

Celebrating **60** years

...with a glimpse of the future



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## Introduction

The year 1946 might fairly be seen as the dawn of a new era. The end of the second world war was inspiring a wave of innovation. An Italian invented the modern-day espresso machine. American scientists developed the first "electronic brain". And a French designer unveiled the "bikini" bathing suit.

In London, meanwhile, an Englishman's thoughts turned to commerce. Even before the tide of the war had turned in the Allies' favour, Geoffrey Crowther, the venerable editor of *The Economist*, saw the need for an "Intelligence Branch". Its purpose: to conduct research that would help business navigate the difficult post-war environment. In October 1946 he advertised for a "Director of Intelligence", the formal beginnings of the Economist Intelligence Unit.

As our first director, Geoffrey Browne, would say 25 years later:

"The work of the EIU reflected the aspirations and problems of the time. It helped industrialists to explore and assess new markets and advised on the rebuilding of their supplies of raw materials. It gave information and opinion on trading and monetary conditions, studied the implications of state ownership for industries in several countries, and sought opportunities for investment overseas."<sup>1</sup>

The branch—or Unit as it would shortly be known—was soon up and running, publishing quarterly reports and special bulletins on industries and far away countries about which people still knew little. Many of the subjects reflected the nature of the times: "The control of nationalised industries" (1948), "Forecast of traffic through the Suez canal" (1956) and "The effect of the Common Market on major British

industries" (1959). With a mere tweak of the title, other reports could have been written today: "The effect of China's export drive on UK and Commonwealth trade" (1959) and "The climate for re-entry of a major British contractor in Iraq" (1961).

Not everyone was impressed. Many staff at *The Economist* looked down on the new venture, and the sense of separation was cemented when the EIU moved into its own buildings. Mr Browne was particularly resentful about the lack of investment by *The Economist* in its wholly owned subsidiary, noting in the early 1980s that "the main Board still cherish the myth that a quarter of a million pounds was poured into the EIU. It wasn't. The EIU did not need it, and *The Economist* had not got it to give."<sup>2</sup>

At *The Economist*, contempt was fuelled in the early days by those who ditched the Intelligence Unit for the newspaper. They typically complained of having to work on projects despite having little or no expertise or guidance, such as: "The market for frogs' legs in France" (1962). One EIU émigré described his former firm as full of "slow typists, fast women and silly little men". Another described the EIU's role as "looking up things for firms that they're too lazy to look up themselves". In fact, senior EIU analysts in those days were more likely to be on the croquet lawn, interrupted only by the occasional client phone call.

What follows is a look back over 60 years of changes, and a view of the future: first over the next 20 years, where projections can be based on a modicum of solid intelligence; and then 60 years ahead where, not entirely tongue-in-cheek, we try to envisage the world of our great-grandchildren.

<sup>1</sup> Economist Intelligence Unit, *Key Issues in Applied Economics 1947-1997: Essays in celebration of The Economist Intelligence Unit's 25th anniversary*, Longman, 1972.

<sup>2</sup> Ruth Dudley Edwards, *The Pursuit of Reason: The Economist 1843-1993*, Hamish Hamilton, 1993.



## Look back in wonder

**P**olitics, war, demography, economic growth, social welfare and technology have transformed the world over the past six decades, and these factors are sure to do the same for the next six. The political map in 1946, when the EIU was born, is almost unrecognisable today: the UN had only 55 members; there was a single nuclear power; the sun still shone on the British (and French) empires; and an "iron curtain" was descending across Europe. But with decolonisation and the collapse of the Soviet bloc, the number of UN members increased to 192 and continues to rise. Today, we cover over 200 markets, including Macau, Puerto Rico and the British Virgin Islands.

It may not always seem like it, but the world has become more peaceful over the past 60 years. Wars kill fewer people today than at almost any time since the 1920s. The 1950s, 1960s and 1970s were the deadliest decades since the second world war; the 1980s were calmer, but still bloodier than the post-cold war 1990s—which in 60 years' time may be seen as a golden decade of optimism, openness, innovation and escalating equities.

On the eve of September 11th 2001, many wondered what could possibly go wrong. Since then, Islamist suicide bombers have struck New York, Washington, Bali, Madrid, London and throughout Israel. Several other plots have been confounded. More attacks are inevitable. The overarching fear is that terrorists will obtain weapons of mass destruction, a worry that in part prompted the US-led invasion of Iraq. With the nuclear club enlarging to include five permanent members of the UN Security Council, India, Pakistan and Israel, most recently North Korea and possibly soon Iran,

those fears are not unfounded and will persist for the foreseeable future.

