

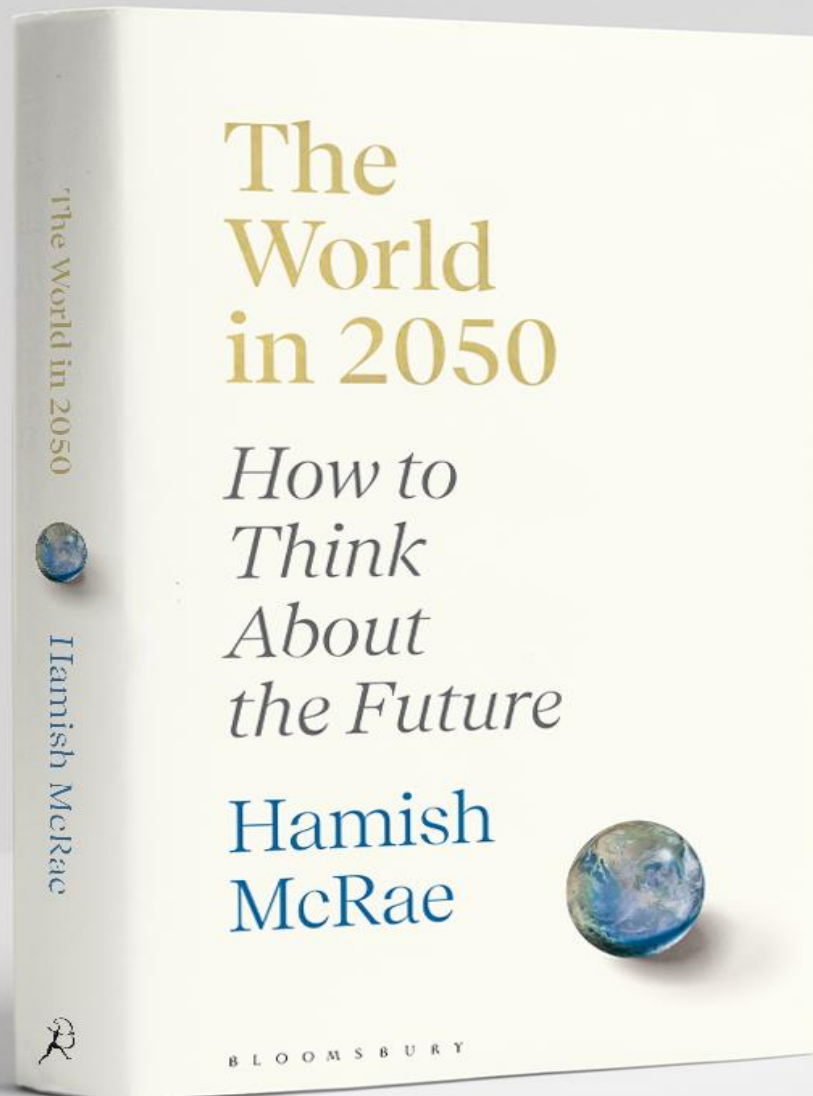
The World in 2050

How to Think About the Future

Hamish McRae



This is a story about a book ...



The
World
in 2050

*How to
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About
the Future*

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The World in 2050



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BLOOMSBURY

... but it's also about a journey

Robert Louis Stevenson

“

It is better to travel hopefully, than to arrive.

”

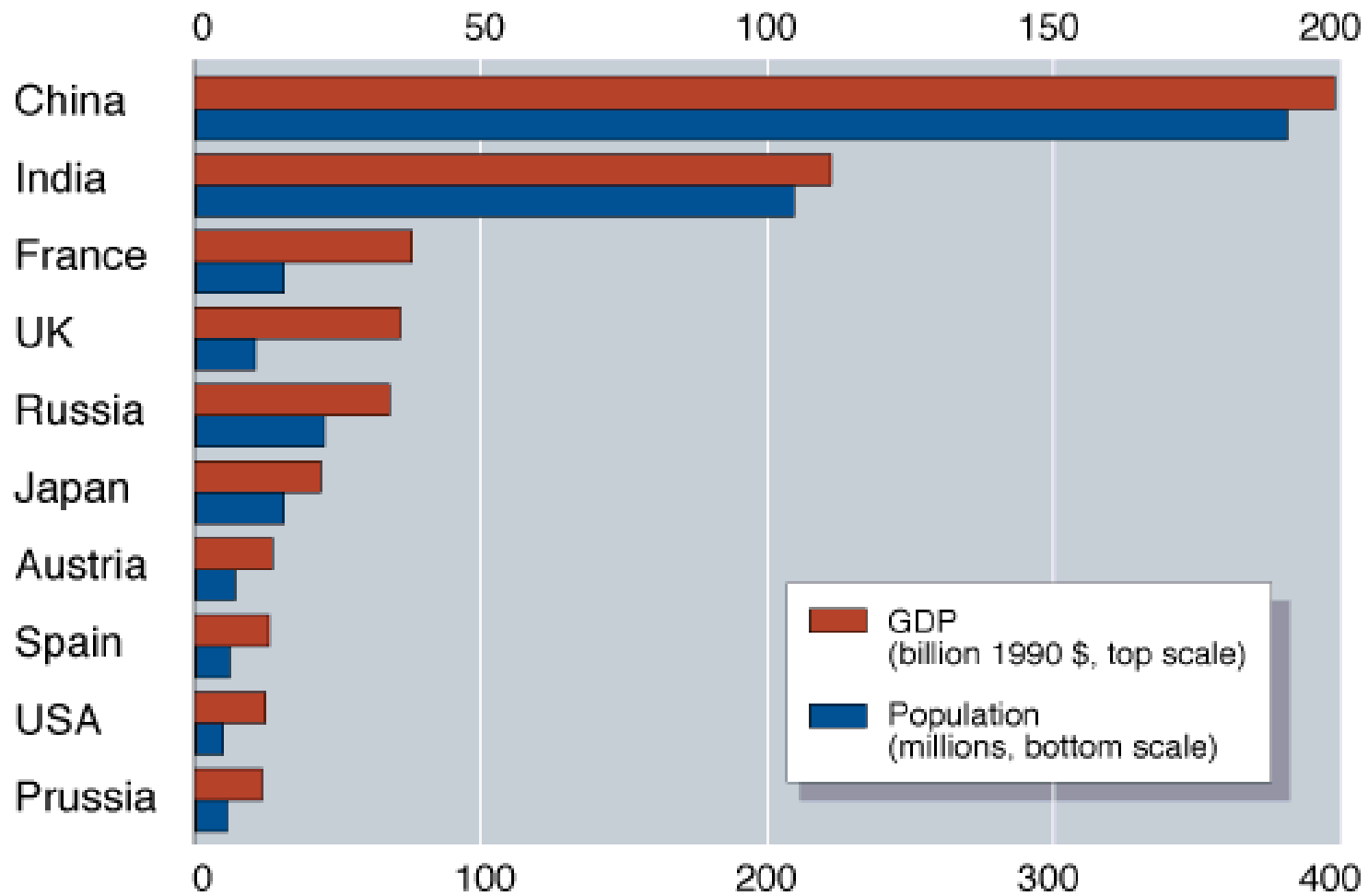
The structure

- **A framework for thinking about the future ...**
- **... starting with a look backwards in time**
- **Then some conventional economic forecasts**
- **Explaining five major forces for change**
- **A conclusion, with the principal risks ...**
- **... to a broadly optimistic outlook**

2,000 years of economic history

- **Pioneering work of Angus Maddison ...**
- **... highlighted domination of China and India**
- **The Industrial Revolution changed everything**
- **But now back to a more balanced relationship ...**
- **... between developed and emerging economies ...**
- **... but with the US retaining its primacy**

