation climbs temporarily above that level (say, because of an oil price hike) or falls below it temporarily (say, because of a recession). This makes it easier for the Fed to meet its price stability mandate. In an address given in 2022, Bernanke elaborated on the role inflation expectations play in monetary policy: “The conventional story, which is dominant in central banks around the world, rests on two key premises. First, that inflation expectations… are an important determinant of realized inflation…. The second key premise is that central bank behavior and possibly central bank communications can influence inflation expectations and through them macroeconomic outcomes…. If inflation expectations are well-anchored in the sense that they don’t respond very much to short-term movements in realized inflation and other variables, then policymakers can respond more aggressively to recessionary demand shocks and less aggressively to inflationary supply shocks, leading to better dual mandate outcomes.”

#### Fiscal miscalibration decimates markets. That guarantees extinction, escalating global tinderboxes and ruining societal adaptation.

Cavaciuti-Wishart et al. ’24 [Elissa; MPhil, Head, Global Risks, World Economic Forum; Sophie Heading, MA, Lead, Global Risks, World Economic Forum; Kevin Kohler, MA, Specialist, Global Risks, World Economic Forum; Saadia Zahidi, MPhil, Managing Director, World Economic Forum. "Global Risks 2024: At a Turning Point." & "Global Risks 2034: Over the Limit.” *The Global Risks Report 2024*, Chapter 1 & 2] TDI

Weakened systems only require the smallest shock to edge past the tipping point of resilience. In the second time frame covered by the survey, respondents were asked to rank the likely impact of risks in the next two years. The results suggest that corrosive socioeconomic vulnerabilities will be amplified in the near term, with looming concerns about an Economic downturn (Chapter 1.5), resurgent risks such as Interstate armed conflict (Chapter 1.4), and rapidly evolving risks like Misinformation and disinformation (Chapter 1.3).

As discussed in last year’s *Global Risks Report*, less predictable and harder-to-handle inflation heightens the risk of miscalibration of efforts to balance price stability and economic growth (Chapter 1.5: Economic uncertainty). Economic risks are notable new entrants to the top 10 rankings this year, with both Inflation (#7) and Economic downturn (#9) featuring in the two-year time frame (Figure 1.3). Economic risks are prioritized in particular by public- and private-sector respondents (Figure 1.5). Geoeconomic confrontation (#14) is a marked absence from the top 10 rankings this year (Figure 1.4) and has decreased in perceived severity compared to last year’s scores. However, like related economic risks, it features among the top concerns for both public- and private-sector respondents (at #10 and #11, respectively) as a continuing source of economic volatility.

[Figures omitted]

Misinformation and disinformation has risen rapidly in rankings to first place for the two-year time frame, and the risk is likely to become more acute as elections in several economies take place this year (Chapter 1.3: False information). Societal polarization is the third-most severe risk over the short term, and a consistent concern across nearly all stakeholder groupings (Figures 1.5 and 1.6). Divisive factors such as political polarization and economic hardship are diminishing trust and a sense of shared values. The erosion of social cohesion is leaving ample room for new and evolving risks to propagate in turn. Societal polarization, alongside Economic downturn, is seen as one of the most central risks in the interconnected “risks network”, with the greatest potential to trigger and be influenced by other risks (Figure 1.7).

[Figures omitted]

Interstate armed conflict (#5) rises in the rankings for the two-year horizon, across nearly all stakeholder groups, except for government respondents. This divergence may simply reflect different views around defining conflict: interstate armed conflict in the strict definition has remained relatively rare thus far, but international interventions in intrastate conflict are on the rise (Chapter 1.4: Rise in conflict).

Extreme weather events, a persistent concern between last year and this year, is at #2, Cyber insecurity at #4, Involuntary migration at #8 and Pollution at #10, rounding out the top 10 concerns in respondents’ risk perceptions through to 2026. Overall, global risks have lower severity scores compared to last year’s results.7 Further down in the two-year time frame rankings, Critical change to Earth systems comes in at #11, Debt in 16th place, and Adverse outcomes of AI technologies and other frontier technologies in 29th and last place, respectively.

The following sections explore some of the most severe risks that many expect to play out over the next two years, focusing on three entrants to the top 10 risks list over the short term: Misinformation and disinformation (#1), Interstate armed conflict (#5) and Economic downturn (#9). We briefly describe the latest developments and key drivers for false information, a rise in conflict and economic uncertainty, and consider their emerging implications and knock-on effects.

False information

[Figure omitted]

* Misinformation and disinformation may radically disrupt electoral processes in several economies over the next two years.
* A growing distrust of information, as well as media and governments as sources, will deepen polarized views – a vicious cycle that could trigger civil unrest and possibly confrontation.
* There is a risk of repression and erosion of rights as authorities seek to crack down on the proliferation of false information – as well as risks arising from inaction.

The disruptive capabilities of manipulated information are rapidly accelerating, as open access to increasingly sophisticated technologies proliferates and trust in information and institutions deteriorates. In the next two years, a wide set of actors will capitalize on the boom in synthetic content,8 amplifying societal divisions, ideological violence and political repression – ramifications that will persist far beyond the short term.

Misinformation and disinformation (#1) is a new leader of the top 10 rankings this year. No longer requiring a niche skill set, easy-to-use interfaces to large-scale artificial intelligence (AI) models have already enabled an explosion in falsified information and so-called ‘synthetic’ content, from sophisticated voice cloning to counterfeit websites. To combat growing risks, governments are beginning to roll out new and evolving regulations to target both hosts and creators of online disinformation and illegal content.9 Nascent regulation of generative AI will likely complement these efforts. For example, requirements in China to watermark AI-generated content may help identify false information, including unintentional misinformation through AI hallucinated content.10 Generally however, the speed and effectiveness of regulation is unlikely to match the pace of development.

Synthetic content will manipulate individuals, damage economies and fracture societies in numerous ways over the next two years. Falsified information could be deployed in pursuit of diverse goals, from climate activism to conflict escalation.

New classes of crimes will also proliferate, such as non-consensual deepfake pornography or stock market manipulation.11 However, even as the insidious spread of misinformation and disinformation threatens the cohesion of societies, there is a risk that some governments will act too slowly, facing a trade-off between preventing misinformation and protecting free speech, while repressive governments could use enhanced regulatory control to erode human rights.

Mistrust in elections

Over the next two years, close to three billion people will head to the electoral polls across several economies, including the United States, India, the United Kingdom, Mexico and Indonesia (Figure 1.9).12 The presence of misinformation and disinformation in these electoral processes could seriously destabilize the real and perceived legitimacy of newly elected governments, risking political unrest, violence and terrorism, and a longer-term erosion of democratic processes.