### The body/mass index

Despite the threat of nuclear conflagration, the world's population continues to multiply, rising from nearly 2.5bn mid-century to some 6.5bn today. Most of this increase has occurred in the developing world, where 20 of the 25 largest urban areas are located. In 2006, for the first time ever, more people are living in cities than in the countryside.

There have been marked changes in health and social indicators too. The human race has never been healthier or smarter. The prevalence of childhood immunisation and antibiotics in the industrialised world is often credited for the improvements. Life expectancy has stretched an extra 20 years since mid-century; the average IQ has risen steadily too. We even look different. We are taller and heavier than our grandparents and great-grandparents. As one American researcher at the University of Chicago told the *New York Times*, the transformation is "unique among the 7,000 or so generations of humans who have ever inhabited the earth".<sup>3</sup>

Unfortunately, we are also fatter. Obesity has become a growing issue. One in three American adults is chronically overweight, and healthcare costs are ballooning accordingly. As American waistlines expand, so others' follow. Obesity rates have surpassed 20% in OECD members such as Mexico, Australia and the UK. Britain's National Audit Office estimates the cost of obesity at some £7.4bn a year. Fat is a feminine issue too, especially in developing countries. One-third of women in Latin America and over two-fifths of women in emerging Europe, the

<sup>3</sup> Gina Kolata, "So Big and Healthy Grandpa Wouldn't Even Know You", *New York Times*, July 30th 2006.

Middle East and North Africa are overweight, according to the UN's Food and Agriculture Organisation.

### The wealth of nations

The world economy has grown even more dramatically, increasing tenfold since 1946. Even with rapid population increases, economic output per head has risen nearly fourfold. While wealthy nations have benefited most—total output in real terms in the G7 states has increased fivefold—the share of the world's population living on the equivalent of US\$1 a day almost halved between 1981 and 2001 to 21%, according to a World Bank study. This means that some 400m people have been pulled out of poverty, largely as a result of the greater economic freedoms in China. Not all are better off though, especially those living in Sub-Saharan Africa, where around one-half of the population at the start of the new century was living in extreme poverty.

Globalisation—or at least the falling barriers to trade and capital movements—deserves much of the credit for the improving fortunes of so many. Foreign investment has flooded into the developing world for much of the previous two decades, and international trade and investment have multiplied. When the EIU started advising client companies, most were manufacturing at home and only cautiously probing foreign markets. Over the

years this has changed, triggered in large part by the invention of standard-sized containers that can be lifted from lorry to ship, cutting out the laborious reloading process. As a result, shipping times and costs were slashed. According to California-based Matson, a pioneer in containerisation, cargo handled per man hour increased nearly sevenfold between 1959 and 1976, and a ship's average stay in port shortened from three weeks to 18 hours. This also meant that manufacturing abroad became a viable proposition.

Nowadays, the truly multinational firm no longer views location and distance from HQ as a big deal. The development of another great 20th century innovation, the Internet, has only served to enforce this offshoring trend. When once only production line workers resisted such developments, now white-collar employees in Europe and North America also fear for their jobs.

But without embracing change, companies face ever quicker oblivion. Richard Foster and Sarah Kaplan (*Creative Destruction*, 2001) noted that of the companies in the S&P 500 at its inception in 1957, only 74 were still on the list in 1997. Whereas one company in 65 would drop from the S&P 90 rankings each year during the 1920s and 1930s, since 1998 the rate of attrition annually has been one in ten. At this rate, by 2020 a company can expect to stay in the S&P 500 on average for just one decade.<sup>4</sup> And as mutual funds try to emulate

#### Top ten stocks in the S&P 500, 1980

|     |                       |
|-----|-----------------------|
| 1.  | IBM                   |
| 2.  | AT&T                  |
| 3.  | Exxon Corp            |
| 4.  | Standard Oil, Indiana |
| 5.  | Schlumberger          |
| 6.  | Shell                 |
| 7.  | Mobil                 |
| 8.  | Standard Oil of Cal   |
| 9.  | Atlantic Richfield    |
| 10. | General Electric      |

#### Top ten stocks in the S&P 500, 2005

|     |                   |
|-----|-------------------|
| 1.  | General Electric  |
| 2.  | Exxon Mobil       |
| 3.  | Microsoft         |
| 4.  | Citigroup         |
| 5.  | Procter & Gamble  |
| 6.  | Wal-Mart          |
| 7.  | Bank of America   |
| 8.  | Johnson & Johnson |
| 9.  | AIG               |
| 10. | Pfizer            |

<sup>4</sup> Richard Foster and Sarah Kaplan, *Creative Destruction: Why Companies That Are Built to Last Underperform the Market—And How to Successfully Transform Them*, Random House, 2001.

the riskier and richer hedge funds, turnover of the average portfolio already occurs once a year, five times faster than in 1960.