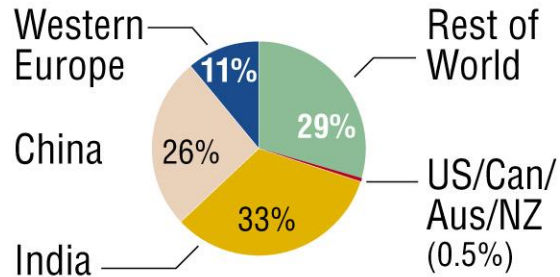
The ten leading economies in 1820



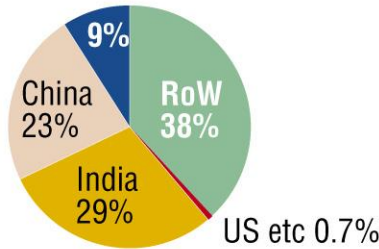
Biggest economies through the ages

Shares of gross world product (with estimated output in 1990 international dollars)

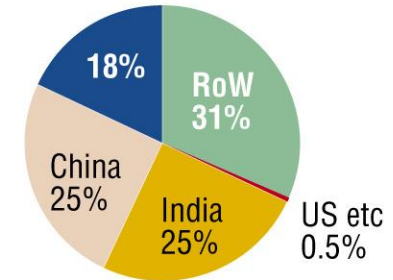
Year 0 (\$50bn)



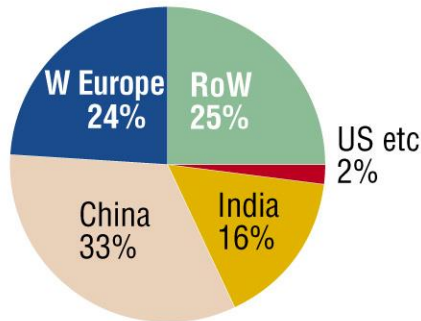
AD1000 (\$100bn)



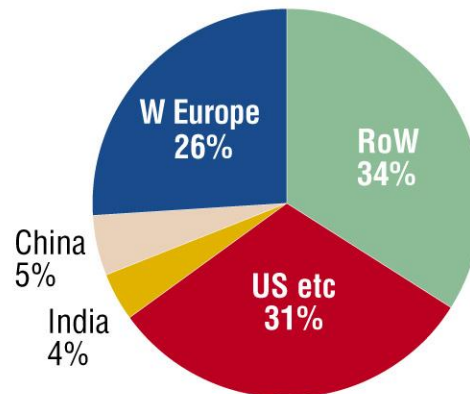
1500 (\$220bn)



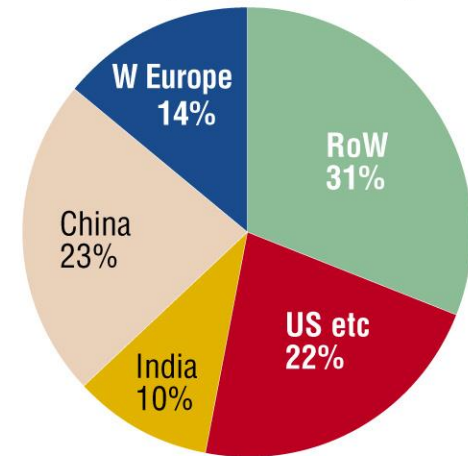
1820 (\$700bn)



1950 (\$5,000bn)



2050 (\$100,000bn?)

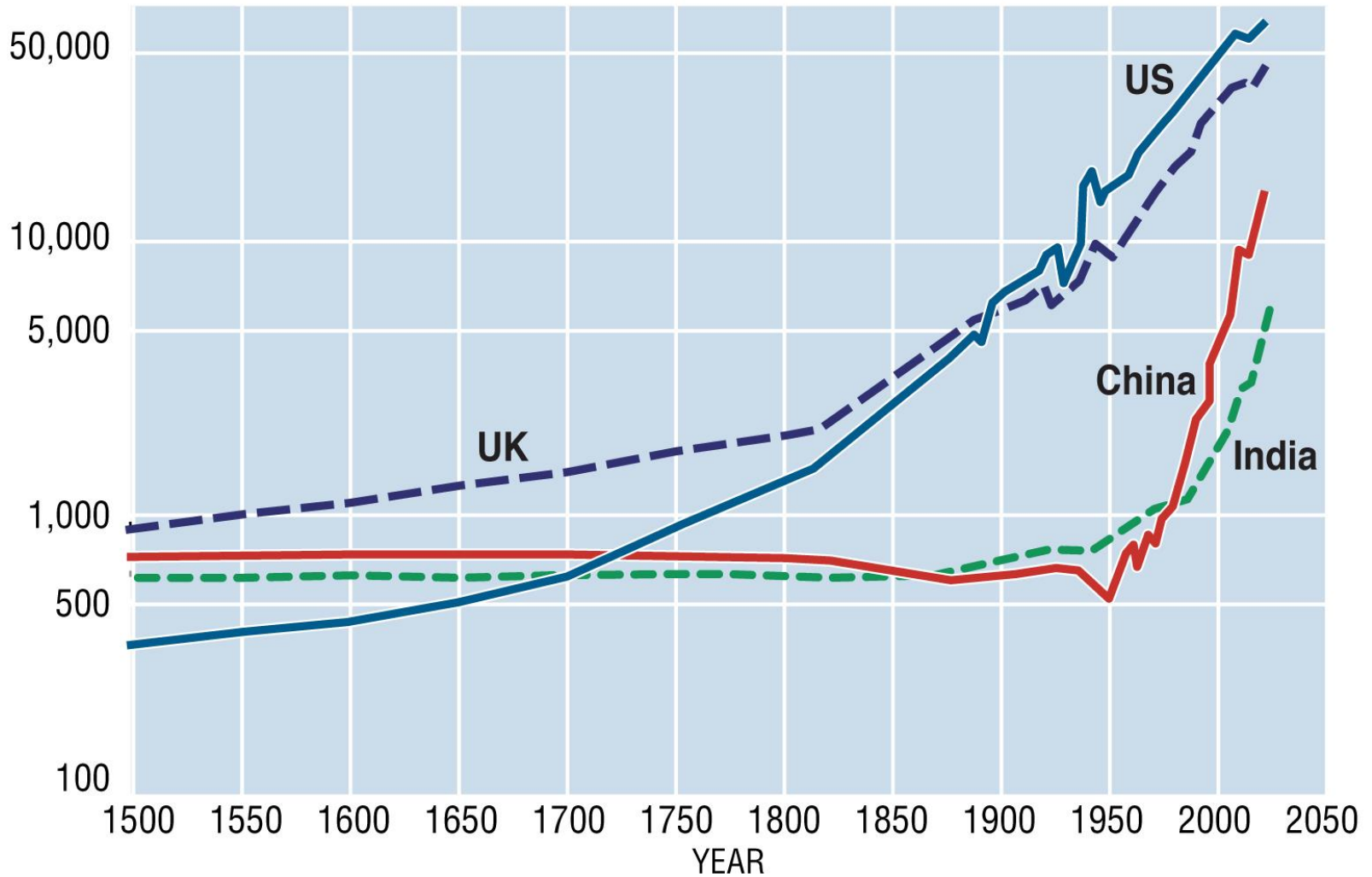


Size of pie is for visual effect: not really to scale

Sources: Angus Maddison, OECD; HSBC World in 2050

GDP per capita, from 1500

\$ (2020 dollars, exchange rates at purchasing power parity, log scale)



