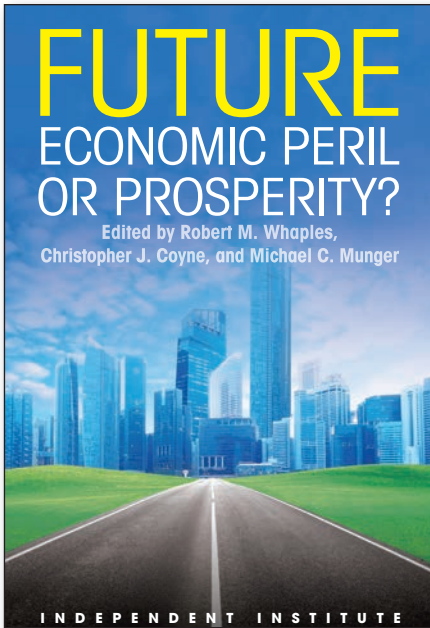


FUTURE

Economic Peril or Prosperity?

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Book Highlights



- **Barring an unforeseeable major catastrophe, the next 50 years are likely to bring unparalleled improvements in healthcare, education, transportation, energy, work life, and much more—but not if misguided government policies create major obstacles for entrepreneurship and the market economy.** If left unchecked, laws and regulations that reduce incentives to invent, discourage risk taking, and penalize wealth creation could hamper new technologies and business practices that would otherwise deliver greater material well-being for all.
- **More innovation and prosperity would help solve many societal problems, but they could also present tomorrow's social entrepreneurs with significant new challenges.** Greater per capita income, along with an array of enticing alternatives for unmarried people, could hasten the erosion of marriage and the two-parent family, thereby reducing parents' investments in their children, increasing childhood poverty and infant mortality, and diminishing adults' subjective well-being. A world of abundance may have no shortage of complacent people ambivalent about living a proud life of productive achievement.
- **The coming “Uberization” of the economy will change everything.** No sector will be untouched by the on-demand business model. Major change will come even to traditionally stable consumer products such as household laundry detergent—in this case by the rise of pick-up laundry services. Goods will be transformed into services as consumers ask themselves, “Why own when you can rent?” The sharing economy will change not only the structure of entire industries, but also the nature of work and community life.
- **Sensors, automation, smart appliances, and the Internet of Everything will become fully integrated into a “central nervous system” for the home, enabling household amenities to adapt to your ever-changing needs at prices you can afford.** Innovations in energy storage and distribution will transform the retail market for electricity. Households will be able to generate electricity and sell it to other buildings via digital smart-grid technologies. New markets, business models, and regulatory institutions will emerge that we cannot yet imagine.
- **Bitcoin and other cryptocurrencies will not become widely adopted, let alone dislodge established government monies as the leading coin of commerce.** Barring the unlikely event of hyperinflation or government support, bitcoin and its rivals will remain niche monies because most consumers strongly favor currencies they already rely on. But although cryptocurrencies won't enjoy widespread usage, the blockchain technology they use will become standard in conventional digital payment systems.
- **The U.S. government is heading toward default on its debt obligations.** The likelihood of default will prompt major changes in Medicare and Social Security. But even with entitlement reform, federal spending will claim a larger share of GDP in 50 years than it does today. By 2066, the United States will have dropped several rungs lower on international rankings of economic freedom. Less-developed economies that move toward free markets, private property, and the rule of law will enjoy much faster economic growth rates.
- **Private education may be the best—and only—hope for rolling back government power and restoring lost liberties.** Diminished privacy, restrictions on freedom of contact, and growing dependency on the federal government are trends that become increasingly hard to reverse, especially as younger generations who grew up with these encroachments see them as the norm. But if new technologies and innovations make private education widespread, more people will learn about non-government alternatives for solving society's problems, and the moral resolve to restore individual rights and establish free societies will strengthen and spread.

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Synopsis

What will the economy look like in 50 years? How will our lives as consumers and workers be transformed by the coming innovations in technology, the marketplace, and the workplace? How will changes in demographics and dependency affect our political system? Will economic freedom rise or fall? What, if anything, would greater prosperity do for one's total well-being? ***Future: Economic Peril or Prosperity?*** poses these and related questions to a diverse group of economists whose predictions will inspire thoughtful consideration and debate. As co-editor **Robert M. Whaples** writes in the introductory chapter, "The predicted changes range from innocent innovations that will make life a bit more comfortable...to potentially chilling technologies that might strip our human dignity."

Just as important as the book's predictions are its insights into how we should think about an uncertain future. As humorist and social critic **P. J. O'Rourke** shows in his erudite chapter on self-fulfilling prophecies, wildly wrong predictions are not limited to the likes of a Nostradamus or a Karl Marx: even a Nobel laureate economist running a billion-dollar hedge fund can lose the farm (and other people's money) through an overly confident misreading of the economic tea leaves. And yet, perhaps only by delving more deeply into long-term forecasting, and reflecting on past mistakes, can we minimize the hubris that so often clouds the judgments of prognosticators in academia, business, and—perhaps especially—government.

