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## THE BIG PICTURE

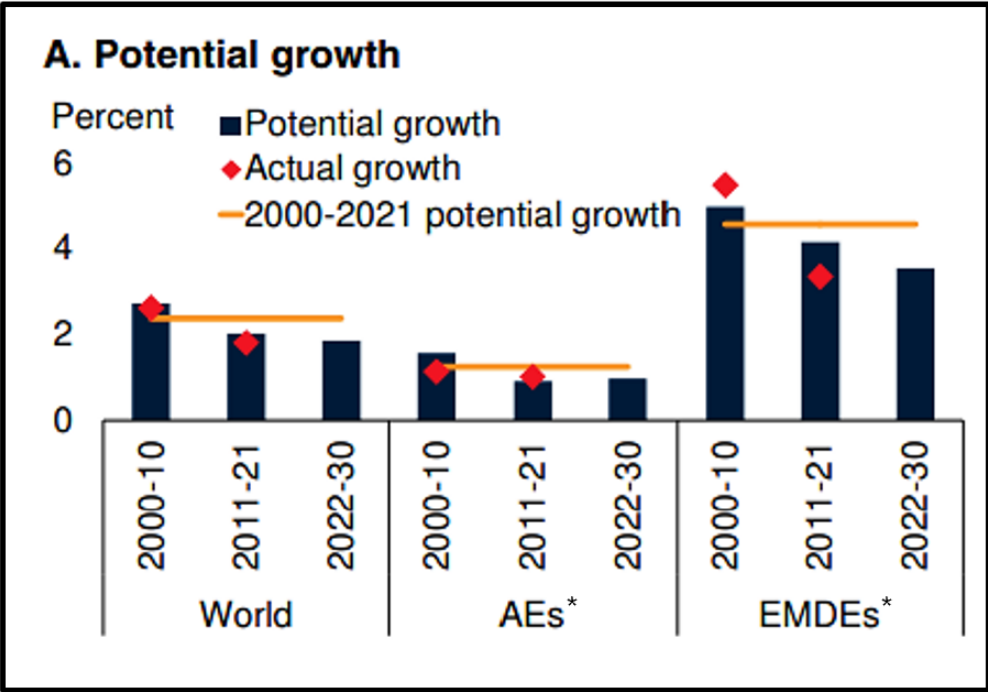
No one knows why David Malpass is resigning (this June) a year early from his five-year presidency of the World Bank. Some say that Malpass, universally regarded as an eminent economist and able administrator, was pushed out by the Biden administration because he expressed some doubts about climate change. Others say that Malpass simply tired of the post.

One thing is for sure: Malpass just issued a grim parting shot. Last week, in perhaps the last major report of his administration, *Falling Long-Term Growth Prospects*, the World Bank issued an unremittingly bleak forecast for the rest of the 2020s. Most of us have come to regard the post-GFC 2010s as a “lost decade” for global economic growth. Guess what? The World Bank says the 2020s may be even worse—a second “lost decade” if you will.