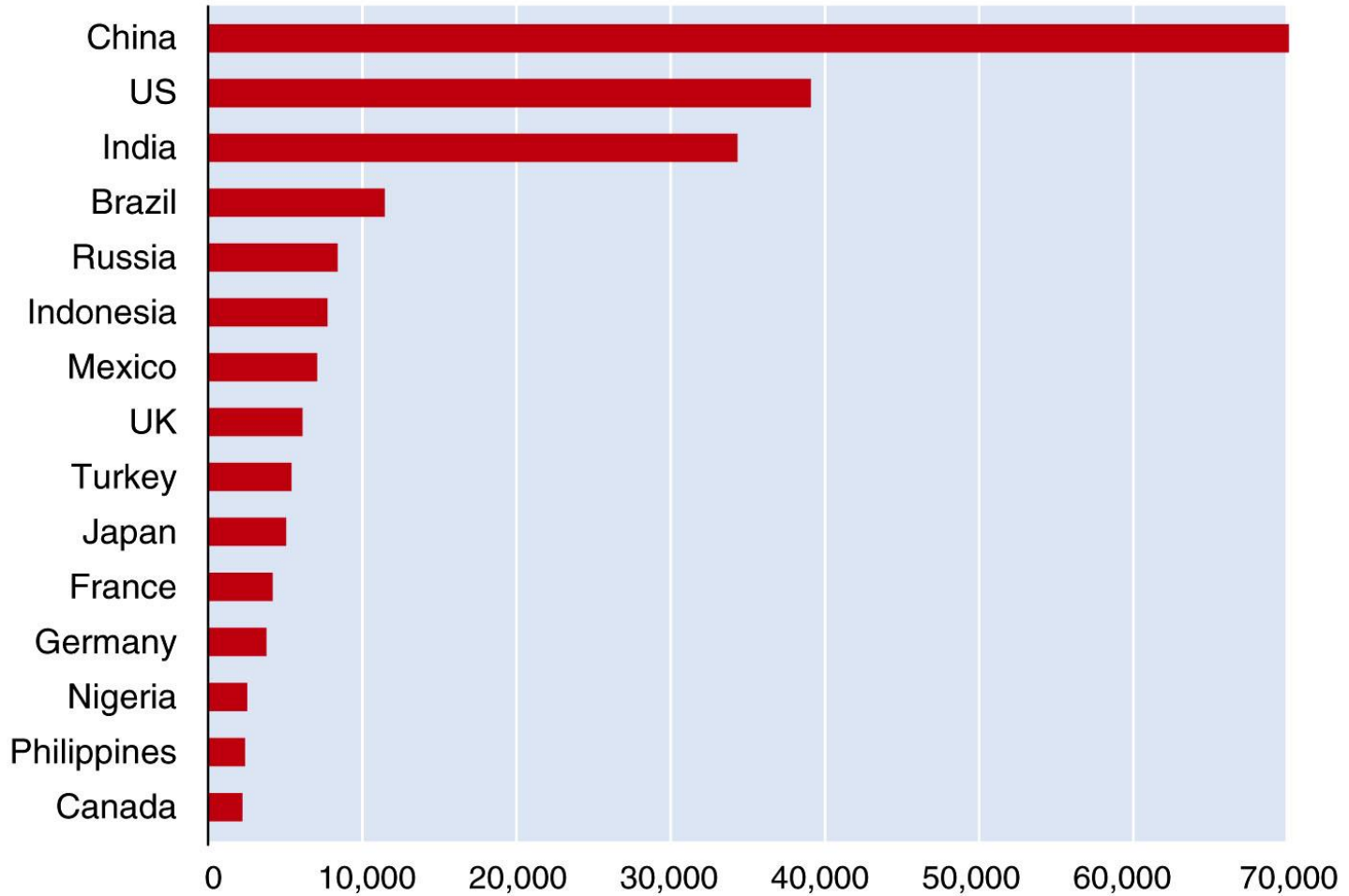
Sources: Angus Maddison, OECD, World Bank

The BRICS revolution

- **Goldman Sachs identified the scale of the shift**
- **So now there's an annual BRICS summit ...**
- **... a BRICS Development Bank ...**
- **... a reserve arrangement, a payments system, etc**
- **But the BRICS economic model was flawed**

The world's largest economies in 2050?

Projected GDP of top 15, 2007 \$bn



Source: Goldman Sachs

Some forecasts from HSBC

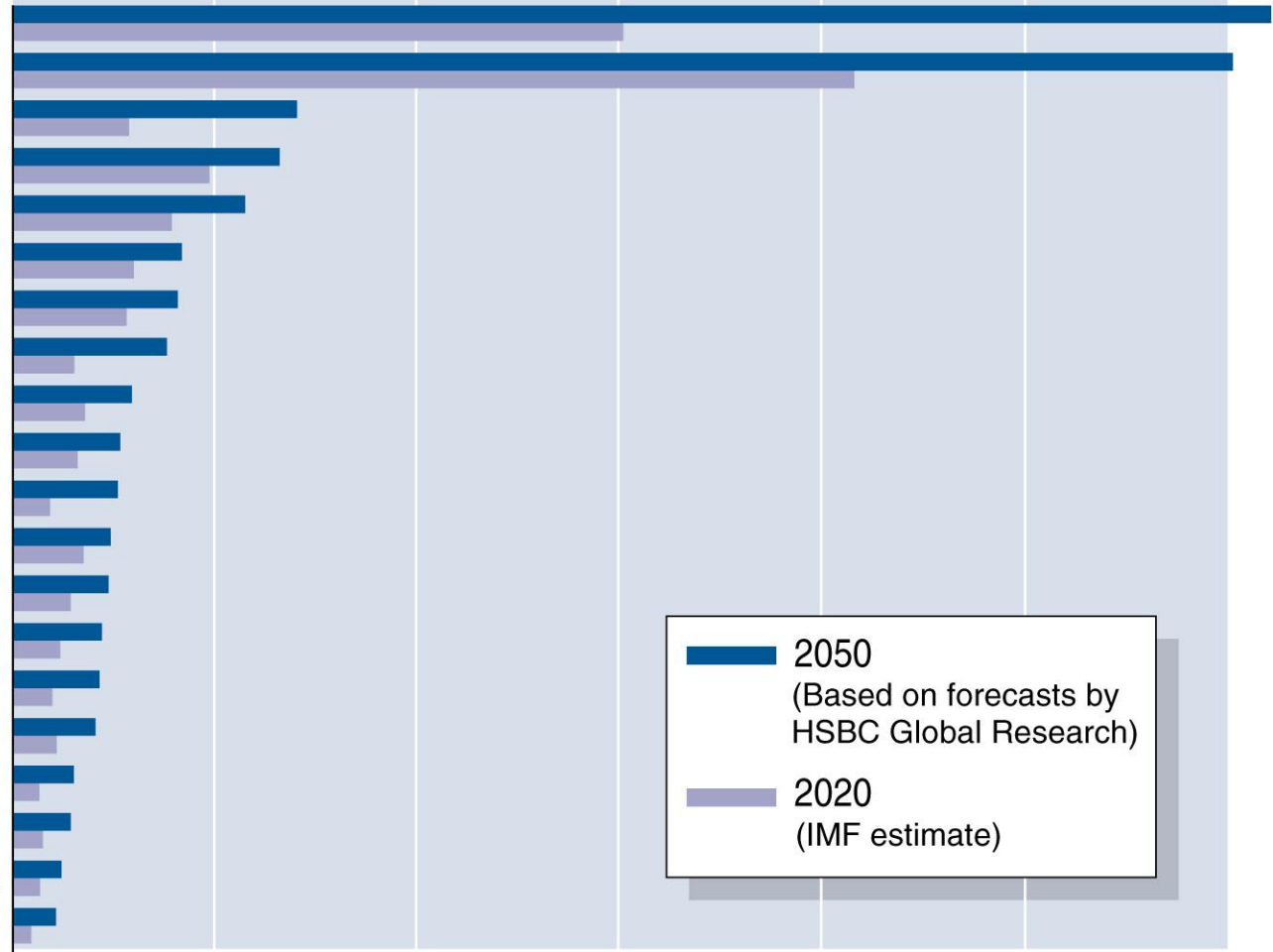
- **First shot in 2011 looking to 2050**
- **Then an update in 2018 looking to 2030**
- **Big message: China and India race on ...**
- **... while Russia and Brazil flag ...**
- **... and among the advanced economies US wins out**

Top-20 biggest economies in 2050?