Informative, contentious, and at times inspirational, ***Future: Economic Peril or Prosperity?*** is an invaluable aid for anyone who understands the need to prepare for the future, even if that future cannot be fully anticipated.

Future Abundance versus Government Overreach

Prominent thinkers more than a century ago often believed the march of material and moral progress was unstoppable. Today this naive viewpoint strikes us as quaint. And yet many believe that a world of widespread abundance is just over the horizon. In contrast, the contributors to ***Future: Economic Peril or Prosperity?*** believe that future prosperity is contingent on variable factors such as whether or not the legal and policy climate is conducive to innovation, private investment, and job creation.

Progress requires economic freedom, but governments routinely encroach on those freedoms. The regulatory state, as **Pierre Lemieux** notes, now reaches every corner of the economy, from safety standards in heavy industry all the way down to licensing requirements for running a lemonade stand. This "regulatory megatrend" will bring us to the crossroads: in one direction is a world in which government extends its tendrils more deeply into the economy, damaging liberty and opportunity—in the other direction is a world in which regulatory retrenchment allows greater freedom and prosperity.

Brian F. Domitrovic casts the alternatives somewhat differently: the future will see either a government that extracts a growing share of private wealth (and piles on more anti-competitive regulations for the benefit of special interests), or a government that chooses to limit its role. Only under the latter scenario can the economy break free of the cycle of boom and bust and ride

an exponential growth curve to ever-increasing, near-universal prosperity, he argues.

Government regulation often targets behavior deemed unhealthy. **Janet A. Schwartz** and **Dan Ariely** compare two strategies for dealing with the clash between short-term pleasures and long-term interests: “soft” paternalism, such as nutritional labeling, and “hard” paternalism, such as restrictions on sugary soft-drinks and other products. The best approach, they argue, may be to take a path between hard and soft paternalism, one that encourages good behavior while allowing individual choice.

Excessive taxation and regulation are not the only public-policy threats to economic progress and personal freedoms: government spending can also take a heavy toll. **Benjamin Powell** and **Taylor Leland Smith** argue that without dramatic cuts in public expenditures or significant increases in revenue, the government cannot repay its debt. But this cloud may reveal a silver lining: a fiscal crisis would likely prompt citizens and politicians to reassess the government’s role in the economy and to consider policy alternatives grounded in free markets and civil society.

David R. Henderson predicts that the U.S. government will default on its debt within the next few decades. One consequence: Medicare and Social Security will be scaled back. Yet by 2065 federal spending will account for a larger share of GDP than it does today—up to 25 percent. Greater public expenditures and decreases in economic freedom will slow economic growth in the United States and other developed countries, but economic freedom will likely improve in the developing world, leading to higher rates of economic growth.

Some of the greatest challenges to economic freedom and prosperity will come from the dynamics of government power. **Charlotte A. Twright** notes that the U.S. government’s vast authority over education, health care, and trade has created organized constituencies that benefit from and help to preserve government power. This unhealthy dynamic, she argues, can be stopped only if young people, encouraged by a decentralization and privatization of education, begin to think differently about the role of government and decide to push against state encroachment in all areas of life.

Prosperity and the Labor Market

Future: Economic Peril or Prosperity? is an antidote to the foreboding prophecy that the rise of robots and automation will completely displace the need for human labor. While it is

true that inventions such as self-driving cars will change how much we work and what kind of work is available, a reduction in work will not mean the end of prosperity.

But it will present new challenges. **Brink Lindsey** warns that as technology takes over more of our economy, lower-skilled workers with scant job opportunities may drop out of the workforce altogether and become dependent on government assistance. A decline in labor hours could lead to the climax and fall of GDP. But even decline in GDP may not spell a decline in the quality of life, as greater labor productivity will lower everyone’s cost of living.

Russell D. Roberts also foresees a future of falling prices. Software innovations will make high-quality healthcare more affordable, make a good education within the reach of anyone with online access, cut traffic accidents, and improve transportation and mobility. These changes will drastically change labor markets: some workers will be displaced and others will end up working less. But software-driven progress is not inevitable: innovation-choking regulations and special-interest politicking are serious threats.

Technological Predictions

New technologies have already begun to change relationships between consumers and producers. Fostered by the Internet’s facilitation of new networks of exchange, these changes will transform the world of commerce.

Uber and Airbnb are just the tip of the iceberg, according to **Michael C. Munger**. The sharing economy will turn almost every product into an asset with income-earning potential, resulting in a third great economic revolution. (The Neolithic transition from nomadic hunting and gathering to agriculture and the industrial revolution were the first two.) Consumers will own less but rent more. The importance of distributors and middlemen will plummet, as individuals manage more of their own commercial interactions. Prices will fall, energy use will decline, and the environment will benefit.