Recent technological advances have enhanced the volume, reach and efficacy of falsified information, with flows more difficult to track, attribute and control. The capacity of social media companies to ensure platform integrity will likely be overwhelmed in the face of multiple overlapping campaigns.13 Disinformation will also be increasingly personalized to its recipients and targeted to specific groups, such as minority communities, as well as disseminated through more opaque messaging platforms such as WhatsApp or WeChat.14

The identification of AI-generated mis- and disinformation in these campaigns will not be clear-cut. The difference between AI- and humangenerated content is becoming more difficult to discern, not only for digitally literate individuals, but also for detection mechanisms.15 Research and development continues at pace, but this area of innovation is radically underfunded in comparison to the underlying technology.16 Moreover, even if synthetic content is labelled as such,17 these labels are often digital and not visible to consumers of content or appear as warnings that still allow the information to spread. Such information can thus still be emotively powerful, blurring the line between malign and benign use. For example, an AI-generated campaign video could influence voters and fuel protests, or in more extreme scenarios, lead to violence or radicalization, even if it carries a warning by the platform on which it is shared that it is fabricated content.18

The implications of these manipulative campaigns could be profound, threatening democratic processes. If the legitimacy of elections is questioned, civil confrontation is possible – and could even expand to internal conflicts and terrorism, and state collapse in more extreme cases. Depending on the systemic importance of an economy, there is also a risk to global trade and financial markets. State-backed campaigns could deteriorate interstate relations, by way of strengthened sanctions regimes, cyber offense operations with related spillover risks, and detention of individuals (including targeting primarily based on nationality, ethnicity and religion).19

[Figure omitted]

Societies divided

Misinformation and disinformation and Societal polarization are seen by GRPS respondents to be the most strongly connected risks in the network, with the largest potential to amplify each other. Indeed, polarized societies are more likely to trust information (true or false) that confirms their beliefs. Given distrust in the government and media as sources of false information,20 manipulated content may not be needed – merely raising a question as to whether it has been fabricated may be sufficient to achieve relevant objectives. This then sows the seeds for further polarization.

As identified in last year’s *Global Risks Report* (*Chapter 1.2: Societal polarization*), the consequences could be vast. Societies may become polarized not only in their political affiliations, but also in their perceptions of reality, posing a serious challenge to social cohesion and even mental health. When emotions and ideologies overshadow facts, manipulative narratives can infiltrate the public discourse on issues ranging from public health to social justice and education to the environment. Falsified information can also fuel animosity, from bias and discrimination in the workplace to violent protests, hate crimes and terrorism.

Some governments and platforms, aiming to protect free speech and civil liberties, may fail to act to effectively curb falsified information and harmful content, making the definition of “truth” increasingly contentious across societies. State and non-state actors alike may leverage false information to widen fractures in societal views, erode public confidence in political institutions, and threaten national cohesion and coherence. Trust in specific leaders will confer trust in information, and the authority of these actors – from conspiracy theorists, including politicians, and extremist groups to influencers and business leaders – could be amplified as they become arbiters of truth.

Defining truth

False information could not only be used as a source of societal disruption, but also of control, by domestic actors in pursuit of political agendas.21 Although misinformation and disinformation have long histories, the erosion of political checks and balances, and growth in tools that spread and control information, could amplify the efficacy of domestic disinformation over the next two years.22 Global internet freedom is already in decline and access to wider sets of information has dropped in numerous countries.23 Falls in press freedoms in recent years and a related lack of strong investigative media, are also significant vulnerabilities that are set to grow.24

Indeed, the proliferation of misinformation and disinformation may be leveraged to strengthen digital authoritarianism and the use of technology to control citizens. Governments themselves will be increasingly in a position to determine what is true, potentially allowing political parties to monopolize the public discourse and suppress dissenting voices, including journalists and opponents.25 Individuals have already been imprisoned in Belarus and Nicaragua, and killed in Myanmar and Iran, for online speech.26

[Figure omitted]

The export of authoritarian digital norms to a wider set of countries could create a vicious cycle: the risk of misinformation quickly descends into the widespread control of information which, in turn, leaves citizens vulnerable to political repression and domestic disinformation.27 GRPS respondents highlight strong bilateral relationships between Misinformation and disinformation, Censorship and surveillance (#21) and the Erosion of human rights (#15), indicating a higher perceived likelihood of all three risks occurring together (Figure 1.10).

This is a particular concern in those countries facing upcoming elections, where a crackdown on real or perceived foreign interference could be used to consolidate existing control, particularly in flawed democracies or hybrid regimes. Yet more mature democracies could also be at risk, both from extensive exercises of government control or due to trade-offs between managing mis- and disinformation and protecting free speech. In January last year, Twitter and YouTube agreed to remove links to a BBC documentary in India.28 In Mexico, civil society has been concerned about the government's approach to fake news and its implications for press freedom and safety.29

Rise in conflict

[Figure omitted]

* Escalation in three key hotspots – Ukraine, Israel and Taiwan – is possible, with high-stakes ramifications for the geopolitical order, global economy, and safety and security.
* Geographic, ideological, socioeconomic and environmental trends could converge to spark new and resurgent hostilities, amplifying state fragility.
* As the world becomes more multipolar, a widening array of pivotal powers will step into the vacuum, potentially eroding guardrails to conflict containment.

The world has become significantly less peaceful over the past decade, with conflict erupting in multiple regions last year.30 Active conflicts are at the highest levels in decades, while related deaths have witnessed a steep increase, nearly quadrupling over the two-year period from 2020 to 2022 (Figure 1.12), largely attributable to developments in Ethiopia and Ukraine. While difficult to attribute to a single cause, longer-term shifts in geopolitical power, economic fragility and limits to the efficacy and capacity of international security mechanisms have all contributed to this surge.

Interstate armed conflict (#5) is a new entrant to the top 10 risk rankings this year. Specific flashpoints could absorb focus and split the resources of major powers over the next two years, degrading global security and destabilizing the global financial system and supply chains. Although war between two states in the strict definition remains relatively rare (Figure 1.12), this could contribute to conflict contagion, leading to rapidly expanding humanitarian crises that overwhelm the capacity to respond.

[Figure omitted]

High-stakes hotspots

Over the next two years, the attention and resources of global powers are likely to be focused on three hotspots in particular: the war in Ukraine, the Israel-Gaza conflict and tensions over Taiwan. Escalation in any one of these hotspots would radically disrupt global supply chains, financial markets, security dynamics and political stability, viscerally threatening the sense of security and safety of individuals worldwide.

All three areas stand at a geopolitical crossroads, where major powers have vested interests: oil and trade routes in the Middle East, stability and the balance of power in Eastern Europe, and advanced technological supply chains in East Asia. Each could lead to broader regional destabilization, directly drawing in major power(s) and escalating the scale of conflict. All three also directly involve power(s) reckoned to possess nuclear capabilities.