GDP, \$ trillion

0 5 10 15 20 25 30

- 1 China
- 2 US
- 3 India
- 4 Japan
- 5 Germany
- 6 UK
- 7 France
- 8 Brazil
- 9 Italy
- 10 S Korea
- 11 Mexico
- 12 Canada
- 13 Russia
- 14 Australia
- 15 Indonesia
- 16 Spain
- 17 Turkey
- 18 Netherlands
- 19 Saudi Arabia
- 20 Argentina



2050
(Based on forecasts by
HSBC Global Research)

2020
(IMF estimate)

Five forces for change

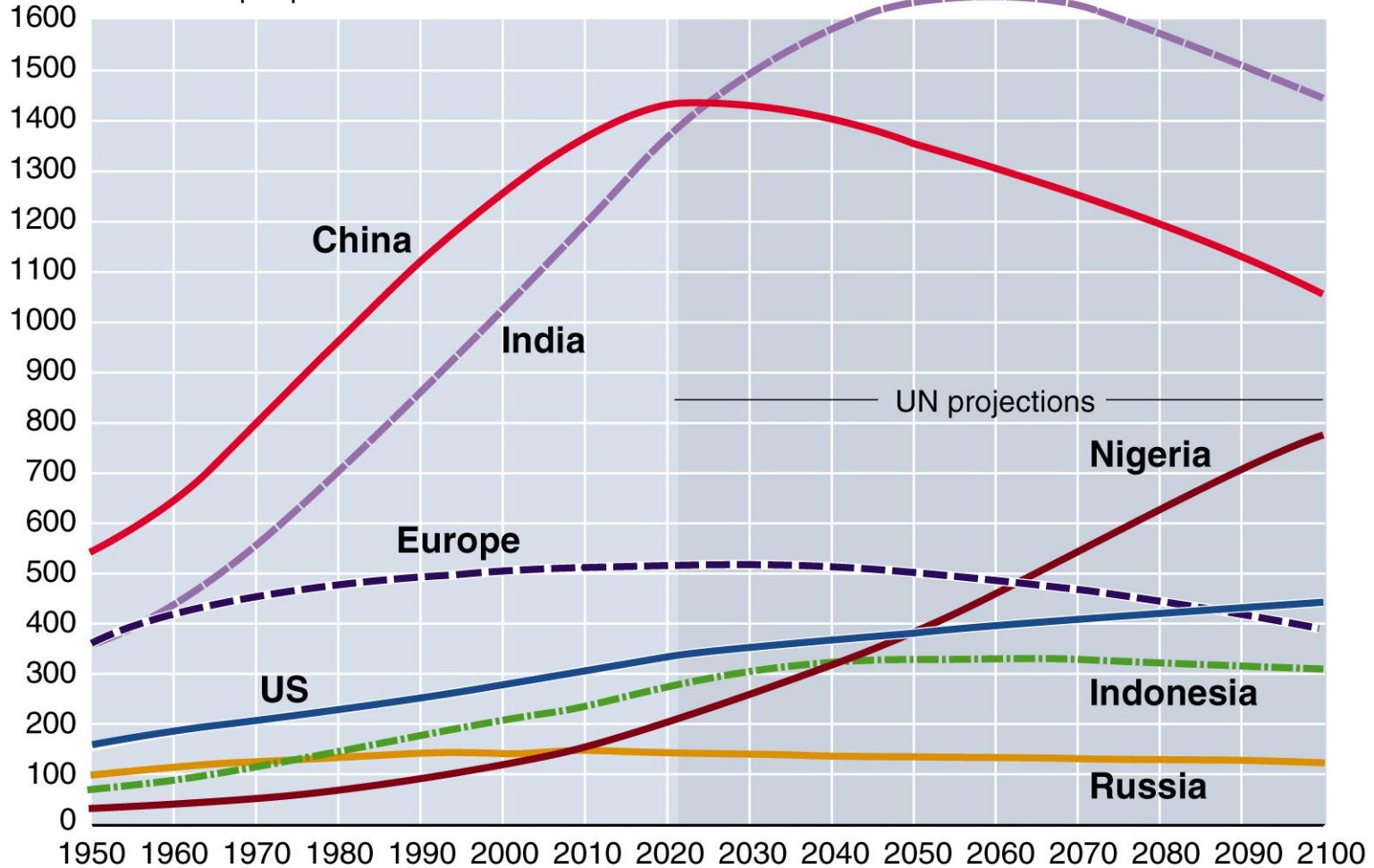
- **Demography – an ageing world and a young one**
- **Resources and the environment – the huge challenge**
- **Trade and finance – globalization changes direction**
- **Technology – races forward**
- **Government and governance – how they will shift**

Demography – the shift in power

- **Falling birth rates lead to ...**
- **... an ageing developed world ...**
- **... and an ageing China**
- **India becomes the most populous nation**
- **Africa is by far the youngest continent**
- **But what happens to wealth per head?,**