Finance has also seen the pros and cons of globalisation. In 1946 currency risk was low and exchange controls were common. It was unthinkable that Europe's big economies might one day dump their currencies for a European-wide "euro", or that Moscow would have a booming stockmarket.

Today, trillions of dollars race around the planet at the click of a mouse. Over the last few decades, personal, corporate and national debt levels have soared, alongside the new skyscraper banks that issue the credit. Financial instruments are more complicated and sophisticated, the playthings of math PhDs that staff new hedge funds. The world economy is surely better off for the innovation and the globalisation of finance that followed the demise of the Bretton Woods system of fixed exchange rates. But numerous financial troubles—the Tequila crisis (1994), the collapse of Barings bank (1995), and financial emergencies and crashes in Asia (1997-98), Russia (1998) and Argentina (2002) to name just a few—are stark reminders of the downsides.

### **From Burqa to boardroom: gender on the agenda**

Finally, the EIU has monitored many radically changing social indicators over the decades. At the forefront have been gender issues, which will be as transformative in coming decades as they have been in the past. In 1950 one-third of American women of working age had a paid job; now two-thirds do. There are 40% more women than men in higher education. Since 1970, women worldwide have filled two out of three new jobs. But women are still under-represented in the parliaments of most Western democracies. The situation is improving: the 1945 British House of Commons included 24 women; in 2005 that number increased to 128, or one in five. The struggle for female equality has become even more compelling in many emerging markets, and

will continue to be over coming decades.

Like freedom and democracy, education, especially for girls, has also spread across the globe. One simple statistic demonstrates what can be achieved. In the 1960s only one-third of South Koreans had completed secondary school; today, 97% of 25-34-year-olds have a high-school education—the highest level in the industrialised world.

Foreign travel is no longer a novelty either, with the proliferation of the passenger jet. Passenger numbers have expanded 200-fold since 1945, largely as a result of the package holiday. Brits especially have forsaken their own stony beaches for the Costa del Sol and other sunnier climes. In 1971 only 6.7m UK residents ever went abroad. By 2005 the annual holiday exodus had reached 44m.

For those who stay put there are plenty of new opportunities to connect with the world. Some 1.2bn people surf the web, and twice that number use mobile phones, far more than have traditional fixed lines. This factor alone has hugely improved the livelihoods of poorer countries, especially in Africa.

The EIU too has embraced change. Gone are the typing pools, slide rules and long-division calculations. Over the last decade, we have moved from quarterly reports, to monthly and even daily analysis, as we have shifted to electronic publishing and delivery. Gone too is the (one-sided) rivalry with *The Economist*. An era of co-operation dawned years ago, except on the cricket pitch—EIU 146-6; Economist 88 all out, if you must know.



## The world in 2026

**W**e feel mildly confident about making predictions up to one-third of the way towards 2066. That's because in 2026 the world may not look too different from today. America's dominance of the 20th century will continue into the first few decades of the 21st. The US spends nearly 4% of its GDP (about US\$500bn in 2006) on defence, more than the next nine countries combined. That gap will widen, even with the rising power of China. Economically too, the US will remain top dog. It will continue to enjoy strong productivity gains as a result of years of technological superiority. Perhaps more importantly for the long-term prospects is the demographic outlook. The workforce of tomorrow has already been determined by the birth rates and education levels of today. The US population is benefiting from high fertility rates—relative to other developed countries—and continued immigration.

### Grey heirs

Growing life expectancy, however, means that the US will start to grey more quickly. The first of nearly 83m baby-boomers are gearing down for retirement, and this will put increasing pressure on the working-age population. The old-age dependency ratio—the number of over-65s as a share of those aged 15-64—will reach 25% by 2026, up from 18% currently. By 2026 Social Security (public pensions) will be paying out as much in benefits as it receives in contributions and interest income earned on trust fund investments combined, and the situation will worsen. But pensions reform will have to wait, as the more pressing concern of public healthcare takes precedence. The Medicare programme already pays out more than it receives, and as

costs soar the shortfall will widen. By 2018, all assets will be exhausted.

