

STORM WARNINGS

Vol. 6 Issue 2 – August 2017
The Perfect Storm: The Good, Bad & Ugly

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R. Michael Conley
Founder

"We are heading into a perfect storm and don't see it coming," according to R. Michael Conley, Founder of Weathering the Storm, LLC and this website.

The WTS mission is to "Awaken, engage and help others to weather the storm."

The WTS website provides the following on a regular basis:

Storm Warnings: An in-depth quarterly newsletter.

News Flash: Frequent postings on topical perfect storm issues.

Best Practices: Featuring leaders in sustainability practices.

The threat of the "Perfect Storm" continues to grow, but the tone and tempo of its advancing trajectory has changed. In this revealing article, our publisher, R. Michael Conley, shares his thoughts on the changing nature of the storm since he first started writing about it over a dozen years ago. His conclusions might come as a surprise to many long-time readers.

WTS: For the sake of our new subscribers, can you briefly describe the perfect storm and the context in which it is used in this publication before we start?

Conley: We use the "perfect storm" to futuristically describe a seismic collision of powerful forces and the subsequent life-changing aftershocks that will follow. The time bombs embedded in these forces – energy, climate change, economic, geopolitical, technological and behavioral – could spark a chain reaction with a force that exceeds the sum of all parts.

We constantly monitor and report on these forces and are now seeing shifts that are changing the trajectory of the looming storm in our pathway. The shifts are quite noticeable when compared against our baseline projections over a dozen years ago.

WTS: What specific shifts are you seeing and why?

Conley: I'll frame my response to your question in sort of a "good, bad, and ugly" context. As you can imagine, there are a lot of moving parts in this equation. Let's start with the good news:

I have been pleasantly surprised by the manner in which we are now awakening and responding to a variety of perfect storm threats. It is evident in the growing level of grassroots awareness; in our resiliency in responding to the threats, and in an explosion of constructive new initiatives and technologies that will help address the perfect storm. Effective new clean energy and demand reduction efforts are but two good examples.

The bad news is that many of the systemic threats are worsening. Fueled by aggressive feedback loops, the power of exponential growth and residual momentum, they are exacerbating the

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About the Founder:

Mike Conley is the Founder of Weathering the Storm, LLC and Chairman & CEO of the Conley Family Foundation. As a former Fortune 500 business executive, author, lecturer, and public policy activist, Conley has written and spoken on topics related to the perfect storm. He graduated from the University of Minnesota, after serving in the U.S. Navy, and later completed a post-grad program at Stanford University. He is active on several boards and advisory groups.

challenges we face. Denial, procrastination and cries of “hoax,” are unproductive and only help to enable the continuation of these threats.

The “ugly” part deals more with the newer 21st century threats that have outpaced our ability to effectively respond. They include asymmetric threats like cyber warfare and well-financed terrorism; the emergence of a new cold war with shifts in the balance-of-power; nuclear proliferation, and global economic bubbles that could easily burst and overwhelm a debt-ridden global economy.

WTS: With this in mind, how has your thinking on the perfect storm changed since you first started covering it years ago?

Conley: When I first started reporting on the perfect storm, I saw energy – oil in particular – as, perhaps, a leading threat; the one most likely to trigger a perfect storm. Indeed, it looked at the time like the demand for oil was about to outstrip global supply; a threat we were ill-prepared to handle, and one that could’ve cratered the global economy and triggered new wars over oil.

But, two very important things happened: a) first, the supply of oil was bolstered by the surge in new shale oil production, and b) second, the rate of demand for oil started to flatten as new renewable energy alternatives and fuel efficiency and demand reduction efforts gained traction. Make no mistake, the systemic oil issues of the past still exist, but we have a little breathing room now to migrate to alternative fuel systems. Hopefully, we’ll use it wisely.

I’m also impressed by the grassroots *awakening* on climate change and gratified by the global effort to address it in the Paris Accords. While our withdrawal from the Paris Accords is regrettable and inexplicable, the backlash it has generated from corporate America, state and local governments and the general population is gratifying. (Please see: “*Climate Change: What Next?*”) Limiting the global temperature increase to 2 degrees centigrade by the end of the century is still problematic, but at least the bias for action is moving in a positive direction.