Population projections

Millions of people

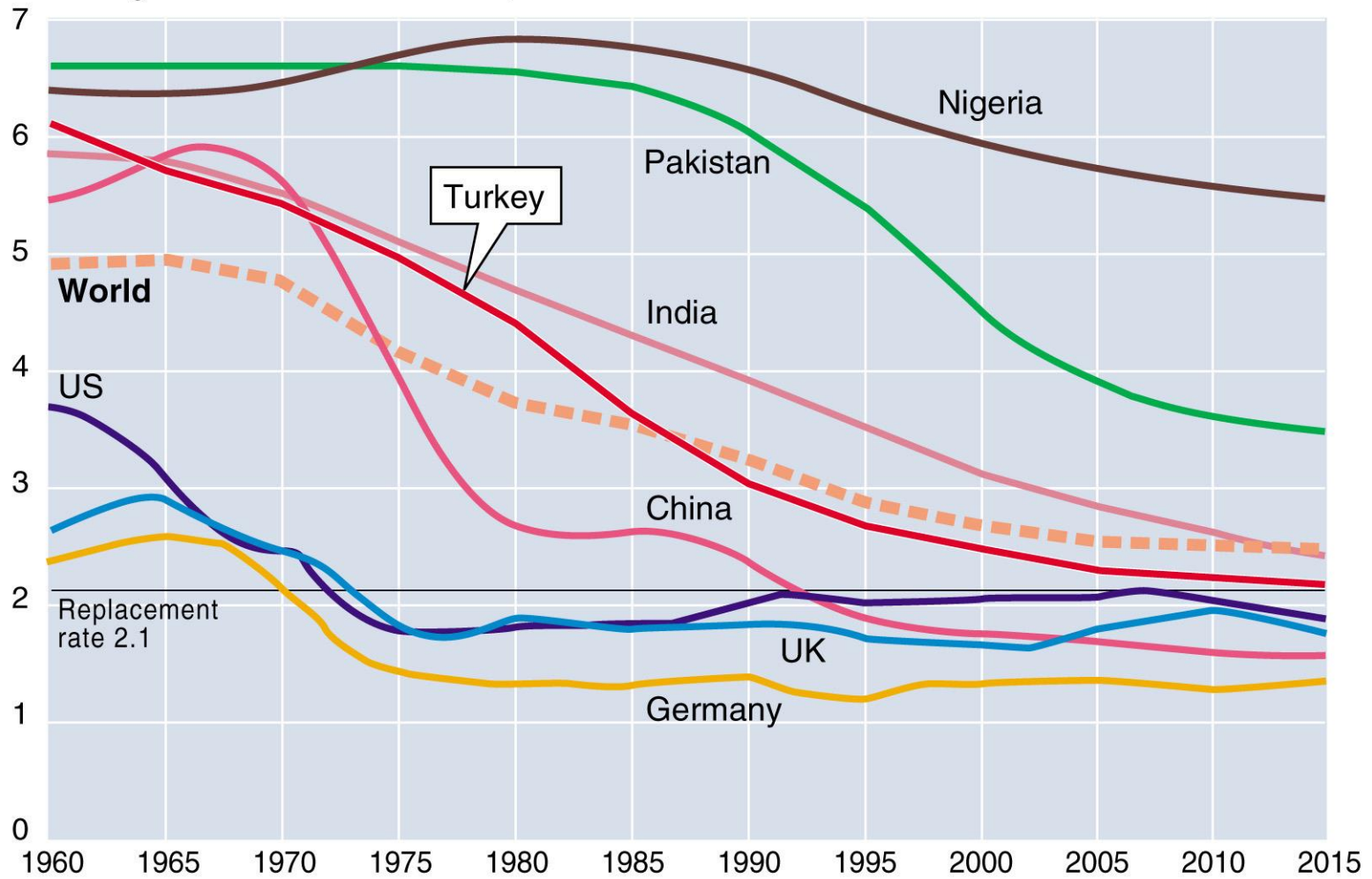


*combined nations of the current EU27 + UK

Sources: United Nations, Eurostat

Comparison of fertility rates

Average number of children born per woman



Sources: OECD / UN / World Bank

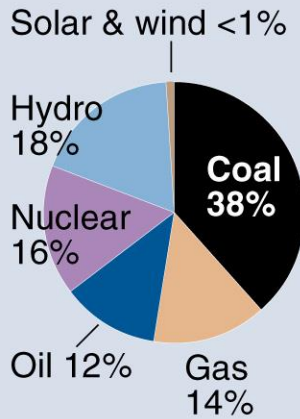
The environmental challenges

- **Many environmental issues, but one huge one**
- **What we (reasonably) can be sure of**
- **Technology moving very fast ...**
- **... but politics moving more slowly**
- **What if incremental advances are not enough?**

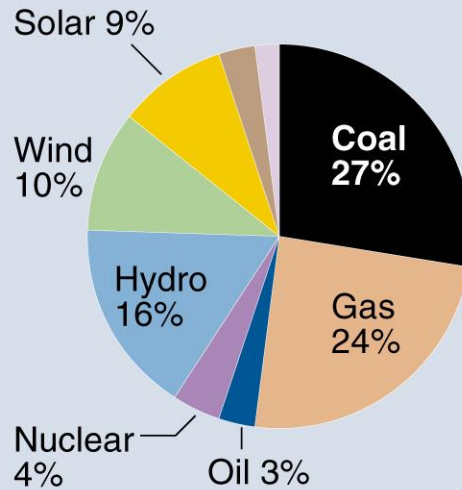
Electricity generation: the growth in renewables

World total installed capacity, Gigawatts (GW)

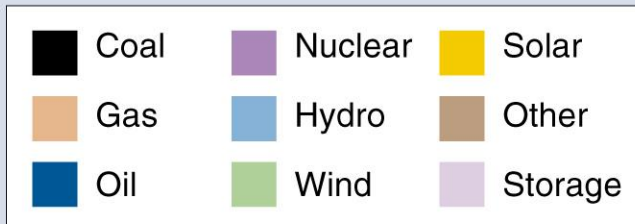
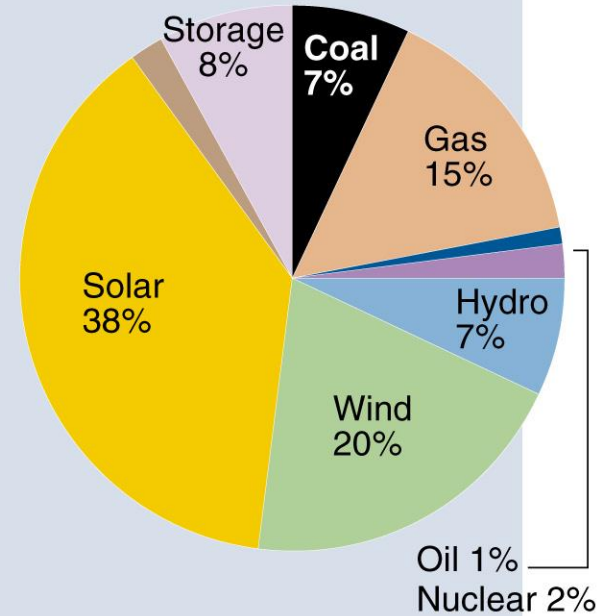
1990: 3,000 GW