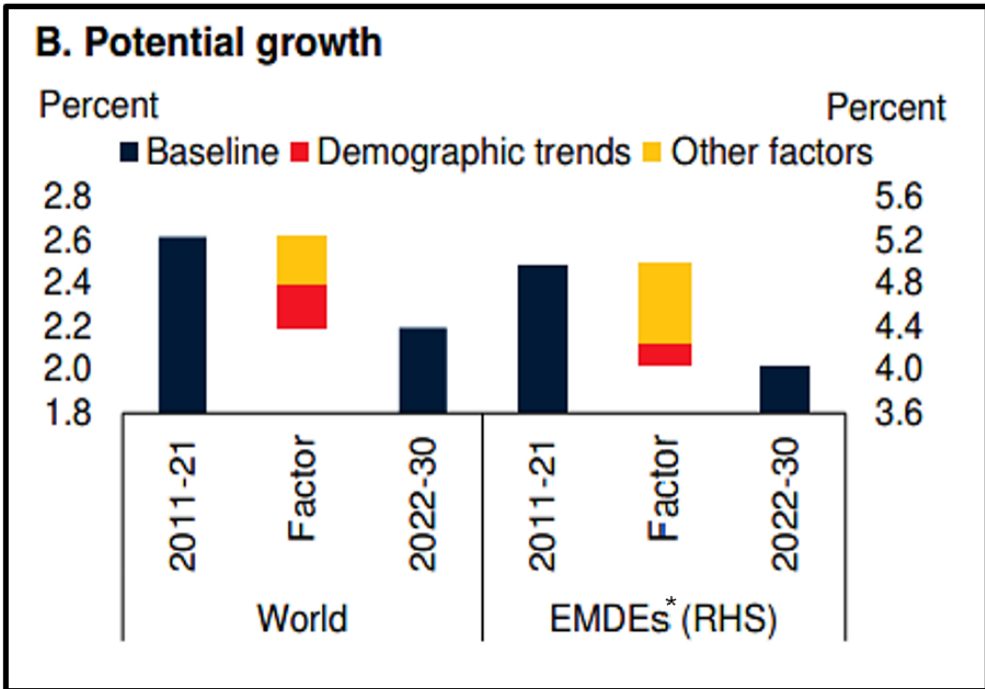
## MACRO GRIND

### Why Global Growth Is Slowing Down

In his preface, Malpass reminds us that during the 2000-2010 decade, potential world GDP grew at 3.5% per year. During 2011-2021, it grew at 2.6%. During 2022-2030, the WB projects it will grow at only 2.2%. All regions of the world will participate in this grand deceleration. The high-income economies, as a group, may be lucky to average much above one percent positive annual real GDP growth over the entire decade. Malpass’s downbeat missive was reinforced yesterday by [a new IMF “Global Prospects” report](#) downgrading, once again, its global GDP forecast through the year 2024.



\*AEs = Advanced Economies; EMDEs = Emerging Market and Developing Economies  
 Source: World Bank



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Among the more affluent nations, the most important and inescapable reason for lower GDP growth is slower demographic growth. By 2026 or 2027, amazingly, the growth rate of the working-age population in the entire high-income and emerging-market world (per UN projections) will turn from slightly positive to slightly negative. There it is. The single most durable driver of economic growth since Adam Smith and the industrial revolution, more workers every year, will finally reverse direction.

But demography isn't the only shadow looming over the coming decade. Levels of investment are also in broad decline. This includes not just physical investment, but also human capital investment as measured by basic "human development indicators." (Example: U.S. life expectancy peaked in 2014 and has since declined in 5 of the following 7 years.) And then, compounded on top of a slow growth rate in employment and capital stock, is a further decline in total factor productivity (TFP). You may think of TFP as "innovation." It is the magical elixir that gives rise to more GDP growth than can be explained simply by adding more workers or adding more plant and equipment.

Why is TFP declining? Honestly, no one knows. One possible driver (these are all discussed in the World Bank volume) is the recent post-2008 reversal (from rising to falling) in global trade as a share of global GDP. Adam Smith once taught that expanding the "extent of the market" leads to an increased division of labor and therefore to production gains. That's no longer happening.

Another driver is the greater uncertainty due to more turbulent market conditions (steep booms and busts), more extreme government policy interventions, and less trust across national borders. Still another, especially conspicuous in many EMs, is the growing habit of force-feeding economic growth through state directives. China, for example, invests very prodigiously but very inefficiently—with the result that its measurable TFP growth has declined to near-zero.

Perhaps the most mysterious if pervasive cause of declining TFP growth throughout the world, especially in the high-income economies, is something economists call "declining business dynamism." This refers broadly to the slowing down of most of the social and market processes that give rise to TFP growth over time. In the United States, for example, we have seen clear declines in worker mobility, in job creation and destruction, in firm turnover, and in numbers of viable startups--and clear rises in market concentration, in regulatory barriers to entry, and in the size and age of a typical firm. (See my own tutorial, "[Declining Business Dynamism: A Visual Guide](#).")

## From Economic Forecasting to Social Forecasting

Now let's broaden the focus beyond the economy alone. Economists typically examine GDP growth or standard of living growth as "conditioned" on a social and policy environment they regard as exogenously determined. Heads of global institutions, filled with economists, are therefore always exhorting government leaders to "pull together" and "do the right thing" in order to make prosperity return. It's as though these leaders are always free to behave rationally—once they receive rational advice.