But in 2026 the US will merely be where the EU finds itself now, at least in terms of old-age dependency, although people will probably be working into their 70s. In Europe, old-age dependency will surpass one-third by 2026. The overall population in a 27-member EU will stabilise at current levels, but the workforce will shrink even after allowing for increased immigration. The reproductive failings of the Europeans, coupled with continuing inflexibility in Europe's labour markets, will gradually corrode long-term economic prospects. The EU economies will be secure for the next 20 years though, both in nominal and PPP terms (see box on page 10). Ireland will continue to lead the way, with one of Europe's youngest populations, overtaking even the US in income per head terms, with Scandinavian economies not far behind. Eastern Europe will still be playing catch-up. Their economies will power on, but they face a demographic blight from emigration, disease and low birth rates, especially in the former Soviet states.

The EU will look positively vibrant compared with Japan. Its ageing workforce has already begun to shrink, and will contract by a further 15% over the next 20 years, irrespective of any government policy to stop it. There will be only two people of working age supporting every over-65, putting immense strains on the welfare system and public services. Japan's economy, even at flattering market exchange rates, will slip behind China's from 2014.

### Globalisation's winners and losers

China and India together will account for 45% of growth in the world economy until the first quarter of the century, when the world economy will have doubled in size in real terms. On the

basis of output, valued in dollars, India and South Korea will replace Italy and Spain in the world's Top Ten by 2026, while continued rapid growth elsewhere in Asia will narrow the gap with developed nations (although for the billion or so Asians still surviving on US\$2 a day, actually closing that gap will remain a distant dream).

The prospects are mixed for the rest of the world. Latin American economies, which have improved notably in recent years, will continue to be held back by ongoing weaknesses in their political systems and shortcomings in the health and skills of the workforces. Asia's unbridled growth will be good for oil exporters, while Europe and the US will still depend on crude. And

if oil production has already peaked, developments in the Middle East will continue to send shudders through the global economy. Iraq will be a source of instability long after the US forces quit, and a nuclear Iran no more reliable.

Much of Africa has long been denied the fruits of globalisation. Nearly three-quarters of HIV/AIDS sufferers are in Africa, and their deaths will devastate the population. The UN's goal of halving the share of the world's population living on less than a US\$1 a day by 2015 may well be achieved, but not in Africa.

### **Companies in 2026: emerging Asia, ageing Europe**

Shifting demographic and economic factors will keep more nimble business minds focused on two types of market opportunities: the fast-growing demand for mass-produced goods in Asia; and a still-wealthy but ageing population in the developed world. What in practice will this mean for investors?

Successful companies will be those with ever more specialised skills, offering increasingly personalised products. A flatter world will demand an even flatter corporate structure. And the successful manager will be the one who figures out how to make his company's knowledge workers more productive. Customers will be more demanding, more numerous and more dispersed. The resulting personalisation of products and services will require increased collaboration, whether suppliers interacting with vendors, salespeople with customers, employees with one another, or companies with their proliferating partners.

Japan may provide a glimpse of the future. Unicharm, the country's leading manufacturer of feminine-hygiene products and nappies, is diversifying into healthcare (nappies for adults) and even pet care (nappies for dogs). Lawson, Japan's second-largest chain of convenience stores, is turning one-fifth of its outlets into elderly oriented stores. The changes include wider aisles for wheelchairs, automatic doors and

### **What is PPP?**

Why do economists frequently talk about Purchasing Power Parity, or "PPP"? Comparing prices just by using the market exchange rate tends to make rich countries look richer and the poor look poorer. That's because while incomes in poor countries may be relatively low, so too are the prices of locally produced goods and everyday services. For example, a cheap haircut in Manhattan might cost US\$20; one in Shanghai might cost five renminbi, or 63 US cents at current exchange rates. The New York haircut is unlikely to be 32 times better, and the US-based client certainly won't fly to China to get his hair cut more cheaply. So which of the two is really better off? The PPP calculation re-weights a country's output of goods and services into a comparable measure using a common set of prices, in order to give a fairer reading of living standards.

On this more favourable measure, China's economy will surpass that of the US in total size by 2017. Of course in per head terms, most of Asia will be around one-fifth of US levels. But Asian tigers, Singapore, Hong Kong and Taiwan will surpass or come close to the US in per head terms at PPP by 2026.