Over the next two years, the war in Ukraine could sporadically alternate between intensifying and refreezing. Despite sanctions, Russia has continued to benefit from energy profits and commodity exports – and this could increase further if the conflict in the Middle East widens.31 Pro-Russian or neutral sentiment in Eastern and Central Europe could soften support from Ukraine’s European allies,32 while support in the United States could wane under domestic pressures, other international priorities, or under a new government. Global divisions with respect to the Middle East conflict may also complicate efforts by Ukraine to maintain unity with Western allies, while also garnering support from the Global South.33 If the conflict intensifies, it is still more likely to do so through conventional rather than nuclear means, but it could also expand to neighbouring countries. While post-conflict scenarios for both Ukraine and Russia are difficult to predict, the war could ‘refreeze’ into a prolonged, sporadic conflict that could last years or even decades.34

Proximate developments in the Middle East are a source of considerable uncertainty, risking further indirect or direct confrontation between global powers. If the Israel-Gaza conflict destabilizes into wider regional warfare, more extensive intervention by major powers is possible, including Iran and the West.35 Beyond potentially seismic shocks to global energy prices and supply chains, escalation could split the attention and resources of the EU and the United States between Ukraine and Israel.36 The scale of Gulf countries’ or Western intervention is uncertain; it’s likely to continue to be deeply polarizing domestically and hold significant political sway.

Numerous GRPS respondents also cited Taiwan and disputed territories in East and South-East Asia as areas of concern. In contrast to Russia, which doubled its defense spending target to more than $100 billion in 2023, and the United States, which allocated over $113 billion in assistance relating to the war in Ukraine alone,37 China has largely acted as a non-interventionist power in both the Ukraine and Middle East conflicts, avoiding the risk of overstretch.38 While there is no evidence to suggest that escalation is imminent, there remains a material possibility of accidental or intentional outbreak of hostilities, given heightened activity in the region.39

Conflict contagion

As high-stakes hotspots undermine global security, a wider set of trends may fuel a combustible environment in which new and existing hostilities are more likely to ignite. As conflicts spread, guardrails to their containment are eroding and resolve for long-term solutions have stalled.40 In parallel, the internationalization of conflicts by a wider set of alternate powers will accelerate ‘multipolarity’ and the risk of inadvertent escalation.

First, simmering tensions and frozen conflicts that are proximate to existing hotspots could heat up. For example, spillover impacts from a high concentration of conflicts, such as in Asia and Africa (Figure 1.13), could range from more readily available arms trafficking to conflict-driven migration. Other states could also deliberately stoke tensions in neighbouring countries to divert attention and resources, through disinformation campaigns or the deployment of state-backed militia groups, for example. Frozen conflicts at risk could include the Balkans, Libya, Syria, Kashmir, Guyana, the Kurdish region and Korean peninsula.41 These risks are well-recognized by business leaders: Interstate armed conflict features as a top-five risk in 20 countries (18%) surveyed in the Forum’s Executive Opinion Survey (EOS, see Appendix C: Executive Opinion Survey: National Risk Perceptions), including Egypt, Iraq, Kazakhstan and Serbia, and is the top risk in Armenia, Georgia, Kyrgyzstan and Japan.

Second, resource stress, economic hardship and weakened state capacity will likely grow and, in turn, fuel conflict.42 There may also be a rise of ‘ungoverned countries’, where non-state actors fight for control over large swathes of territory, or where parties not recognized by the international system gain full control. For example, resource-rich countries could become caught in a battleground of proxy warfare between multiple powers, including neighbouring economies, organized crime networks and paramilitary groups (Chapter 2.6: Crime wave).43

[Figure omitted]

Third, with instant information networks and reinforcing algorithms, the symbolism of high-stakes hotspots could trigger contagion beyond conflict geographies. Deeply ingrained ideological grievances are in some cases driving hostilities, and these divisions are resonating with communities and political parties elsewhere. This expands beyond religious and ethnic divisions to broader challenges to systems of governance. National identities, international law and democratic values are coming into question, contributing to civil unrest, threatening human rights, and reigniting violence, including in advanced democracies and between the Global North and South.

North-South rift

Dissatisfaction with the continued political, military and economic dominance of the Global North is growing, particularly as states in the Global South bear the brunt of a changing climate, the aftereffects of pandemic-era crises and geoeconomic rifts between major powers. Historical grievances of colonialism, combined with more recent ones regarding the costs of food and fuel, geopolitical alliances, the United Nations and Bretton Woods systems, and the loss and damage agenda, could accelerate anti-Western sentiment over the next two years. In conjunction with more thinly spread resources and tighter economic conditions, military power projection by the West could fade further, potentially creating power vacuums in parts of Africa, the Middle East and Asia. France, for example, has withdrawn troops on request from Mali, Burkina Faso and Niger over the past two years.44

As the dominance of long-held power centres wanes, alternate powers will compete for influence in interstate and intrastate conflicts, potentially leading to deadlier, prolonged proxy warfare and overwhelming humanitarian crises.45 There are a number of incentives to this involvement, from access to raw resources, such as minerals and oil, to the protection and promotion of trade, investment and security interests. Pivotal powers will also increasingly lend support and resources to garner political allies, taking advantage of this widening rift between the Global North and the Global South.

As a new set of influences in global affairs takes shape, political alliances and alignment within the Global South will also shape the longer-term trajectory of internationalized conflicts. A deep divide on the international stage could mean that coordinated efforts to isolate ‘rogue’ states may be increasingly futile, while international governance and peacekeeping mechanisms shown to be ineffective at ‘policing’ conflict could be sidelined.

Economic uncertainty

[Figure omitted]

* The near-term outlook remains highly uncertain due to domestic factors in some of the world's largest markets as well as geopolitical developments.
* Continued supply-side pressures and demand uncertainty could contribute to persistent inflation and high interest rates.
* Small- and medium-sized companies and heavily indebted countries will be particularly exposed to slowing growth amid elevated interest rates.

According to one narrative, the global economy has shown surprising resilience in the face of the most aggressive global tightening of monetary policy in decades. Despite widespread predictions of a recession in 2023 (Figure 1.15),46 the perception of a ‘softer landing’ appears to be prevailing. Inflation is falling amid tight labour markets and stronger-than-anticipated consumer spending and growth, particularly in the United States.47

In another version, persistently elevated inflation in many countries and high interest rates are weighing heavily on economic growth, particularly in export- and manufacturing-led markets. An already visible economic downturn is likely to spread, with a risk that new economic shocks would be unmanageable in such fragility and debt passes the tipping point of sustainability.

[Figure omitted]

These contrasting narratives encapsulate the highly uncertain economic outlook. Fears of an Economic downturn are widespread among private-sector respondents, featuring as a top-five risk in 102 countries (90%) surveyed in the EOS, a significant uptick from 2022 (Figure 1.16). A slowdown in global growth is already occurring, but it is taking place under a different set of economic parameters than previous cycles, heightening uncertainty. Over the next two years, there may be a lack of coherence in forward projections within and between economies, particularly with respect to inflation, interest rates and growth rates. With contrasting views about the future, the risk of miscalibration by central banks, governments and companies will rise accordingly, potentially deepening and prolonging economic risks. Additionally, continued trade conflicts and geoeconomic rifts between the United States, European Union and China add to the significant economic uncertainty ahead.

Supply-driven price pressures

Markets are already anticipating interest rate cuts in key economies in the first half of this year.48 However, there are several inflationary pressures that may stymie expectations and present a less-smooth path to inflation targets. If price pressures continue, central banks could be hesitant to cut rates in response to signals of weaker growth, resulting in higher-for-longer inflation and interest rates.