WTS: You’ve touched on the favorable shifts in energy and the environment; what about the economic and geopolitical fronts?

Conley: The global economic landscape is disturbing. On the surface, it looks good, but our toxic exposure to economic bubbles and the escalating debt levels that have exploded since the 2008 Recession have weakened our ability to fend off the next economic meltdown. Domestically, our

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unfunded entitlement liabilities and growing debt servicing charges are anchors on future economic growth that will be hard to overcome – despite political rhetoric to the contrary. While Wall Street performance this year is good, its disconnect with Main Street and the general economy has camouflaged structural economic problems that could turn ugly in rapid order. Bursting bubbles burst fast. (Please see: "[*Bubbles and Backlashes*](#)"). The dollar has lost about 9% of its value against a basket of currencies this year reflecting, perhaps, global unrest with America's new direction. Congressional debates this fall over the budget, debt ceiling and tax reform will be ferocious, and any significant drops in the market could easily boomerang into a crisis with huge ripple effects.

WTS: What about the geopolitical landscape?

Conley: In a word, frightening: Our allies and others are operating in a new paradigm as they struggle to understand America's changing policies amidst shifting power realignments in the Middle East, Russia and the Pacific Rim. These uncertainties are compounded by other conflicting crosswinds like globalization versus nationalism, free trade versus closed trade arrangements with barriers and restrictions, oil market instabilities, climate change and more. The unpredictability of this "sorting out" process is, in itself, destabilizing.

With the growing muscle of China; the reemergence of Russia as a global adversary, and the threat of a nuclear-armed North Korea, we have an uneasy world. In this toxic landscape of high anxieties and zero-sum game mindsets that preclude collaborative solutions, the possibilities for misinterpreted signals, miscalculations, misguided actions, and unintended consequences loom large. At a minimum, a new global arms race seems likely.

WTS: You've touched on the good and bad; what, then, have you to say about the "ugly?"

Conley: There are several manifestations of "ugly," but the two ugliest areas seem to be a) Nuclear proliferation and the looming threat of North Korea, and B) Asymmetric conflicts – particularly in the form of cyber-warfare. Let me comment on both:

First, the nuclear proliferation threat has taken on a new dimension. In the old cold war days, the USSR and western powers had nuclear parity. Through the doctrine of "*mutually assured destruction*," both sides knew there would be no winners in a nuclear war. With new nuclear players and the ever-present danger of weapons-grade uranium falling into the hands of terrorist groups intent on building "dirty" bombs, the nuclear threat has materially escalated.

The North Korean nuclear threat could get even uglier if its nuclear arsenal were asymmetrically redeployed to produce high altitude EMP (electro-magnetic pulse) blasts that do not require the sophisticated guidance systems or ICBM reentry vehicles needed for a more "traditional," target-specific nuclear attack.

The second area, cyber-warfare, is also nightmarish. It confers on our adversaries – from large countries to splinter terrorist groups – an ability to seriously compromise our systems and economy. It is happening every day, and the growing ability for so few to inflict so much harm on so many is now a

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dreadful part of our new reality. (Please see: "[*The Cyber Blitzkrieg*](#)").

WTS: Could we double back to the EMP threat you mentioned: what is it and why is it so threatening?

Conley: Without getting technical, an electromagnetic pulse is like a massive power surge that is emitted from a nuclear explosion high up in the atmosphere. It can permanently damage or destroy electrical devices and circuitry over large multi-state regions on the ground.

A satellite or missile-based detonation from space over North America, for instance, could materially fry our electrical grids and other systems across large parts of our country. It would, in turn, knock out many life-sustaining infrastructures like our utilities, water supply, sewage, refrigeration, transportation, air traffic control, banking and financial systems and literally anything dependent on electrical power. The ultimate toll would be devastating, and I suspect it is one of the great concerns behind the North Korean threat that officials are not talking about for obvious reasons.

WTS: Are the "good" things you mentioned enough to offset the "bad" and "ugly" things?

Conley: Frankly, we're in a giant race against time; one that could well decide the timing, tempo and outcome of the perfect storm now deeply in the works. Though we were late to recognize many of these perfect storm threats, I'm mildly confident that we can resiliently respond to a number of challenges now that we are awakened. Hopefully, our leaders will recognize the systemic and interconnective nature of the global challenges we face and appreciate our inability to solve them unilaterally.