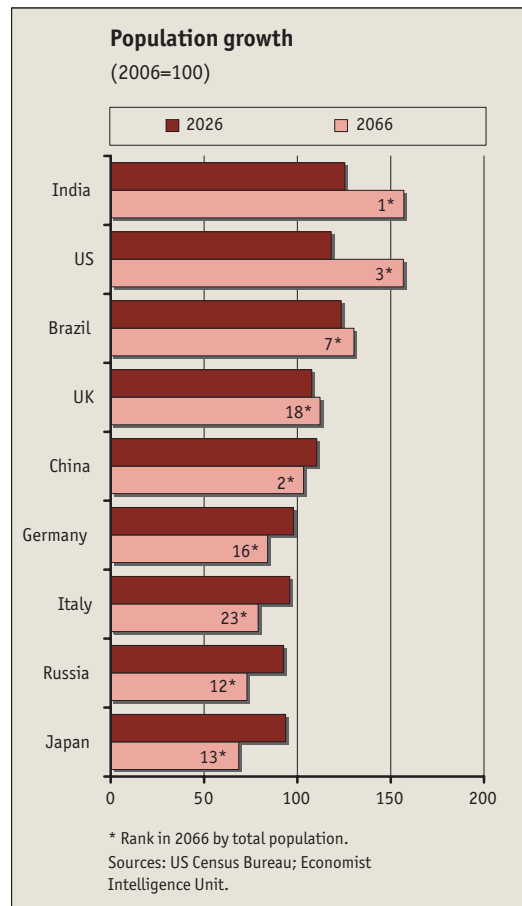
larger price tags. Hot-selling product lines include ready-made meals that can be eaten without chewing, smaller portions and batteries for hearing aids.

Ageing, coupled with the desire for higher quality of life and the growth of a service-oriented economy, will generate a boom in healthcare services. Health spending is set to grow in line with demand for geriatric care, as people continue to live into their 90s. In the US, healthcare is set to become the fastest-growing sector, in terms of employment. Life sciences, biotechnology research firms and big pharmaceutical companies will co-operate closely on new products. China and India can also play a role in research and development. State-run health systems in Europe will be stretched, creating an increasing role for the private sector.

The automotive industry provides another example of multiple challenges. By 2026 Asian consumers will account for almost one-half of worldwide sales. This will prompt demand for small, easy-to-drive and low-cost cars. Carmakers in developed markets, however, will face declining customer loyalty. In Europe and North America, there will be a sizeable niche for up-market, higher-quality vehicles. As in retailing, it will be mid-market producers that face the toughest challenges.

Auto and other manufacturers in the developed world will still hold advantages in high-value-added and capital-intensive activities. Proximity to customers will also be critical, which is why Japanese carmakers will continue to build new plants in North America and Europe. Rising demand for the personalised products will lead to customisation locally. But the low-cost emerging world will still attract the generic and easily automated manufacturing processes.

With more than 100m cars being sold each year by 2026, mostly in Asia, this will generate huge demand for energy, keeping prices high and volatile. That will mean exploring harder-to-get-at oil and gas fields, and an increased drive for



environmentally friendly technologies and alternative energy sources. Environmental concerns will become a key factor in the changing markets, in terms of the products that are bought, lifestyle aspirations and government regulations.



## 2066 and all that

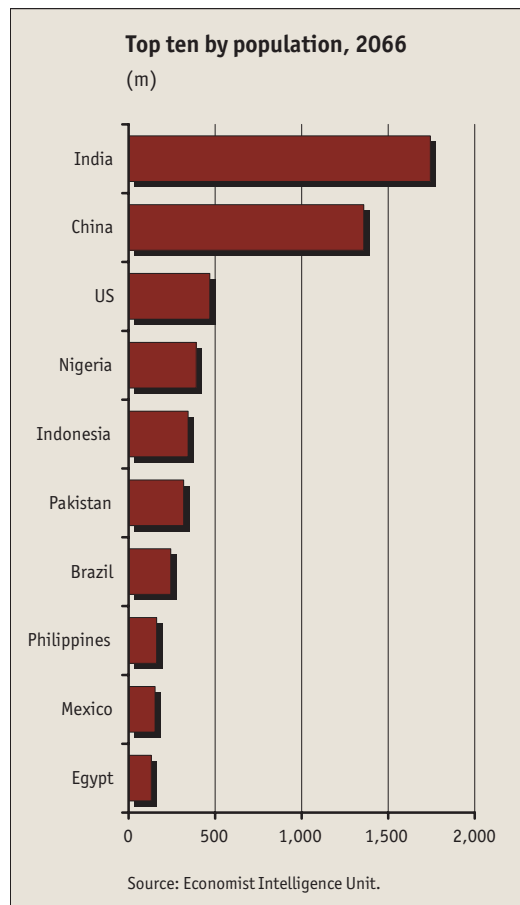
**P**icturing the next 20 years is relatively easy; imagining life 60 years hence—holidays on the moon, daily meals replaced by little green pills, Woody Allen's orgasmatron—borders on the science fiction. Or does it? We don't have to resort to flights of fancy to make sensible extrapolations. In fact, we can safely say that we are totally confident that scenarios painted below will indeed come to pass in 2066. For a start, demographic trends, which are difficult to reverse, will be reasonably well known at least to mid-century. We can fairly predict that in 2066 the world will become middle-aged, with the median age rising from 28 today to around 40. One in five people will be at least 60 years old, compared with one in ten today.