Reflecting tighter financial conditions, both headline and core inflation have dropped in the United States and the Eurozone (Figure 1.17).49 In parallel, there has been a slowdown in economic growth in key industries and markets. The global economy had been propped up by continued strength in services throughout 2023, which is now flagging, while manufacturing has already been in contraction for over a year (Figure 1.18).50 Economic growth is stagnant in the European Union, at 0.6% last year, with estimates suggesting that the economic powerhouse of Germany contracted by 0.3% in 2023.51 Profits of the S&P 500, excluding the ‘Magnificent 7’ tech stocks, were estimated to contract by 8.6% last year.52

[Figures omitted]

Yet even as inflation has been partially tamed through higher interest rates, it has not reached central bank targets of two percent and there remains a material risk of largely supply-side price pressures over the next two years. For example, El Niño-impacts to food production and logistics could drive inflation and costly disruptions to supply chains. Any amplification of the Middle East conflict could trigger price spikes in energy and further disrupt shipping routes, compounding continued impacts from the war in Ukraine.53 The cost-of-living impact of persistent inflation, perceived to be declining in 2024, could resurge as the continued impact of elevated prices persists. A wage-price spiral is still possible, with EOS respondents anticipating labour shortages in key sectors and economies over the next two years (Chapter 2.5: End of development?). Stronger industrial policies and trade controls emanating from advanced economies, targeting the green transition and advanced technology, could also remain a persistent inflationary trend over this period.

Uncertainty within global powerhouses

The outlooks for the two largest economies – China and the United States – are highly complex, and these two key sources of uncertainty could lead to unanticipated, and possibly divergent, implications for the trajectory of the global economy.

China’s economy is widely expected to slow this year, with the weakening of the property market and local and external demand generally cited as primary causes.54 Despite retaining its ‘A1’ long-term credit rating, the outlook for China’s government debt was recently downgraded from ‘neutral’ to ‘negative’, reflecting risks relating to ‘structurally and persistently lower medium-term economic growth’.55 Yet investment in both manufacturing and energy infrastructure have been key drivers of growth in recent years, replacing lost construction demand to a degree.56 Although challenges remain, in the absence of further shocks, there is room for an upside surprise – local consumption may revive, growth may be less sluggish and the slowdown shallower than pervasive market expectations. In addition, in the absence of further geoeconomic backlash, excess capacity in advanced manufacturing, particularly in green technologies, could help counteract global price pressures, lending momentum to the green transition and global demand.57

There is similar uncertainty in the United States. Some forecasts are already pricing in up to 2.4% economic growth for 2024, and others predict rate cuts in the early half of the year.58 Fiscal policy has remained loose even as monetary policy tightened, with the United States running a $1.7 trillion deficit in 2023, effectively doubling the deficit in the past year alone.59 This could continue to keep demand-driven price pressures high. The correlation between consumer sentiment and spending is also adding to uncertainty: economic pessimism may be widespread, but it is not necessarily dampening demand – yet.60 On the other hand, debt servicing hit over $981 billion in Q3 2023 – an increase of over $753 billion compared to the same period in 2022, a sum similar to the budgetary spend on defense.61 Any fiscal consolidation in the United States – or a political stand-off relating to debt loads – could have a profound effect on global markets and trade, while any overestimation of the slowdown could lead to earlier or sharper intervention on interest rates and re-spark demand-side price pressures. The outcome of the US presidential elections in November creates additional uncertainty for the country’s economic outlook, depending on the policy choices of the next government.62

Debt distress

Higher interest rates amid slowing growth will strain debt loads for the public and private sector alike. The corporate debt default rate remains far lower than peaks hit during the 2008-09 Global Financial Crisis (Figure 1.19).63 The majority of corporate debt is also years from maturity. Less than 14% of S&P 500 debt is set to mature in the next two years, with nearly half to mature after 2030.64 In essence, the world’s largest companies will be effectively insulated from higher interest rates for more than half a decade.

However, small and medium-sized companies, that form the backbone of many domestic markets, will be particularly sensitive to slowing economic growth and persistently high interest rates. As struggling companies cut costs, unemployment may rise, reducing consumer spending and creating a negative feedback loop that can contribute to a deeper economic downturn. This could also contribute to heightened market concentration, as start-ups struggle and larger, more financially robust corporations consolidate their position, including in the tech sector (Chapter 2.4: AI in charge).

Heavily indebted countries are also exposed to these economic conditions. The risk of sovereign debt defaults is rising but notably, even with a strong US dollar, larger emerging economies such as Mexico and Brazil have largely avoided debt distress to date.65 This has been attributed to structurally different conditions in these markets than in the past, including central bank independence and the accumulation of large foreign-exchange reserves.66 In other parts of the world, like in Egypt, Ethiopia, Ghana, Lebanon, Pakistan, and Tunisia, the risks are much higher. The impacts of tighter financial conditions will build over time, and pressures on fiscal balances will rise. Given historically high debt loads, many governments might be unable or unwilling to help cushion economic impacts to the same degree as they have in recent years, sharpening the slowdown for companies and individuals.

[Figure omitted]

Looking ahead

These results point to a global risks landscape where economic, geopolitical and societal vulnerabilities will continue to build. Worrying developments emerging today have the potential to become chronic global risks over the next decade.

As constant upheaval becomes the norm, decades of investment in human development – and human resilience – are slowly being chipped away, potentially leaving even comparatively strong states and individuals vulnerable to rapid shocks from novel and resurgent sources. The impacts of extreme weather may deplete available economic resources to mitigate and adapt to climate change. Increasing vulnerabilities, brought about by resource stress, conflict and increasing polarization, could expose societies and whole economies to crime and corruption. Exponential technology growth may leave the next generation without a clear path to improve human potential, security and wellbeing.

How these global risks evolve will reflect the global conditions that are slowly taking shape across multiple spheres: geostrategic, environmental, demographic and technological. Chapter 2 discusses a world that is being stretched beyond its limit, highlighting a series of emergent risks that are arising in the context of these structural regime shifts. A multiplicity of futures are conceivable over the next decade. While the next chapter explores the most concerning potential outcomes, Chapter 3 explores how a more positive path can be shaped through acting today.

[Endnotes omitted]

Global Risks 2034: Over the limit

This chapter focuses on the longer-term horizon, highlighting risks that may become the most severe over the next decade. While the short-term risks landscape described in Chapter 1 may, if not addressed, contribute to these negative, longer-term outcomes, attention, planning and action today can still set us on a markedly more positive trajectory.

The world in 2034

The next decade will usher in a period of significant change, stretching our adaptive capacity to the limit. GRPS respondents are far less optimistic about the outlook for the world over the longer term than the short term. As noted in Chapter 1, nearly two-thirds (63%) of respondents to the GRPS predict a turbulent or stormy outlook, with upheavals and an elevated risk of global catastrophes at best (Chapter 1, Figure 1.1).



Comparing the two- and 10-year time frames reveals a deteriorating global risks landscape. Thirty-three of the 34 global risks increase in severity score over the longer-term, reflecting respondents’ concerns about the heightened frequency or intensity of these risks over the course of the 10-year horizon (Figure 2.1).