But is that assumption realistic? I don't believe so, and I don't think many others believe so either—maybe not even David Malpass, who earnestly goes through the motions of exhorting policymakers to somehow forget about untethered demagogues, impatient voters, vengeful social media, and rumors of war. Just ask Emmanuel Macron how "doing the right thing" on pension policy is working out for him right now.

So let me propose a broader perspective. Let's imagine that the economic performance of a nation or region together with its social and political mood are all part of one large system. If so, then every part of this system is connected by multiple feedback loops. Poorer economic performance may then feed back into a less optimistic social and political mood—which in turn changes the menu of policies that the public will find acceptable.

Back in 2006, Harvard political economist Ben Friedman wrote an eloquent and prescient book (*The Moral Consequences of Economic Growth*) saying exactly this. All the liberal and democratic features of our political system, he pointed out, grew and developed during decades of buoyant economic growth. Almost any economist will agree on this much: Take away the democracy and liberalism, and you can watch our robust economic growth screech to a halt. But Friedman's point was that the opposite is also true: Take away our robust economic growth, and watch democracy and liberalism disappear. Or, at the very least, watch everybody fear that they will disappear—which may amount to the same thing.

I have no doubt that we have entered such an era of mutually reinforcing negatives. As many readers know, I give such eras a name. I call them Fourth Turnings. And they don't happen at random. They are one of four seasons of history, each about a generation in length, which all recur in regular order. The Fourth Turning is the last season, the winter season, in modern history's great year or saeculum.

## **America in the Fourth Turning**

When did America's most recent Fourth Turning begin? I reckon about 2008, with the eruption of the Global Financial Crisis--just as the previous Fourth Turning was triggered by the Great Crash of 1929, about 80 years before.

Before 2008, the old Third-Turning America, while not in robust health, still functioned. In the mid-2000s, most voters still read the same news and trusted their government, the two parties still conferred on big issues, Congress still passed annual budgets, and most families remained hopeful about the nation's future.

Then came the GFC, the rise of populism, and the pandemic. These were three hits that a healthy democracy could have withstood but that caused ours to buckle and give way, revealing pillars and beams that had been decaying for decades.

When will America's Fourth Turning end? Not until the early 2030s. Yet beware: History teaches that, before it ends, the nation must undergo a phase transition and experience a mood of national urgency, probably involving national conflict, on par with that of earlier Fourth Turnings—the era of the Great Depression and World War II; the era of the U.S. Civil War; or the era of the American Revolution. By the time it's over, the old American republic will disappear. And a new American republic, as yet unrecognizable, will take its place.

Today, pollsters are struggling to catch up with the depth of Americans' dismay across the political spectrum—which is perhaps a sign they suspect something important is underway. 76% of voters agree that “America is falling apart.” 76% worry about “losing American democracy.” 62% say “the country is in a crisis” (only 25 percent disagree). Two-thirds say that their children, when they grow up, will be financially “worse off” than they are. Two-thirds also agree that America shows “signs of national decline,” up from only one-quarter 25 years ago.

Americans' trust both in one another and in their leaders has declined steeply. No public trust means no public truth, or at least nothing more substantial than what TV pundit Stephen Colbert calls “truthiness.” Conspiracy theories rush in to fill the void, and the nation's unifying narratives are replaced by a mangle-mangle of warring anthems.

What America has experienced over the last decade, writes social psychologist Jonathan Haidt, is aptly captured in the biblical story of the tower of Babel: As if the

Almighty had flipped a switch, everyone began speaking different languages and refusing to cooperate on common projects.

Incompetent governance, ebbing public trust, and declining public compliance all feed on one another in a vicious circle.

One symptom is the rise of free-floating anger in public venues. Airlines, restaurants, hospitals, and police report an epidemic of unruliness. Road-rage traffic deaths are up, as are random mass shootings. Over the last two decades, Gallup's "negative experience" or sadness index for Americans has been steeply rising. So has the share of popular song lyrics that include synonyms for "hate" rather than "love." And so, for that matter, has the share of all newspaper headlines denoting fear, disgust, and especially anger.