Ageing will have a major impact on politics, economics and business, especially in the developed world. The modern welfare state will have come to an end, with the public sector in developed countries doing less than in the past. Most major economies, with the exception of India and the US, will struggle with shrinking workforces.

We can also take a fair guess that scientific innovation will accelerate the pace of change. The spread of the Internet alone will have a revolutionary impact. An estimated 10% of the world's written information is currently available online; and only one in five people has access. In 60 years' time, computers will have become more powerful, fully integrated into other electronic and communications devices, and will have spread to the vast majority of the world's population. This may mean an almost instantaneous, global supply chain, a more unified media, and free communications anywhere, anytime, by and to anyone in the world.

Perhaps more difficult to predict will be progress in biotechnology. The mapping of the human genome is proceeding more quickly than

expected, and is already yielding significant discoveries. By 2066 this project will be complete, and will transform our knowledge of personal health, and make it easier to identify hereditary illnesses. We will live longer, and be taller, stronger and healthier, assuming that the world manages to avoid a global pandemic of one form or another. Practical applications for genomics and genetics will make biotechnology one of the century's booming fields.



Along with biotechnology, robotics, pioneered in Japan, will spread rapidly across the globe. As workforces are replaced by robots, the demand for ever-new effort-saving devices will translate into new demand for ever more sophisticated robots, and therefore jobs for designers and maybe manufacturers too (although these could be done by other robots). Every household in Japan will own at least one robot by 2015, according to government officials. Robots as pets, or grandchildren even? The first signs are already here.

Such technological developments will play havoc with patterns of economic growth, but will certainly favour those countries with strong educational systems, a young population and a culture of innovation. Asia will benefit, and by 2066 the Asian century will be in full swing. In real terms, six of the ten largest economies in the world will be in Asia. This will still include Japan, clinging onto ninth spot despite a population shortfall of 30m people. Its influence in the region will have been surpassed by China, India, Indonesia, South Korea and possibly even Pakistan. Economic output in China and India, on any measure, will be larger than that of the US.

However, the long-term effects of the Chinese government's one-child policy will become clearer in 2030 when the workforce starts shrinking. In 2066 China will be a nation of 1.4bn, struggling with issues of greying and possibly a dangerous urban-rural divide. India's population, by contrast, will have increased to 1.7bn people and the size of its workforce will be growing.

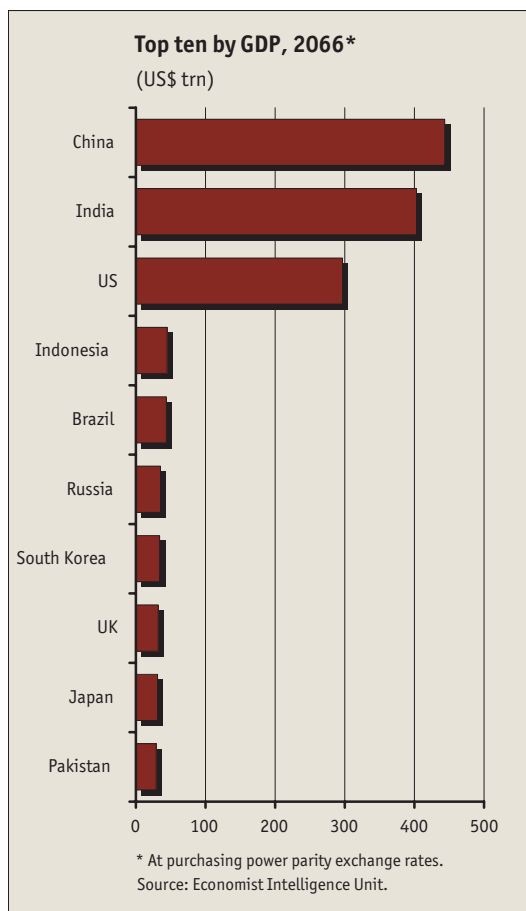
### The fall and rise of empire

Relative economic strength will underpin geopolitical influence. By 2066, the US will have relinquished its hyper-power status. Although it will continue to have the most bombs and rockets, and cutting-edge military technology, it won't dare to act without the nod from a now very wealthy China and India. Indeed, as the US population gets older and its dominance wanes, it may become more inward-looking, and less willing to take on foreign military responsibilities in a multi-polar world. Instead, it will focus on

relations to the south, as a source of immigration, and the demand for its products in the Pacific Rim. ASEAN will become more important than NATO.