2020: 8,000 GW



2050: 20,000 GW

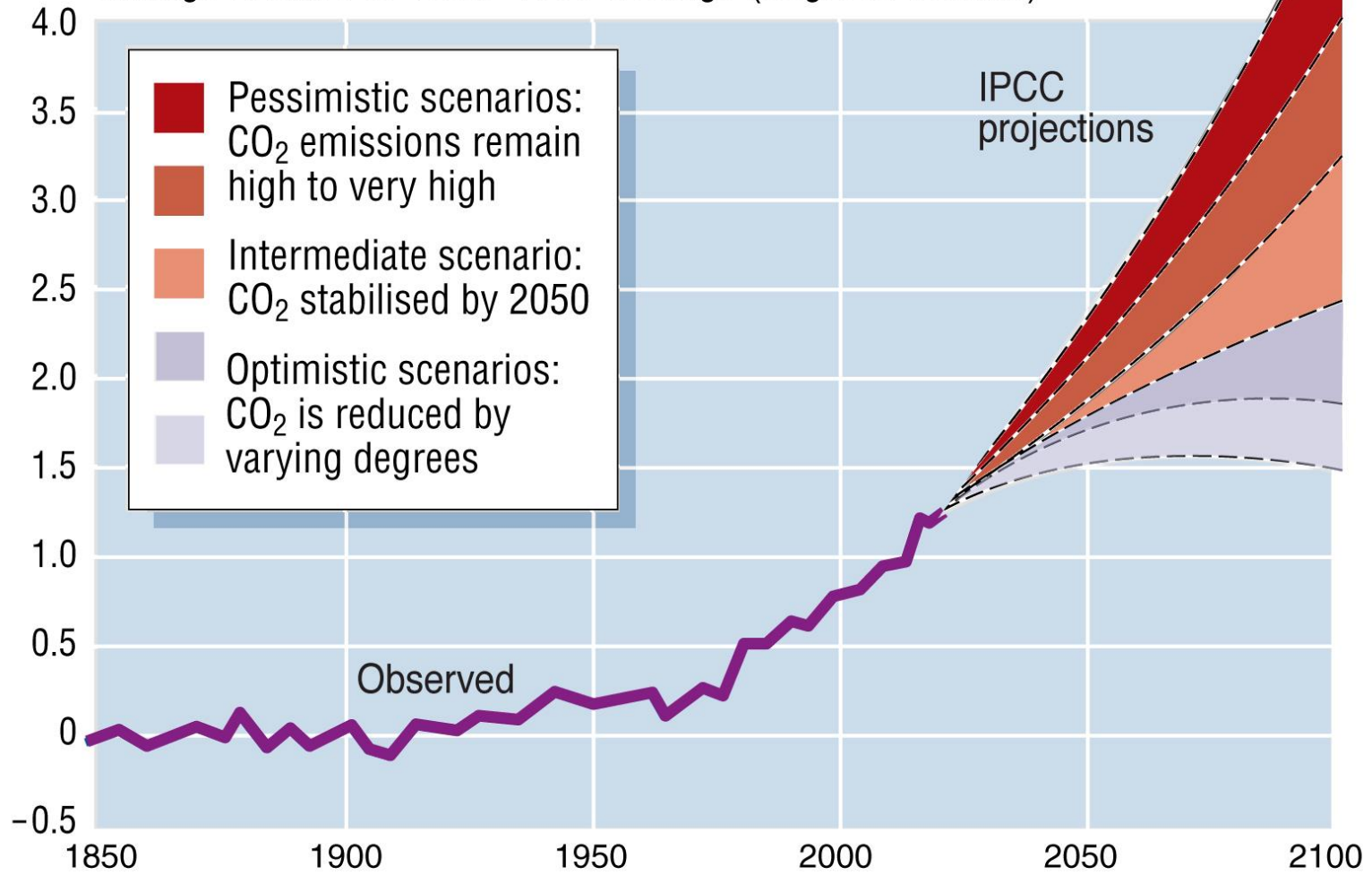


2050 projection from BloombergNEF

Sources: BloombergNEF; IEA

Global surface temperature

Change relative to 1850–1900 average (degrees Celsius)



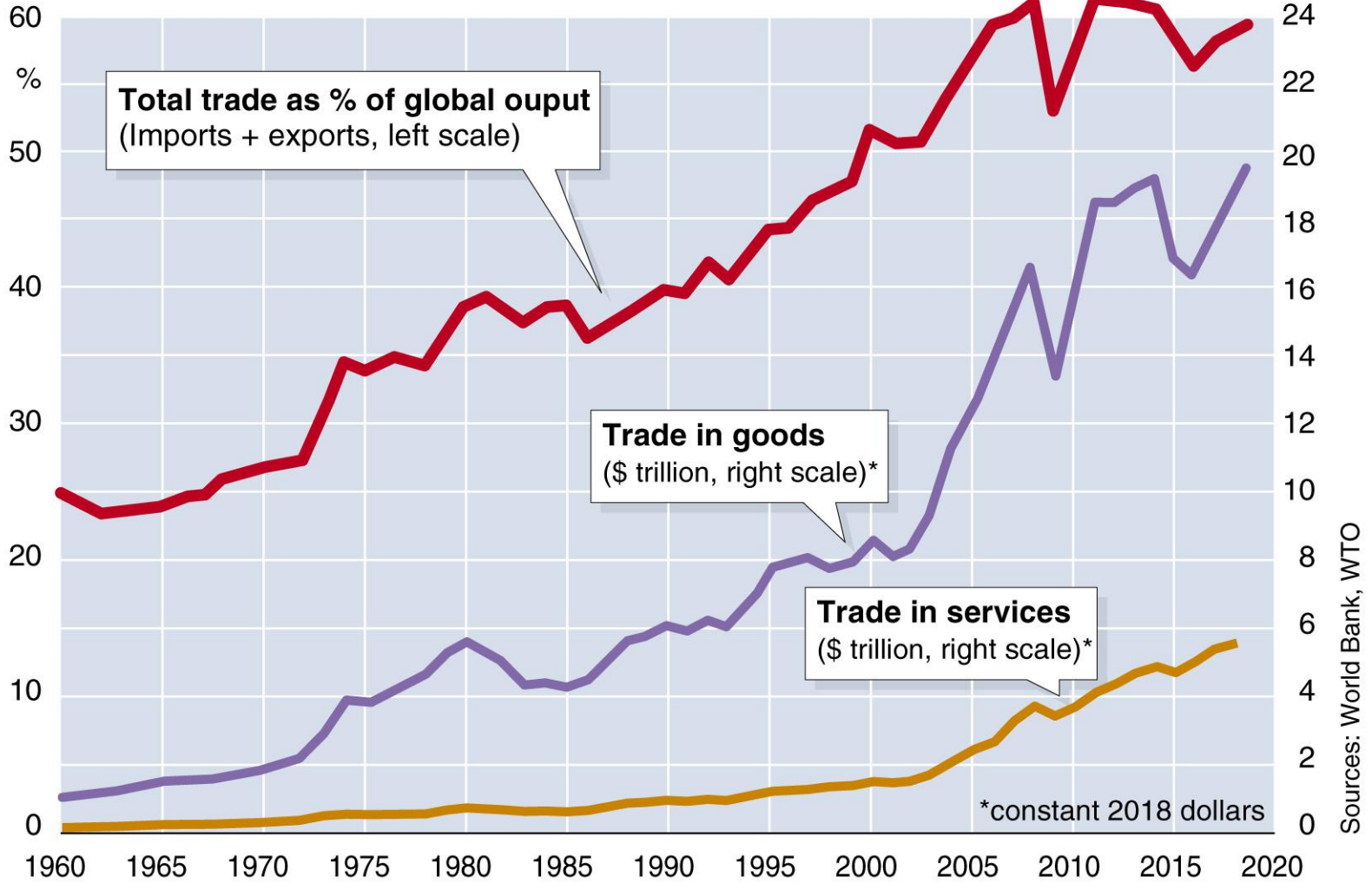
Source: IPCC report, August 2021

Trade and finance ... what next?

- **Has globalization peaked...**
- **... or will it simply change its nature?**
- **Actually it peaked about a decade ago ...**
- **... so does this change the nature of competition?**
- **Will we move to a two-bloc world: China vs the US?**
- **Will fiat currencies hold off the challenges?**

Has globalisation peaked?

