

THE JOURNEY CONTINUES

Which developments of recent years will leave their mark on the history of the 21st century? On the global stage, undoubtedly the stagnation, and perhaps even the demise, of globalisation. In the realm of financial markets and economic events, it will be the end of the prolonged descent of interest rates below zero and the resurgence of long-forgotten inflation.

Both of these phenomena can be traced to the same origin. Without the supply disruptions caused by the Covid-19 pandemic and the war in Ukraine, inflation might have been delayed further. The open floodgates of money during the pandemic led to excess demand on the consumption side, which could not be met on the supply side due to ships waiting in harbours and goods containers piling up. Inflation always has a real and a monetary backdrop.

We have not reached the end of the line in terms of productivity gains. Innovations will usher in the next wave of globalisation. And this one will also have a deflationary impact.

How did we previously get so comfortable with the idea that practically everything would continually become cheaper and better? Because for over 40 years, a technological surge had effectively transformed the entire world, and because China's entry into the global economy had ensured low-cost labour for many years.

What's next? Have we reached the end of the line in terms of productivity gains, and will the return to mercantilistic selfishness sound the death knell for globalisation? Many currently believe so. I dare to doubt it. Here two relevant observations:

First, a visit to Huber+Suhner's factory in Herisau. We tour the production of fibre-optic cables. These are countless intertwined, ultra-thin threads that are protected against mechanical external forces and excessive bending and serve data transmission. Without such cables, the previous era of globalisation would have been inconceivable. Cables from Herisau, Switzerland traverse all the oceans of the world. A staff member casually mentions that future threads will be hollow, and data will be transmitted through them using laser light through the vacuum. Result: acceleration of the process to the speed of light, unhindered by the material of glass. Almost as it would be in outer space.

Second, an article in the Frankfurter Allgemeine Zeitung (FAZ) about quantum computers. A German-Finnish startup called IQM Quantum is apparently working on building an affordable quantum computer the size of a PC. It has the potential to multiply current computing capacities several times over – and this for general use!

These two innovations, interconnected, will usher in the next wave of globalisation. Namely because there will no longer be any reason not to perform any task decentrally. The next wave of globalisation will also have a deflationary impact. Efficiency will spread across a truly interconnected world like quicksilver. The journey continues.

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