The Middle East will continue to have its trouble spots, as Israel, the Palestinians and the Arab world continue to talk about talks, while reverting to intermittent fighting. Western reliance on Middle Eastern oil and gas may diminish as a result of energy-saving reforms and new fuel technologies in cars. Iran, however, will have asserted a pre-eminent position in the region, as its population expands, and it bristles with nuclear weapons. It may even have become a friend of the US.

The EU will be transformed. One in two or three EU citizens will be over 60 years of age, with the shortfall in working-age people in western Europe



being made up by Ukrainians, Russians, North Africans and Turks, most of whom will be members of an enlarged but looser Union. However, the issue of enlargement and more specifically immigrants will remain a sore point, as Europe's ageing population accepts that it cannot live with them and cannot live without them.

Britain, as one of the few EU members with a growing population, will have regained some of her former lustre, as she becomes Europe's largest economy again. Despite some wobbles along the way, a deeply held commitment to liberal economics and political tolerance means that international talent and money will continue to flow through London. The price of the average house will be worth several million pounds, but all homes will be environmentally friendly and self-sufficient.

### Global warming, corporate dinosaurs

Environmentalism will have become a central part of political and economic life. Even modest increases in average temperatures will create increasingly extreme weather patterns. Models suggest that a rise in the average temperature of 0.5°C-1.0°C is quite possible over the next 20 years. Another degree or two seems quite likely by 2066. Depending on how chronic the situation becomes in the next six decades, political parties may be organised around the issue of global warming, and the economic sacrifices that society

### Globalcorp 2066?

1. Exxon-Hydro
2. Tatasoft
3. Quaero
4. GGS (formerly Google Goldman Sachs)
5. Shanghai Automotive
6. RambaxiPfizerSmithKlineBeechamNovartis
7. OxbridgeHarvard
8. MyMcSpace
9. WholefoodsTesco
10. BollyDisney

### New countries by 2066?

Abkhazia, Catalonia, Chechnya, Corsica, Euskadi, Flanders, Guangdong, Kosovo, Kurdistan, Padania, Palestine, Puntland, Quebec, Sardinia, Scotland, Siberia, Somaliland, South Ossetia, Tibet, Transdniest, Wales, Wallonia, Western Sahara, Xinjiang...

must make to keep the world from overheating. The Stern report of 2006 will mark the start of a sustained attempt by governments around the world to address global warming. It will miss some of its targets, but the human race will survive.

The needs of the environment and ageing populations will loom large in every corporate strategy too. Biotech and big pharmaceutical companies will work ever more closely to apply scientific discoveries. Today's emerging-market corporations will become the multinationals of tomorrow, but will be so globally integrated that they become indistinguishable by nationality. New companies will emerge and grow to colossal strength within a single year as new ideas and technologies are rolled out almost instantaneously, and existing conglomerates merge to survive. Other former giants will disappear equally fast.

Tens of thousands of truly giant global enterprises, larger than anything seen before, will roam the earth hunting for profits, merging and spawning offshoots at an ever faster rate. But this won't be the capitalist nightmare feared by anti-globalisation protestors. Instead, they will be working for these companies, which, in turn, will have turned their attention to solving global problems of disease and poverty as they realise that it is their own employees who are dying of AIDS and their potential customers still too poor to buy their products. Thus the UN's Millennium Development Goals will finally be achieved in all regions, albeit 40 years later than planned, and by corporations not governments. Big branded multinationals (see table) will be seen as a power for good, and everyone will cheer in 2066 when the Dow Jones