Environmental and technological risks are among those expected to deteriorate the most in severity over this period and dominate the longer-term global risks landscape. Nearly all environmental risks are included in the top 10 rankings for the decade ahead (Figure 2.2). Extreme weather events are anticipated to become even more severe, as the top ranked risk over the next decade.

Mirroring last year’s results, the perceived severity of Biodiversity loss and ecosystem collapse worsens the most of all risks, increasing by a full two Likert points, rising from #20 in the short-term to 3rd place. Critical change to Earth systems (#2) and Natural resource shortages (#4) are also among those perceived to materially deteriorate, contributing to their entrance into the top 10 ranking of risks over the next 10 years, while the related risk of Involuntary migration rises one place to #7 over the next decade. Pollution remains in 10th place. In contrast, Non-weather related natural disasters (#33) falls close to the bottom of rankings over both time horizons, likely reflecting the nature of such a tail risk and the often geographically isolated nature of these events.

[Figure omitted]

These results highlight divergent perceptions around the comparative urgency of environmental risks. Biodiversity loss and ecosystem collapse (#20 in the two-year time frame) and Critical change to Earth systems (#11 in the two-year time frame) feature in the longer-term rankings for all stakeholder groups (Figure 2.3). However, it appears that younger respondents prioritize these risks as a more urgent concern, ranking them higher in the two-year period compared to other age groups (Chapter 1, Figure 1.6). Private-sector respondents, unlike those from civil society or government, feel that most environmental risks will materialize over a longer time frame (Figures 1.5 and 2.3). This dissonance in perceptions among key decision-makers could mean the time to act may soon pass, without sufficient progress made (Chapter 2.3: A 3°C world).

Concerns around the possible implications of recent technological developments are also clearly evident. Adverse outcomes of AI technologies is anticipated to experience one of the largest deteriorations in severity. It rapidly rises from #29 over the two-year period to #6 over the 10-year period, likely reflecting the possible systemic or even existential nature of related risks as AI penetrates economic, social and political systems (Chapter 2.4: AI in charge). Despite worsening severity scores over this time frame, the most prominent technological risks in the short term, Misinformation and disinformation and Cyber insecurity, drop in ranking but remain in the top 10 over the longer-term, at 5th and 8th place, respectively. The related risk of Societal polarization also drops from 3rd place in the short term to 9th place over the longer-term horizon.

Despite a small increase in perceived severity, the societal risk of Lack of economic opportunity falls from #6 over two years to #11 in the global rankings; however, it makes the top 10 rankings for both civil society and academia respondents over the longer-term horizon (Figure 2.3). The divergence from perceptions of the public sector – which do not rank this risk in the top 10 – coupled with the long-term, cumulative effects of a low-opportunity world on the next generation make this a risk to watch over the coming years (Chapter 2.5: End of development?). The related economic risk of Illicit economic activity is perceived to be of lower severity over both time periods. However, it is seen to be driven by several risks ranked in both the short- and longer-term top 10, suggesting it may be an underappreciated risk over the coming decade (Chapter 2.6: Crime wave).

[Figure omitted]

Inflation is the only risk with a severity score predicted to improve over the next decade, and it moves from #7 to #32. In fact, most economic risks fall rapidly in comparative rankings of risk perception over the next decade, with, for example, Economic downturn dropping from #9 to #28 over the longer-term horizon. This may reflect that Geoeconomic confrontation (#16), a key driver of many of economic risks, has decreased significantly in perceived severity over both time horizons when compared to last year’s scores.1

Indeed, geopolitical risks are noticeably absent from the top 10 rankings over the next decade. Interstate armed conflict exhibits the same longterm severity score as last year but falls from 5th to 15th place over the 10-year period. Similar to last year, Terrorist attacks sits in the bottom left quadrant of Figure 2.1, indicating lower perceived severity over both the short and long term. While the latest available data indicates that overall lethality remains contained compared to other risks, at 6,701 global fatalities in 2022, terrorism has the potential to spark broader conflict and unrest, such as the current conflict in the Middle East.2

### at: productivity turn

#### Every 0.1% increase in inflation the aff causes is more than a 1% loss in output.

Harding et al. ’23 [Martin; Principal Economist, Canadian Economic Analysis Department, Bank of Canada, Ph.D. in economics, DIW Berlin & Freie Universität Berlin. Jesper Lindé; Advisor & head of Monetary Modelling, Monetary and Capital Markets Department, IMF, Ph.D., Economics Stockholm School of Economics. Mathias Trabandt; Professor of Macroeconomics, Goethe University Frankfurt & Research Fellow, Halle Institute for Economic Research. “Understanding Post-COVID Inflation Dynamics.” Journal of Monetary Economics, Volume 140.] TDI

In Figure 8, we show the corresponding effects of a monetary policy shock. The figure shows that a monetary policy shock has the same effect on output gap and output growth, but the impact on inflation is about twice as high initially relative to the linearized model. Even so, the model implies a rather unfavorable monetary policy inflation-output gap trade-off. To reduce inflation by 0.1 percentage points the policy maker needs to accept a decline of more than 1% in the output gap over one year. Figure 7 implies this trade-off is further exacerbated in the nonlinear model in the current situation of high inflation risk, as it takes even tighter monetary policy than shown in the figure to maintain a pass-through of price cost-push shocks to inflation at normal levels according to our estimated model.

To demonstrate the more unfavorable monetary policy trade-off when inflation is elevated, Figure 9 reports the required policy tightening, in addition to that prescribed by the endogenous reaction according to the estimated rule, during the first year, to fully stabilize any impulses to one-year-ahead inflation from a one standard deviation price cost-push shock as a function of the initial inflation level. For the linearized model, the tightening needed is invariant to the initial inflation level and is a little more than two percent, on average, to stabilize inflation during the first year following a price-markup shock. This magnitude can be derived by combining the impulses in the linearized model for inflation and the policy rate in Figures 7 and 8 (i.e., how big a policy rate movement is required, according to Figure 8, to remove the 0.55 average increase in inflation shown in Figure 7 in the linearized model). The output cost of such an inflation-nutter policy is fairly large, a little above 6 percent in the linearized model. The blue line with crosses plots the corresponding interest rate tightening and output cost in the nonlinear model. As in Figure 2, we compute this trade-off curve as averages for states clustered around certain initial inflation levels. As is evident from the model, the nonlinear formulation of the model implies increasing adverse trade-offs to stabilize inflation, even though the nonlinear model implies that monetary policy has a stronger effect on inflation when inflation is high. This adverse trade-off is driven by the fact that even though both monetary policy and price-markup shocks become equally more potent as functions of the initial inflation rate on average, the price markup shocks have much larger absolute effects and, hence, increasingly more policy tightening is needed to keep inflation in check as the initial inflation level increases.