Even at its best, America's response to its recent collapse has revealed a distressing preference for policies that exacerbate longer-term challenges. Yes, the bipartisan monetary and fiscal response to the 2007–2009 financial crash and the 2020–21 pandemic did protect the have-nots and averted more serious recessions. Yet it did so largely through trickle down: pumping up the asset valuations of the wealthy by flattening the yield curve and smothering market volatility. It did so as well through massive deficit spending, sending federal debt up to levels previously seen only in times of total war.

Like addicts acquiring tolerance, policymakers have backed themselves into a corner: The public braces itself for the dark hour when the Fed can no longer ease and Congress can no longer borrow no matter how badly the economy founders.

### **Diverging Generational Futures**

Younger workers are losing hope of upward generational mobility. Barely half of Millennials and Gen-Xers (that is, anyone born after 1960) are out-earning their parents at age thirty or age forty. Less than half of young men are out-earning their fathers. And even fewer of any of these groups *think* they are doing as well economically as their parents.

Not long ago, to be an American was to be a rule-breaking, risk-taking individualist who believed that flouting convention somehow made everything better over time. That still describes many older Americans. It doesn't describe many young adults. Today's rising generation, shell-shocked by the pervasive hollowing out of government, neighborhood,

workplace, and family, is looking for any safe harbor it can find. Millennials seek not risk, but security. Not spontaneity, but planning. Not a free-for-all marketplace, but a rule-bound community of equals.

Older generations have for decades exulted in their unconstrained personal growth and in a government that doesn't ask much of them. They are very attached to "democracy," a word which (to them) denotes an obstacle-prone vetocracy: Everything gets discussed, but nothing much happens. Gridlock, lobbies, regulatory review, and lawsuits ensure that comprehensive policy change always gets vetoed. The old, who benefit most from stasis, thereby keep what they have.

Younger generations, meanwhile, are souring on democracy. At last count, Americans today in their thirties are less than half as likely as Americans over age sixty to agree that "it is essential to live in a democracy." A small but rapidly rising share of the young (about a quarter, twice as large as the share of the old) say democracy is a "bad" or "very bad" way to run the country. Most of these would prefer military rule. The young increasingly associate democracy with sclerosis and incapacity. For most of their lives, they've understood that the only organizations America still trusts to get things done are the Pentagon and Google. So many of them wonder: Isn't it time we just get on with it?

The generational contrast is stark. Today's older generations, including most of America's leaders, were raised amid rising abundance. For them, the middle class was always growing and mostly accessible. One word they heard frequently was "affluence." They have few memories of any great national crisis, but grew up enjoying strong institutions built by adults haunted by such memories.

Today's younger generations were raised amid declining abundance. For them, the middle class was always shrinking and mostly inaccessible. Coming of age, one word they have heard frequently (its use has skyrocketed since 2008) is "precarity." They cannot recall the presence of strong institutions and have grown up fearing—even expecting—another crisis in their absence.

In every sphere of life, this new mood of contracting horizons has been creating a new and different America.

Globally, America has grown more alarmed about its enemies, less generous toward its friends, more wary of everybody.

At home, we are building walls around our immediate perimeter—to protect our town, our tribe, our kin. The old are spending more money and time investing in their own children and grandchildren. The young, hedging their bets, move less, stay closer to their families, mortgage their future to buy a credential rather than a home, and increasingly marry both later in life and only within their own class.

Our time horizons too are contracting. Young Americans are deferring or cancelling their aspirations. Over the last decade, we have witnessed a declining birth rate and falling home ownership among young adults—and fewer business start-ups either by or for young adults.

Yet even as youth grows less hopeful of a better future, the old grow more attached to a better past. Hollywood produces endless oldie sequels. Advertisers bury the Super Bowl in nostalgia ads. Congress dares not touch the growing share of federal outlays dedicated to “earned” senior benefits. And famous tycoons celebrate perpetual monopolies: Warren Buffett looks to invest in “castles protected by unbreachable moats”; Peter Thiel says “competition is for losers.”