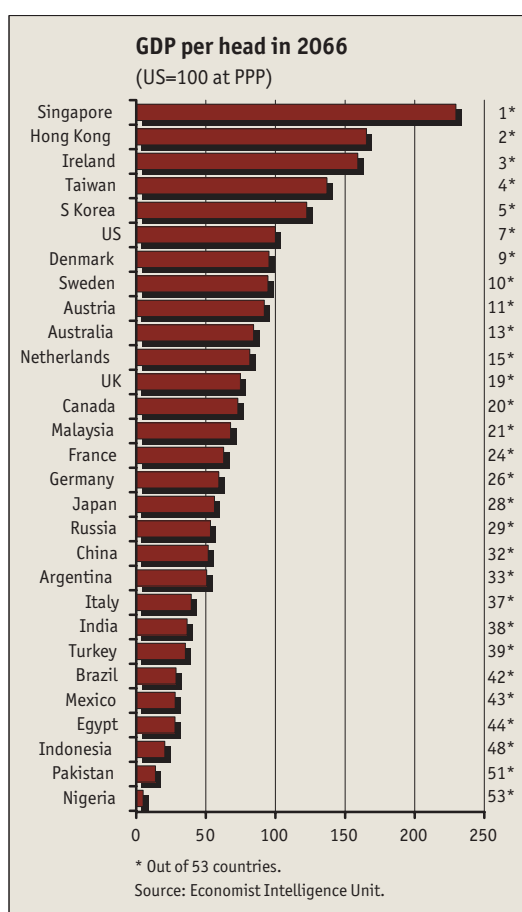
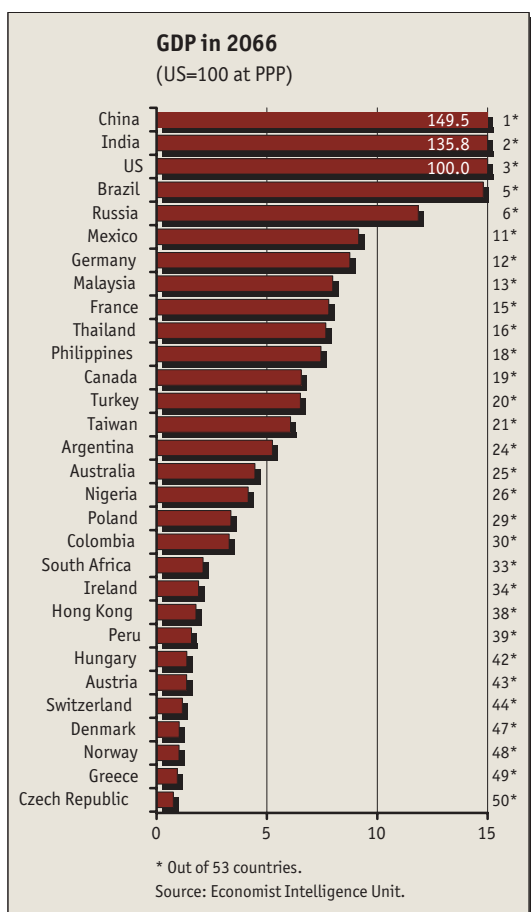
index, after enjoying 60 years of 12% compound growth, hits the ten million mark.

### Threats to rosy scenarios

How, readers may ask, can we be so certain of all this? For sure there are threats to the scenarios outlined above; nuclear war, environmental miscalculation, a strike by an asteroid and the emergence of revolutionary technology, to name but four. It is safe to say that nuclear weapons are more likely to have proliferated than to have disappeared by 2066 (although some form of nuclear defence system may be developed). Mutually Assured Destruction may have saved a bi-polar world in the previous century, but how might nations cope with a nuclear "Mexican

stand-off", with several powers simultaneously pointing their nukes at one another?

Tensions can come from many sources. Rising economic nationalism will create friction in Asia, especially in competition for natural resources. This has the potential to worsen as Japan's star fades and old rivalries with China and South Korea come to the fore. North Korea and Taiwan may also be flash points, although their reintegration into a dynamic and powerful Chinese sphere of influence is more plausible. And there are the delicate relations between nuclear-armed India and Pakistan, which could explode at the drop of a grenade pin. The greatest political danger, however, will be in the Middle East, where religious differences, ancient hatreds, oil-



dependent economies and stunted political life could easily last another six decades.

Perhaps the greatest threat of all is a more rapid overheating of the planet than expected. Recent studies in the UK have been especially gloomy. The UK's Meteorological Office recently released a study showing that the incidence of drought is expected to increase significantly by the end of the century. Using a climate model that looked at the impact of global warming, scientists at the Met Office's Hadley Centre warned that regions affected by moderate droughts could double to affect half the earth's surface within the next 100 years. More troubling is that whereas 1% of the earth currently suffers from extreme drought, nearly one-third could by 2100. And if the drought does not get us, the rising sea levels might. In either case, hope lies in technology, either to reduce greenhouse gases or by allowing people to survive somehow in the sweltering, drought-ridden conditions of 2066.

But if we don't assume the worst, then we feel confident of one particular image of the future—of an eccentric figure, talking to his robot, while trying to stay cool in the record-breaking heat of another Mediterranean London summer. He could well be an analyst from the Economist Intelligence Unit. And he's probably discussing what the world will be like another 60 years hence.

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