Simply put, we need global partners more than ever before, and this requires collaborative solutions that inject more predictability into the equation. It also requires a delicate blending of military strength with "soft dollar" initiatives – like foreign aid – that build closer economic ties with other nations. As one senior military official said, "If you cut back on our soft dollar budget, you'd better increase my budget for ammo."

When I look at how France and Great Britain will discontinue the manufacture of fossil fuel-driven cars by 2040 – and the considerable effort it will take to phase in an all-electric fleet – and then contrast that with our inexplicable move to pull out of the Paris Accords, it is easy to see that our new pariah status is branding us the spoiled brat of the planet. Without question, this will come back to haunt us in ways we can't now imagine.

We need to build bridges, not walls. A stunned world – caught off guard – is now starting to react to the United States, and we'll soon find the screw turns both ways. NAFTA, for instance, may not be the best deal in the world, but if we start putting restrictions on what Canada and Mexico can or cannot sell here or levy tariffs on their products, does anyone really believe they won't respond in kind?

WTS: To switch gears, as you research and write your new book, has it changed the way you look at the perfect storm?

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Conley: Oh my, yes. As the name of my book-in-progress, "*Mortgaging the American Dream: What Were We Thinking?*" suggests, our collective policies, actions, behaviors and the forces they have produced over the years have incrementally and inexorably contributed to the troubling circumstances we face today. It has caused me to closely examine the root causes and longitudinal pathways of these forces and the trajectories they've produced on the road to the perfect storm. Looking at today's challenges from this perspective, one can see that history repeats itself and that there are valuable lessons we can learn from the past if we will dust off the myopia that clouds our lenses.

WTS: Can you give us an example of how this "perspective" might work?

Conley: Here's an example: Many think the dysfunctional political system that exists in Washington today is unique, but it's not. In the mid-1970s, for example, *we had two presidents and three vice-presidents within a span of one year*. Imagine that; Vice President Spiro Agnew resigned and was replaced by Gerald Ford; President Nixon resigned and was replaced by Gerald Ford, and Nelson Rockefeller replaced Ford as Vice President.

Despite the chaos, the rule of law won out; the checks and balances of our constitution – though stretched – worked. We can learn from this by paying more attention to the bigger picture of the health and integrity of our institutions and, perhaps, less attention to the media's minute-by-minute account of the latest tweet.

WTS: What is your prognosis looking ahead?

Conley: There are a lot of moving parts. As mentioned, I'm encouraged by what I see on the energy front. The price points on renewable energy systems are becoming remarkably competitive, and the sales of electric cars – and the supportive infrastructures needed to support them – are gaining traction. All good news.

With respect to climate change, the global awakening and new bias for action is encouraging. Despite our exiting the Paris Accords and the international black eye it has given us as a trustworthy partner, it has sparked an outpouring of support for climate change activism in America that may actually strengthen our efforts in the long run. Time will tell.

It would appear that the economic and geopolitical threats are now the likeliest triggers to ignite the perfect storm. I'm deeply concerned with our "go it alone" redirection away from the rest of the world – including our traditional allies. We're burning a lot of bridges – painstakingly developed over the course of decades – that may not be easy to restore. Perhaps there's a grand strategy here that I'm totally missing, but I continue to believe that global problems require global solutions, and global solutions require global partners.

While I'm encouraged by the growing grassroots involvement of younger people, we're still – as a society – entrenched in a "play now-pay later" culture. We'd do well to remember the IOUs we're stiffing future generations with now – in the form of debt, a contaminated environment, and a wasteful

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depletion of resources – will, at some time, have to be repaid. Now that's a sobering thought.

WTS: Some of your views have most certainly changed. Do you have any closing comments you wish to make?

Conley: On balance, I doubt we can avoid the perfect storm, but I now have a higher degree of confidence that we can mitigate some of the sharper edges for reasons mentioned. There are positive signs that we are awakening to many of the threats and that, in itself, is encouraging. Time will tell. In the meantime, stay tuned, stay connected, and let's make sure we let our elected representatives know how we feel.

Mike Conley

For more information, please visit our website at: www.WeatheringtheStorm.net