### at: phillips curve / job loss

#### Wrong.

Harastozi & Lindner ’19 [Peter; Economist, European Investment Bank, Economic Studies Division of the Economic Department. Attila; Research Fellow, IFS & Associate Professor, University College London. “Who Pays for the Minimum Wage?” American Economic Review, Volume 109, Issue 8.] TDI

This paper provides a comprehensive assessment of the margins of adjustment used by firms in response to a large and persistent increase in the minimum wage. Most firms responded to the minimum wage by raising wages instead of destroying jobs. Our estimates imply that out of 290,000 minimum wage workers in Hungary, around 30,000 (0.076 percent of aggregate employment) lost their job, while the remaining 260,000 workers experienced a 60 percent increase in their wages. As a result, firms employing minimum wage workers experienced a large increase in their total labor cost which was mainly absorbed by higher output prices and higher total revenue. We also estimated that firms substituted labor with capital and their profits fell slightly. These results suggest that the incidence of the minimum wage fell mainly on consumers.

### at: wage price spiral fake

#### Inflation is unstoppable.

King ’23 [Stephen; Senior economic advisor, HSBC; Formerly Global Chief Economist, member of the UK government Asia Task Force; PPE, New College, Oxford. *We Need to Talk About Inflation: 14 Urgent Lessons from the Last 2,000 Years*] TDI

Stopping inflation in these circumstances was incredibly difficult. Once one group of workers had achieved an inflation-busting pay increase, others wanted to follow suit. No one wanted to be left behind.

Consider a simple analogy. Imagine that shoppers are queuing at the supermarket checkouts, their trolleys laden with food. Every few minutes, a trolley’s contents are processed, the bill is paid, the car is loaded, and a happy shopper goes home ready to replenish the kitchen cupboards. The store manager then arbitrarily decides to stop serving the remaining queuing customers. They are told to go home empty handed, their efforts to secure their weekly groceries utterly futile. They will understandably be angry. Indeed, they might resort to violence or some other form of protest. They have seen others leaving the shop with bags full of produce. They, however, will have no food on their plates that night, thwarted in their ambition by the capriciousness of a malevolent supermarket boss.

In the real world, shops have well-publicised opening and closing times, so that the doors are closed to new customers, even as existing customers are still queuing up to pay. It makes sense, commercially, to manage people’s expectations. After all, customers don’t like to be left disappointed.9 In contrast, during periods of high inflation, wage negotiations turn into a free for all. Without any ‘rules of the game’, it’s a case of ‘dog eat dog’. In that kind of atmosphere, the first casualty is fairness. The failure of successive British governments in the 1970s reflected not just an inability to understand the causes of inflation, but also their focus on fairness – via incomes policies – when fair outcomes were increasingly difficult to deliver.

Worse, stopping inflation under these circumstances is incredibly difficult. No politician wants to be the supermarket manager, because, unlike supermarket managers, politicians generally want to retain their popularity with the electorate. They’re typically not in the business of shutting the store before everyone has had a chance to do their shopping. As such, the shopping just continues – or, in the case of inflation, prices and wages continue to spiral upwards. At that point, fatalism threatens to take over. As two economists writing about the UK’s excessive inflation rate in the mid-1970s lamented, ‘it may be the case that this degree of [wage and price] flexibility varies from country to country, and where there are strong trades unions and a dominant oligopolistic industry, the problem is worse’. 10

Wealth vulnerabilities: the Stinnes effect more generally

Being left behind in the midst of a wage price spiral isn’t much fun. Equally, seeing one’s wealth being destroyed by a sustained period of either rising or falling prices – a period in which money either loses or gains value – isn’t a barrel of laughs either. One way to show the difference is through two contrasting periods of twentieth-century US history, comparing the real (inflation-adjusted) returns on a range of assets, from bank deposits through to long-term government bonds, the stock market and real estate.

As a decade, the 1930s were something of a rollercoaster, with both the Great Depression and a later smaller depression combining with a general trend towards deflation. For the decade as a whole, prices fell by a little over 12 per cent. Over the same period, real estate was the worst performer, with a real return of only 9.2 per cent – considerably worse than money on deposit, which returned a real 20.5 per cent. For all the extra risk reflected in their catastrophically bumpy ride, equities managed 24.2 per cent, only a tiny amount more. Lending long term to the government was by far the most rewarding enterprise, with a total real return of 69.8 per cent. 11

Now compare those numbers with the 1970s, a decade in which prices rose 117 per cent. Nothing did well, partly because higher oil prices meant that, as an economy, the US was simply worse off than it had been previously. Yet the relative performance of the different asset classes shifted enormously. During the 1970s, the worst places to be in real terms were cash savings (down 11.2 per cent) and government bonds (down 35.1 per cent). It was possible to squeeze out positive real returns from equities (up 4.2 per cent) and real estate (up 5.5 per cent), but on the whole, it was a decade in which savers and wealth accumulators were heavily penalised in real terms, in part owing to the unexpected persistence of inflation. The oft-made claim that periods of inflation are best dealt with by investing in so-called ‘real assets’ – those that make a direct claim on some aspect of an economy’s future – is true, but only in a relative sense. It says more about the disastrous impact of inflation on bonds and cash than it does about the absolute merits of the other alternatives.

#### Yes wage-price spiral.

Lorenzoni & Werning ’23 [Guido; Robert W. Fogel Distinguished Service Professor of Economics, University of Chicago Booth School of Business, Research Associate, National Bureau for Economic Research, Consultant for the Federal Reserve Bank of Chicago, Ph.D. in Economics, Massachusetts Institute of Technology. Ivan; Robert M. Solow Professor of Economics, Massachusetts Institute of Technology, Ph.D. in economics, University of Chicago. “Wage Price Spirals.” https://economics.mit.edu/sites/default/files/inline-files/WagePriceSpirals.pdf] TDI

We show that the response of the economy to the demand shock described above is qualitatively similar to the response to a pure supply shock in which the input supply is temporarily reduced and the central bank fails to adjust output to its lower natural level. In both cases, there is excess demand in the economy, which translates into a tension between the level of the real wage to which firms and workers aspire, and thus into a wage price spiral.

We then show that these two shocks display a similar pattern of adjustment in prices. The adjustment takes place in three phases. First, there is a bout of high price inflation in the price of the inelastic non-labor inputs, followed by a gradual reduction in the price of these inputs. Second, there is a more persistent period of high good price inflation. Third, there is a smaller, but even more persistent increase in wage inflation. This pattern follows from our assumptions on the relative degree of price stickiness, with the input price being perfectly flexible, and with good prices being more flexible than wages. This pattern implies that at some point wage inflation crosses price inflation, so a period in which real wages fall is followed by a period in which they recover.