Feeling increasingly isolated and vulnerable as individuals, Americans find it harder to bear genuine diversity. We seek to surround ourselves with our like-minded tribe, canceling or censoring outsiders. Corporations now cultivate their consumer brand tribes, celebrities their “Stan” fan tribes. Immersing ourselves in truthy news feeds, most of us have succumbed to Will Ferrell’s seductive proposal in *Anchorman 2*: “What if we didn’t give people the news they needed to hear, but instead gave them the news they wanted to hear.” Acknowledging few objective, society-wide standards, we only grudgingly tolerate those deputized to enforce national rules.

Our politics are now monopolized by two political parties that represent not just contrasting policies, but mutually exclusive worldviews. Elected leaders from the two parties hardly talk to each other, much less socialize or discuss ideas. At this point, there is really nothing left to talk about.

### **A Global Fourth Turning?**

We may want to believe these disquieting trends are unique to America—national flukes that will disappear as mysteriously as they appeared. But they are not.

The same trends are now coursing through most of the world’s developed and emerging-market nations: growing economic inequality; declining generational and



social mobility; tighter national borders; and intensifying ethnic and religious tribalism, weaponized through portable social media. Electorates are demanding, and getting, more authoritarian government. Charismatic populists are ascending to power—or have already gained power—in southern and central Europe, in Latin America, and in southern and eastern Asia.

Global surveys indicate a growing dissatisfaction with democracy itself— what academics call a “global democratic recession”—led in most countries, as in America, by the rising generation of young adults.

After conducting a comprehensive analysis of global survey data, the Cambridge University Centre for the Future of Democracy recently concluded: “We find that across the globe, younger generations have become steadily more dissatisfied with democracy—not only in absolute terms, but also relative to older cohorts at comparable stages of life.” Affluent nations, especially anglophone affluent nations, appear to be at the forefront of this generational trend.

### **So What’s Next?**

As Americans witness the old civic order collapse, they are coming to two inescapable conclusions. First, in order to survive and recover, the country must construct a new civic order powerful enough to replace what is now gone. And second, the new order must be imposed by “our side,” which would rescue the country from its current paralysis, rather than by “the other side,” which would plunge the country into inescapable ruin.

Abraham Lincoln, observing in 1858 that America was a “house divided,” prophesied that it would remain so until “a crisis shall have been reached, and passed”—after which “this government . . . will become all one thing, or all the other.” Today, as then, America is torn by a struggle between two great political tribes, each trying to reshape the new republic toward its own goals and away from its adversary’s.

This may be the most ominous signal of all: To most Americans, the survival of democracy itself is not as essential as making sure their own side comes out on top. Just before the 2022 election, while 71 percent of voters agreed that “democracy is under threat,” only 7 percent agreed that this was the biggest problem facing the country.

Very soon, something will trigger this civic makeover. What will it be? Almost any new emergency could suffice. And almost any will soon be forthcoming. In 2022, the Collins English Dictionary added the word “permacrisis” to its lexicon, meaning “an extended period of instability and insecurity, especially one resulting from a series of catastrophic events.”

Perhaps the trigger will be another financial crash or recession or pandemic—followed by policy paralysis or partisan upheaval.

Perhaps it will be a great-power adversary who, sensing our domestic turmoil, will doubt America’s resolve to fulfill its treaty obligations—and put it to the test.

Or perhaps America will simply fragment from within, a catastrophic failed-state scenario that could put anything else into play, from an economic crash to global chaos. Back in the year 2000, the very possibility seemed unthinkable. Now it seems all too thinkable. Ever since the 2020 election season, close to half of Americans have been telling pollsters they believe a civil war is imminent.

In the face of adversity, the old America is disintegrating. But at the same time, America is moving into a phase transition, a critical discontinuity, in which all the dysfunctional pieces of the old regime will be reintegrated in ways we can hardly now imagine.

The civic vacuum will be filled. Welcome to the early and awkward emergence of the next American republic.

*These thoughts have been adapted from my forthcoming book, [The Fourth Turning is Here](#), which will be released by Simon & Schuster on July 18. It may be preordered from any bookstore.*