As people buy less and rent more, the demand for many manufactured goods will fall, resulting in dramatic changes in employment patterns. **J. Walker Smith** predicts that all consumer goods will be available as a service and all consumer services will be available on demand. The on-demand, sharing economy will also usher in an even more fundamental transformation: the rise of new relationships between producers and consumers, affinity networks, and other new forms of community will change the nature and meaning of work.

What role will bitcoin and other alternative digital currencies play? While some have praised their potential, **William J. Luther** doubts that much will become of them. Unless they somehow manage to overcome the incumbent advantages of government-sponsored monies and reduce the costs for consumers to switch to new payment systems, bitcoin and its brethren will likely continue only as niche monies or substitutes for very weak currencies.

Technological innovation will, however, have a major impact on how we use electricity, according to **L. Lynne Kiesling**. More and more household products will be programmed to respond to patterns of human behavior. As machine intelligence becomes adopted in the home, electricity usage will become more efficient and less expensive. Technologically advanced homes will connect to a smart grid and be able to sell electricity.

Pessimistically Optimistic

It is easy to take a narrow view of human history, focusing only on the slice of time in which we live. In the midst of current worries about the future of employment, growth, and culture, **Art Carden** and **Deirdre N. McCloskey** urge us to keep in mind the history of human progress. A new economic liberation is underway, as technological innovations spread across the world, combating poverty and other social ills, and dramatically improving individual wealth and well-being. The trend is cause for great optimism, although it is not inevitable.

The trend is especially vulnerable to coercive powers that could damage productivity and liberty. But an overbearing state is not the most fundamental human-made threat to progress, **Peter J. Boettke** notes. That designation belongs to self-defeating moral views. Not only do certain beliefs, attitudes, and choices give rise to government overreach, they can weaken the urge to innovate or to rely on voluntary means for meeting one’s material needs. The future will be filled with wonders, but the destructive mindset will likely remain with us and soften some of the glow that the future would otherwise generate.

Fifty years ago, most economists might have offered cautious confidence about our economic future. Fortunately, their greatest worries—nuclear war, overpopulation, and environmental depletion—did not come to pass. “Instead, things turned out mostly better than these economists probably would have expected,” Whaples writes in his introduction. “May we be so blessed.”

Praise for *Future*

“From P. J. O’Rourke to Deirdre McCloskey, lemonade stands to bitcoin blockchains, uber economics to omniphagic software, the power grid to the connected home, *Future* is a diverse and dynamic cornucopia of historians, futurists, humorists, prophets, and economists discoursing disruptively on the prospects for our 21st Century economy.”

—**George Gilder**, author of *The Scandal of Money* and *Wealth and Poverty*; Founding Fellow, Discovery Institute

“*Future* is exactly what I would expect from the Independent Institute. You will not likely have any sure answers when you finish reading this marvelous book, but I all but guarantee you that you will be asking far better informed questions than at the start. And given the confusing landscape called the future, that’s the whole point, isn’t it?”

—**Tom Peters**, Founder and Chairman, Tom Peters Company; bestselling author of *In Search of Excellence: Lessons from Americas Best Run Companies* (with Robert Waterman, Jr.) and other books

“No one knows what the future will bring, but we do know what policies avert economic calamity and foster widespread prosperity. *Future* provides a roadmap for adopting the essential measures of liberty, entrepreneurship, and innovation. I highly recommend everyone read this pioneering book.”

—**Rand Paul, M.D.**, U.S. Senator

“I predict that the hints of pessimism and caution expressed by the generally optimistic contributors to the book *Future*’s probing examination will all pale in importance relative to the achievements of the ultimate resource: The human mind.”

—**Vernon L. Smith**, Nobel Laureate in Economic Sciences, Chapman University

“Strategic thinking requires understanding of the impact and implications of our present decisions, and predictions for the next fifty years can be a valuable way to critique the state of our world today. The fascinating book *Future* succeeds admirably in provoking and informing about the directions our choices may take us.”

—**Garry K. Kasparov**, Chairman, Human Rights Foundation; 13th World Chess Champion; author, *Winter Is Coming*

“The great philosopher Yogi Berra declared ‘Predictions are tough . . . especially about the future.’ Anyone who looks back even a decade or two will realize how difficult it was to predict where we are now. But it is still a valuable exercise to contemplate future scenarios, what might lead to good or bad outcomes and try to steer toward the former. That’s why you should read *Future: Economic Peril or Prosperity?*, sixteen thought-provoking essays by distinguished authors on trends and technologies, government and freedom, out to 2065. They will get you thinking, likely in new ways, about new things, that will affect all you hold dear.”

—**Michael J. Boskin**, Senior Fellow, Hoover Institution and T. M. Friedman Professor of Economics, Stanford University; former Chair, President’s Council of Economic Advisers

“*Future* is a treasure trove. It demonstrates that sound economic thinking is still alive and teeming with insight, and reminds us that whatever the future brings it is markets, not state policy, which will best get us there.”

—**David A. Stockman**, former Director, U.S. Office of Management and Budget; former U.S. Congressman

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