### at: it’s not the 70s

#### The 70s have returned.

King ’23 [Stephen; Senior economic advisor, HSBC; Formerly Global Chief Economist, member of the UK government Asia Task Force; PPE, New College, Oxford. *We Need to Talk About Inflation: 14 Urgent Lessons from the Last 2,000 Years*] TDI

Allowing inflation to fester creates multiple ‘supermarket’ cases. Fear of being left behind turns into an epidemic. Mistrust builds and, alongside it, uncertainty rises. If a person’s or business’s relative position in the economic pecking order is no longer easily predictable, the chances are that decisions will be postponed, cancelled or made under false pretences (Brazil’s wasteful investment, as outlined in chapter 3, is a case in point). The full impact of such distorted decision making may only emerge over years, if not decades. The likelihood is, however, that the arbitrary emergence of winners and losers is associated with a smaller economic pie than might otherwise have been the case. Debauching the currency may not always lead to revolution, but the economic costs can be very high. In the UK’s case, the increase in living standards in the 1970s was below par: a gain of only 20 per cent, compared with 25 per cent in the 1960s and 27 per cent in the 1980s. The UK’s 1970s experience was also worse than in other countries grappling with the same external shocks: over the same decade, German living standards rose 30 per cent, while those in France rose 29 per cent. Both had much lower inflation and better productivity growth. Intriguingly, the roles were reversed in the following decade, during which the UK – with a rapidly falling inflation rate – outsprinted both its near neighbours.16

The slow pace at which the costs of inflation tend to emerge is one reason why, all too often, it is allowed to fester. Stopping inflation in its tracks is immediately costly – in the form of higher interest rates and, possibly, recession. Allowing inflation to persist, however, is likely to lead to even higher costs longer term. Inflation ultimately undermines the fabric of society. Too often, however, those tasked with controlling inflation resort to exhortations regarding wage- and price-setting behaviour, as if somehow acts of verbal persuasion are likely to succeed. Andrew Bailey, governor of the Bank of England, channelled his own inner Harold Wilson in 2022, saying ‘we do need to see a moderation of wage rises, now that’s painful. But we do need to see that in order to get through this problem more quickly.’ In response, Sharon Graham, general secretary of the Unite union, argued that ‘workers didn’t cause inflation or the energy crisis so why should they pay for it?’ 17 In 2022, at least, it appeared that the language of the 1970s had returned.

## aff

### uniqueness

#### The economy will slow.

Wiseman & Rugaber ’8-2 [Paul & Christopher; Staff Writers, Associated Press. “US hiring fell sharply in July, an unexpected setback for the economy stoking recession fears.” https://apnews.com/article/economy-jobs-unemployment-federal-reserve-inflation-22095766804d9c1532b4fcc29565be49] TDI

WASHINGTON (AP) — The U.S. economy suffered an unexpected setback in July as hiring fell sharply and the unemployment rate rose for the fourth straight month with raised interest rates taking a toll on businesses and households.

Employers added just 114,000 jobs in July — 35% fewer than expected — and unemployment, now at 4.3%, is the highest since October 2021, the Labor Department reported Friday.

“Things are deteriorating quickly,’’ said Julia Pollak, chief economist at ZipRecruiter.

The sharp downturn in U.S. hiring shook financial markets around the world. The Dow Jones Industrial Average dropped 610 points, or 1.5%. The S&P 500 tumbled 1.8%.

The sturdy U.S. economy has been a key driver of global economic growth and the U.S. jobs market has been the fuel, giving Americans the confidence and financial wherewithal to keep spending.

The unemployment rate’s jump to 4.3% in July crossed a tripwire that historically has signaled recession — though economists say the gauge probably is not reliable in the post-pandemic economy.

### at: costs

#### The effect is small.

MacDonald & Nilsson ’16 [Daniel & Eric; California State University, San Bernardino. “The Effects of Increasing the Minimum Wage on Prices: Analyzing the Incidence of Policy Design and Context.” https://research.upjohn.org/cgi/viewcontent.cgi?article=1278&context=up\_workingpapers] TDI

There are several findings in this paper. First, the impact of minimum wage hikes on output prices (more precisely, on the FAFH CPI) is substantially smaller than previously reported. Whereas the commonly accepted elasticity of prices to minimum wage changes is 0.07, we find a value almost half of that, 0.036. Importantly, the value we found, 0.036, falls far short of what would be expected if low-wage labor markets are perfectly competitive. Second, increases in prices following minimum wage hikes generally occur in the month the minimum wage hike is implemented (and not in the month before or the month after). Previous research has reported notable increases in prices the month before and the month after, but we present evidence that such a finding was likely an artifact of interpolation.

### at: productivity

#### The plan boosts productivity.

Emanuel & Harrington ’20 [Natalia & Emma; Harvard University. “THE PAYOFFS OF HIGHER PAY: ELASTICITIES OF PRODUCTIVITY AND LABOR SUPPLY WITH RESPECT TO WAGES.” https://scholar.harvard.edu/files/nataliaemanuel/files/emanuel\_jmp.pdf] TDI

What do firms gain from raising pay for low-wage workers? Focusing on a Fortune 500 retailer, we estimate the impact of higher wages on employee productivity, turnover, and recruitment among warehouse and call-center workers, using the quasi-randomness induced by sticky wage-setting policies. We document finite wage elasticities of turnover (between −3.0 and −4.5) and recruitment (between 3.2 and 4.2), which suggest the firm has some wage-setting power. Yet, on the margin, raising wages by $1 increases productivity by more than $1, giving the firm an incentive to pay more, even if they could pay lower wages. These responses to pay emerge both in a setting where the firm discretely raised wages and in a setting where its wages remained constant while other firms raised pay. These effects reflect both changes in worker selection and changes in behavior of existing workers. We estimate that over half of the turnover reductions and productivity increases arise from changes in workers’ behavior. Finally, our estimates suggest considerable gender heterogeneity: Men’s turnover is more responsive to higher wages than women’s. But turnover effects are swamped by women’s stronger productivity response to higher pay. Together, the gender-specific elasticities suggest firms have an implicit incentive to set female wages above male wages and thus firm profits cannot explain the gender pay gap.

### at: monetary supply

#### That’s GOOD for the economy.

Roberts & Olinsky ’21 – [Lily Roberts, managing director for Inclusive Growth at American Progress, receiving a master’s degree in social work from Case Western Reserve University and a bachelor’s degree in military history and English from the University of North Carolina at Chapel Hill. Ben Olinsky, senior vice president of Structural Reform and Governance and a senior fellow on the Economy team at American Progress. “Raising the Minimum Wage Would Boost an Economic Recovery—and Reduce Taxpayer Subsidization of Low-Wage Work” (Jan 27, 2021), https://www.americanprogress.org/article/raising-minimum-wage-boost-economic-recovery-reduce-taxpayer-subsidization-low-wage-work/] TDI

Reducing inequality will lead to higher, more sustainable growth

Over the past decade, CAP research and policy recommendations have documented how inequality slows growth, with a particular focus on economic inequality that stems from structural racism and sexism. Decreasing income inequality and working toward the elimination of the wealth gap (another disparity that stymies overall growth) requires targeted policies to build economic security. Raising the minimum wage is one tool for combatting this inequality—and therefore stimulating growth.

Women (and women of color in particular) are overrepresented in minimum wage work, and CAP research demonstrates that this is especially true in occupations in which people receive tips but are paid as little as $2.13 per hour by their employer. The National Women’s Law Center calculates that “for women working full time in states with a minimum wage of $10 per hour or more, the wage gap is 34 percent smaller” than the wealth gap in states with a $7.25 minimum.

CAP research shows that 64 percent of women were the sole or primary breadwinner for their family in 2017, and women account for most consumer spending in the economy. Nearly 59 percent of workers who are paid the federal minimum wage are women. Therefore, increasing the minimum wage is particularly likely to stimulate consumer spending.

