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and Protectionism

John Rutledge

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Economics as Energy Framework: Complexity, Turbulence, Financial Crises, and Protectionism

Dr. John Rutledge*

Abstract

This paper presents a framework for thinking about economic growth, trade, and capital flows viewed as transformations of energy—both current and vintage solar energy, stored in the form of natural resources, human capital, physical capital and technology—driven by the laws of thermodynamics. Efficient global capital markets and high-speed communications networks accelerate energy flow but also create turbulence. Recent developments in nonequilibrium thermodynamics (NET) show the links between rapid growth, accelerating trade and capital flows, and turbulence—financial crisis, protectionism and conflict. It points toward unconventional approaches to thinking about the impact of education, immigration, technology, communications policy, and exchange rate regimes on economic growth, discusses the role NET can play in helping us understand stock market bubble and financial crises, and discusses ways to mitigate the harmful impact of unavoidable turbulence on the global economy

*Senior Research Fellow, Dept. of Economics, Claremont Graduate University and Chief Investment Strategist, SAFANAD SA, Geneva, Switzerland.
drjohnrutledge@mac.com. +1 203 313 4000 (M).

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