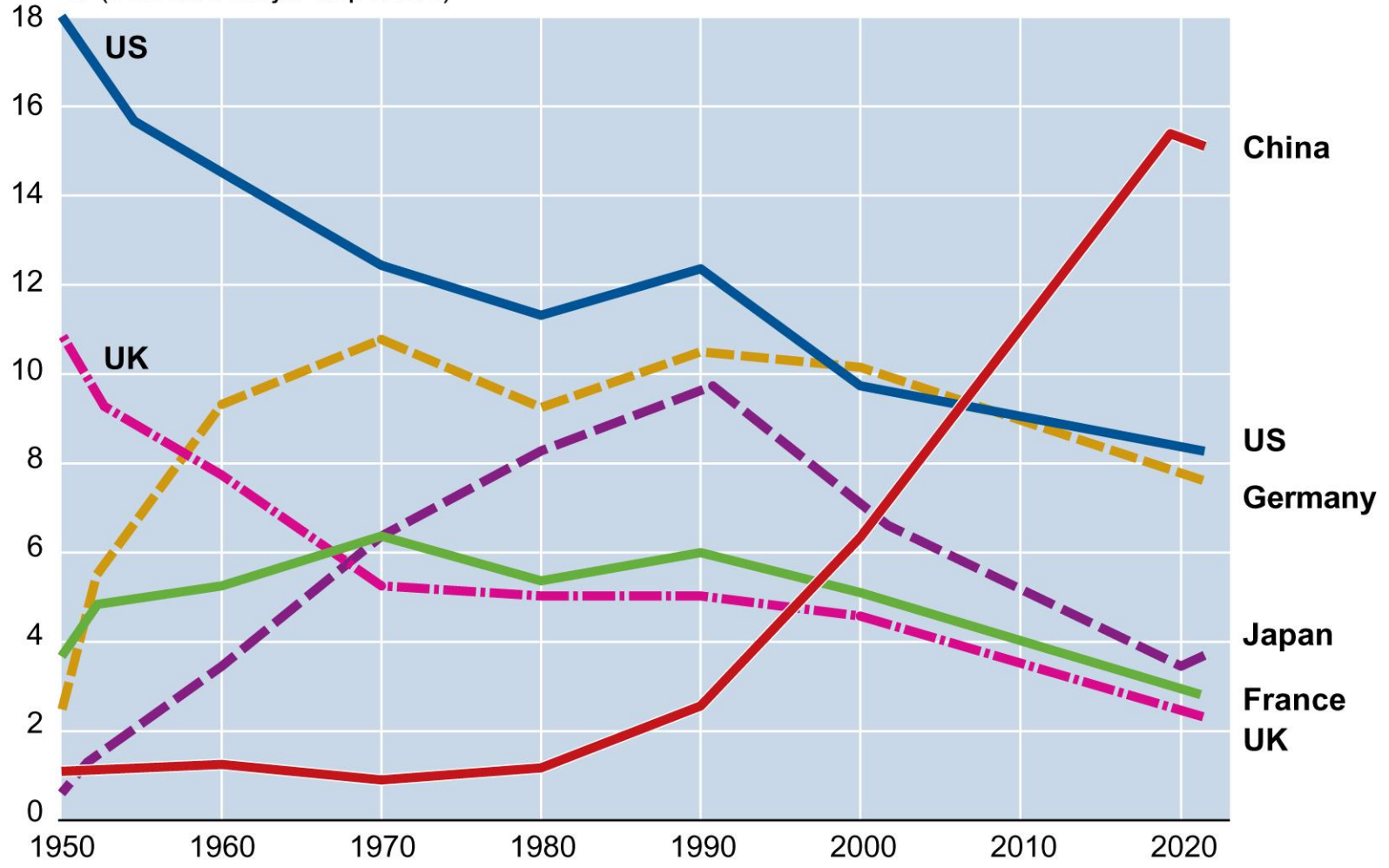
Cross-border trade



Sources: World Bank, WTO

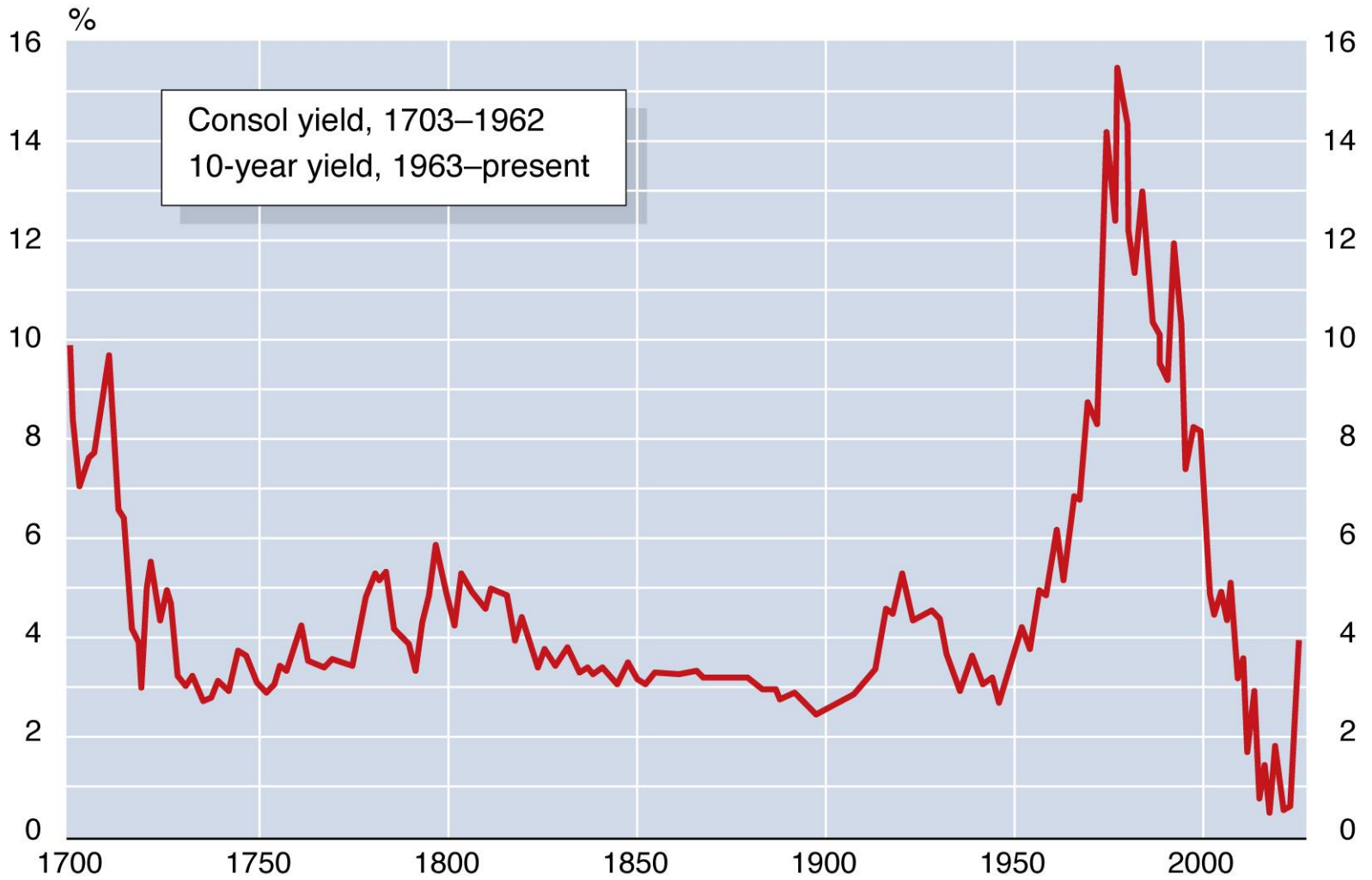
Share of global goods exports, 1950–2021

% (selected major exporters)



Sources: WTO, UNCTAD

UK long-run government bond yield, since 1700



Sources: Capital Economics, Bank of England

Technology races forward

- **Incremental advances drive catch-up growth ...**
- **... while technological leaps drive frontier growth**
- **Manufacturing technology is brilliant ...**
- **... but technology has lagged in service industries**
- **Is generative AI is the Holy Grail for services ...**
- **... and an even bigger revolution than the iPhone?**