Black and Latino workers are disproportionately represented in occupations with the lowest wages. Nearly one-third of all Black workers and one-quarter of all Latino workers would get a raise under a $15 minimum wage. Decreased income inequality would lead to an increase in overall economic growth, as economic growth in the United States is constrained by income inequality.

Conclusion

Rather than continuing to subsidize corporations that pay paltry wages to workers—which means that those workers must find necessary support in the social safety net—a higher minimum wage would boost millions of families out of poverty and further stimulate the economy. As we move toward a post-pandemic economic recovery, increased money to families who are the most likely to spend any marginal dollar will have an outsize effect on consumer spending. A minimum wage increase would give an overdue raise to workers and would be well-timed for an economic recovery.

### at: wage price spiral

#### No wage-price spiral.

Economist ’23 [The Economist; “Wage-price spirals are far scarier in theory than in practice.” https://www.economist.com/finance-and-economics/2023/06/15/wage-price-spirals-are-far-scarier-in-theory-than-in-practice] TDI

But the dangers that appear in nightmares usually bear little resemblance to the threats worth worrying about in reality. The world’s uncomfortable ride with inflation over the past two years seems to point to a similar conclusion about wage-price spirals: they are a caricature of what happens to an economy with an inflation problem.

The historical parallel often trotted out in discussing wage-price spirals is the 1970s. Price and wage inflation seemed to interact throughout that decade, much as the spiral framework suggests. Each surge in general price inflation was followed by a surge in wage inflation, which was followed by more price inflation — and on it went. But the 1970s are flawed as evidence for the existence of spirals. The repeated waves of inflation stemmed more from successive oil-price shocks (in 1973 and 1978) than from prior wage gains. To the extent that wages and prices moved in lockstep, this reflected trade unions’ practice back then of pegging salaries to the cost of living, guaranteeing a ratchet effect. Spirals were a feature of contracts rather than proof of an economic concept.

Late last year a group of economists at the IMF interrogated the historical record, creating a database of wage-price spirals in advanced economies dating back to the 1960s. Applying a fairly low bar — they looked for accelerating consumer prices and rising nominal wages in at least three out of four consecutive quarters — they identified 79 such episodes. But a few quarters of high inflation is not all that scary. A few years is far more frightening. Judged by this longer standard, the IMF economists offered a more upbeat conclusion: the “great majority” (they omitted the exact percentage) of short-term spirals were not followed by a sustained acceleration in wages and prices.

### at: inflation impact

#### Inflation doesn’t affect the military.

Hartung ’22 [William; Senior Research Fellow at the Quincy Institute for Responsible Statecraft. “In Pursuit of Higher Revenues, Weapons Contractors Exaggerate Impacts of Inflation.” https://www.forbes.com/sites/williamhartung/2022/09/15/in-pursuit-of-higher-revenues-weapons-contractors-exaggerate-impacts-of-inflation/] TDI

Inflation is an issue, to be sure, but when it comes to the Department of Defense it must be put in context. The Pentagon has received massive increases in the past few years, to the point that its budget is now substantially higher than at the peaks of the Korean or Vietnam wars or the height of the Cold War. And unfortunately, much of this money is being wasted due to price gouging on basic items, cost overruns on major weapons systems, and a failure to keep track of expenditures that is an invitation to waste, fraud and abuse.

Cases in point include the Transdigm Group, which has overcharged by as much as 3,800 percent for spare parts, to the tune of $20.8 million in overcharges on just a small sampling of its business dealings with DoD: $13 billion aircraft carriers, and the notorious F-35, which is the most expensive program in the history of the Pentagon and may never be ready for prime time, as documented in a series of analyses by the Project on Government Oversight; and the fact that the Pentagon is the only major federal agency that has never passed an audit.

As an analysis by the Brown University Costs of War Project has pointed out, Pentagon spending has never tracked precisely with inflation. Some years spending exceeds inflation, and some years it lags behind. Furthermore, the items most subject to inflation, like fuel, are a minuscule part of the DoD’s overall budget. The Brown study rightly suggests that higher fuel prices should spur more efficient use of energy, not substantial spending increases. Last but not least, military spending is a unique category that doesn’t mirror the Consumer Price Index. Inflation adjustments for Pentagon programs should be done on a case-by-case basis, not through across-the-board increases. And they should be made in the context of more effective procurement processes that curb price gouging and cost overruns, like recent reforms proposed by Senator Elizabeth Warren (D-MA).

### at: economy impact

#### No ‘fiscal miscalibration’ impact.

Walt ’20 [Stephen; Robert and Renée Belfer professor of international relations, Harvard University. "Will a Global Depression Trigger Another World War?" https://foreignpolicy.com/2020/05/13/coronavirus-pandemic-depression-economy-world-war/] TDI

On balance, however, I do not think that even the extraordinary economic conditions we are witnessing today are going to have much impact on the likelihood of war. Why? First of all, if depressions were a powerful cause of war, there would be a lot more of the latter. To take one example, the United States has suffered 40 or more recessions since the country was founded, yet it has fought perhaps 20 interstate wars, most of them unrelated to the state of the economy. To paraphrase the economist Paul Samuelson’s famous quip about the stock market, if recessions were a powerful cause of war, they would have predicted “nine out of the last five (or fewer).”

Second, states do not start wars unless they believe they will win a quick and relatively cheap victory. As John Mearsheimer showed in his classic book Conventional Deterrence, national leaders avoid war when they are convinced it will be long, bloody, costly, and uncertain. To choose war, political leaders have to convince themselves they can either win a quick, cheap, and decisive victory or achieve some limited objective at low cost. Europe went to war in 1914 with each side believing it would win a rapid and easy victory, and Nazi Germany developed the strategy of blitzkrieg in order to subdue its foes as quickly and cheaply as possible. Iraq attacked Iran in 1980 because Saddam believed the Islamic Republic was in disarray and would be easy to defeat, and George W. Bush invaded Iraq in 2003 convinced the war would be short, successful, and pay for itself.

The fact that each of these leaders miscalculated badly does not alter the main point: No matter what a country’s economic condition might be, its leaders will not go to war unless they think they can do so quickly, cheaply, and with a reasonable probability of success.

Third, and most important, the primary motivation for most wars is the desire for security, not economic gain. For this reason, the odds of war increase when states believe the long-term balance of power may be shifting against them, when they are convinced that adversaries are unalterably hostile and cannot be accommodated, and when they are confident they can reverse the unfavorable trends and establish a secure position if they act now. The historian A.J.P. Taylor once observed that “every war between Great Powers [between 1848 and 1918] … started as a preventive war, not as a war of conquest,” and that remains true of most wars fought since then.

The bottom line: Economic conditions (i.e., a depression) may affect the broader political environment in which decisions for war or peace are made, but they are only one factor among many and rarely the most significant. Even if the COVID-19 pandemic has large, lasting, and negative effects on the world economy — as seems quite likely — it is not likely to affect the probability of war very much, especially in the short term.