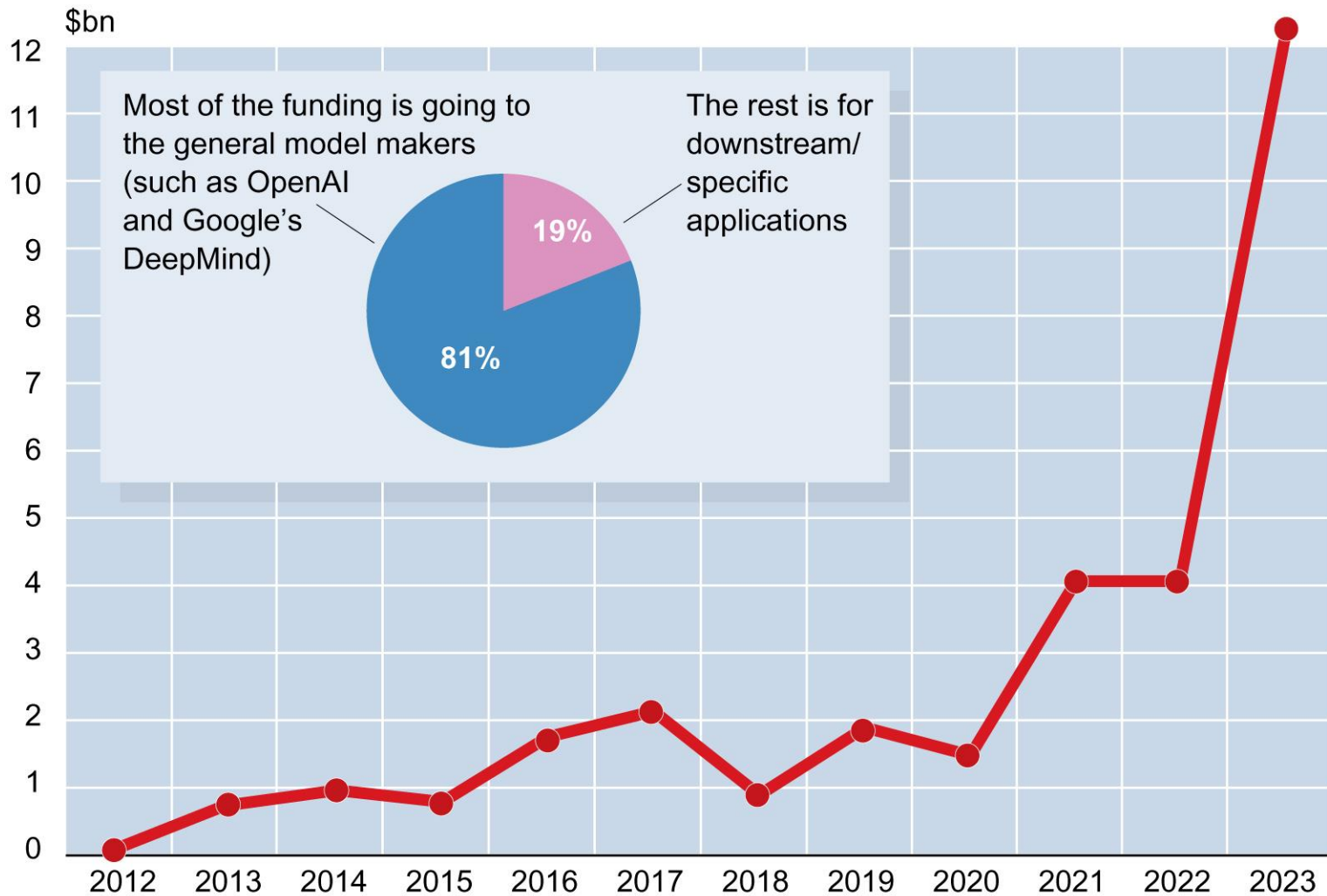
Inauguration of Pope Benedict XVI: 2005



Inauguration of Pope Francis: 2013



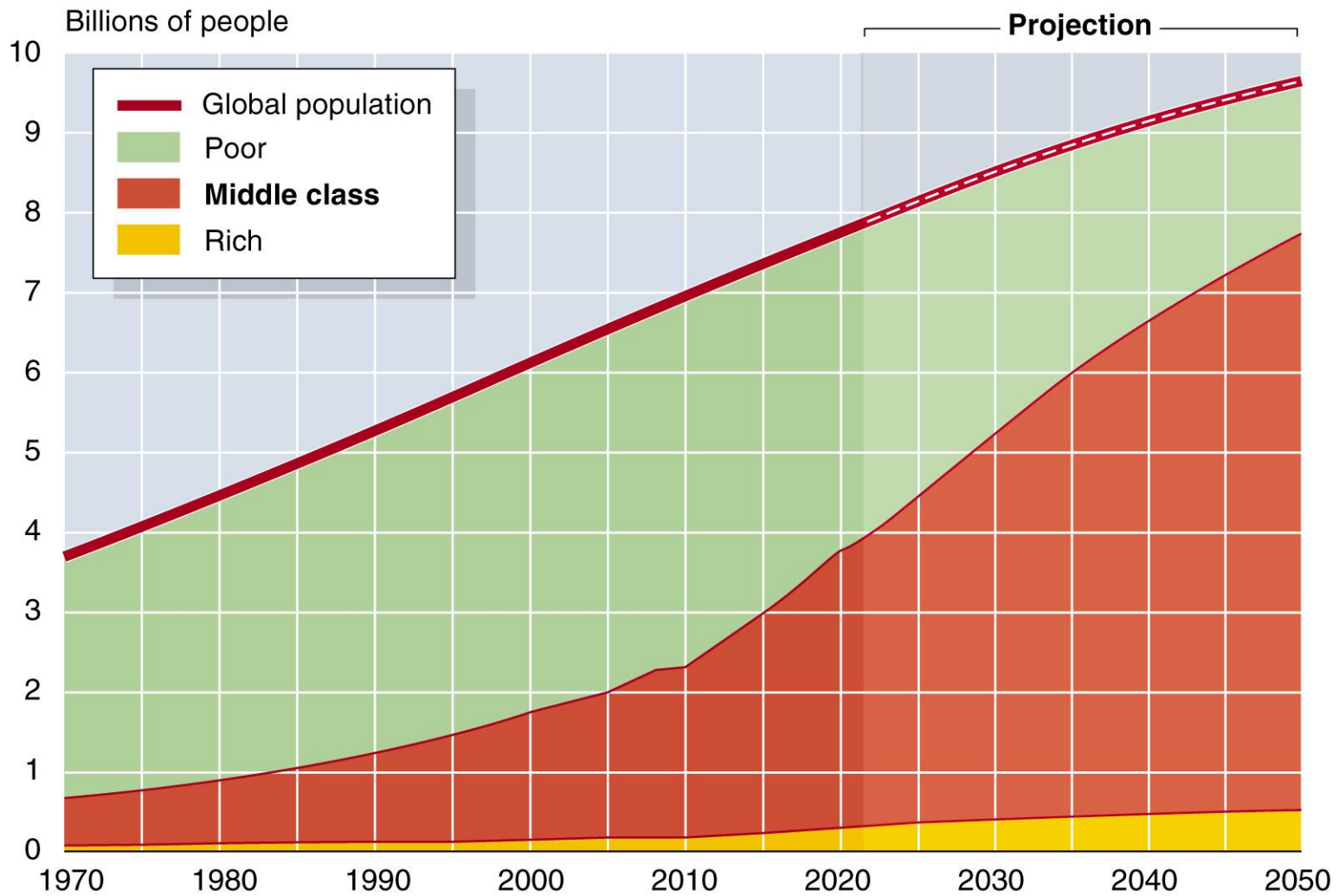
Startup funding for generative AI



Governance – democracy wins out

- **Crisis of confidence globally in democracy ...**
- **... and Ukraine has sharpened the divide**
- **Have the fissures in our societies really widened?**
- **People are becoming better educated ...**
- **... better informed, healthier, living longer lives ...**
- **... leading to a world dominated by the middle class**
- **Will the middle class demand democracy?**

Rise of the global middle class



Where are the risks?

- **The US political system fails to hold together**
- **The US, China and India mismanage their relationship**
- **Russia implodes and gravely damages itself and its neighbours**
- **Sub-Saharan Africa is mired in poverty**
- **Religious conflict breaks out**
- **Environmental degradation becomes irreversible**
- **The world is struck by further pandemics**
- **The Middle East becomes truly unstable**
- **The information revolution becomes malign**
- **We lose our faith in democracy**

The (mostly) positive judgements

- **A middle-class world will be a safer, more secure world**
- **The US becomes calmer and more self-confident ...**
- **... as the leader of the Anglosphere**
- **Europe moves successfully towards a core and a periphery**
- **China turns from aggression to co-operation**
- **India seizes its prize as a clear number three economy**
- **Africa – youthful, vibrant, chaotic – becomes more important**
- **Globalization successfully transitions to trade in services**
- **Technology comes to the rescue in many fields**
- **We have a more harmonious relationship with our planet**

The world now: a magic moment

Barack Obama

“

If you had to choose a moment in history to be born, and you did not know ahead of time who you would be – you didn't know whether you were going to be born into a wealthy family or a poor family, what country you'd be born in, whether you were going to be a man or a woman – if you had to choose blindly what moment you'd want to be born, you'd choose now.

”

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