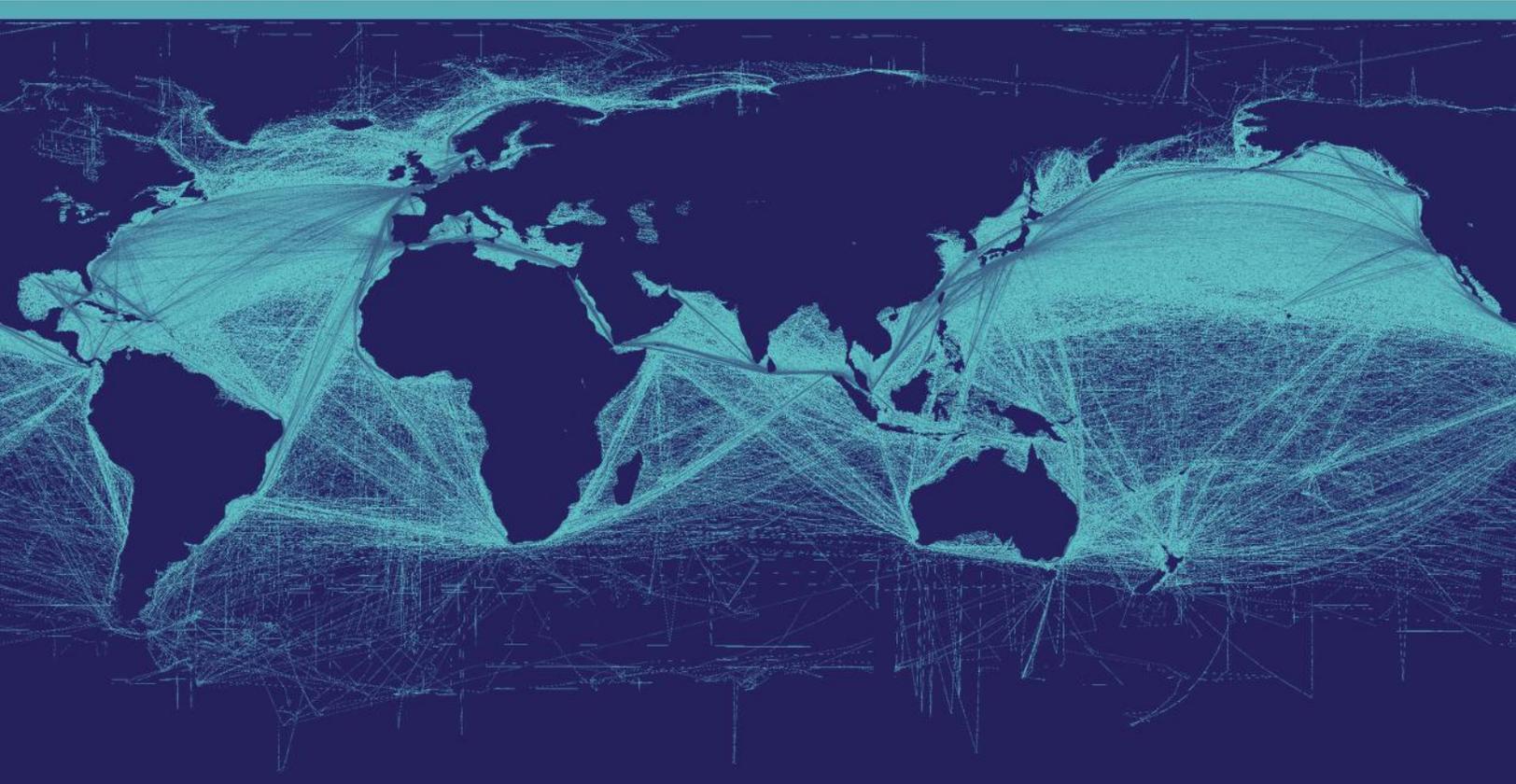


# The world in **2050**

Striving for a more just, prosperous, & harmonious global community



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# Overview

**Harinder S. Kohli**

This book takes a long-term perspective of economic and social outlook of the world to 2050. Its main focus is on the emerging and developing economies of today. But given the increasing interconnectedness of our world, it inevitably considers the likely evolution of the world economy as a whole. Given its long-term perspective, the book focuses on cross-cutting, intergenerational issues that often get overshadowed by the short-term crises and political preoccupations of the day.

The book is a joint effort of a multidisciplinary, multicultural team of 26 authors who were born in twelve different countries on five continents. They all have lifelong experiences in economic and social development. While building on this experience, the book takes an analytically rigorous and, hopefully, dispassionate approach.

Before looking forward to 2050, the book first looks back at key economic and social developments during the past half century. At the same time, given the global economic turbulence since 2007, the still sluggish growth in much of Europe and Japan, a possible erosion in the global productivity growth rate, the bursting of the super commodity cycle of the past decade, and, in the last two to three years, the sharp slow down in many large emerging economies, questions have arisen as to whether the convergence achieved by the majority of emerging markets during the past sixty years was an aberration, whether the era of rapid convergence is over, and whether from now on more and more emerging market economies are destined to get mired in the middle income trap. Or, can the emerging economies once again resume their march towards ever increasing living standards through technological development and productivity gains? While the book attempts to address this crucial question by looking at economic fundamentals, its objectives are much broader and its policy agenda much more far-reaching and inter-generational as discussed later.

## **Historic context and transformation over the past sixty years**

For much of human history, until the advent of the industrial revolution in the 1700s, almost all human beings, irrespective of what part of the world they inhabited, lived in abject poverty. Everyone was almost equally poor, except for a very thin ruling class. And they remained unable to save or invest much in economic assets that would have helped improve their longer-term productivity and incomes. The life span of an average human being was much shorter (maybe half or less) than today. The quality of life of almost everyone was miserable, and human survival was a constant challenge over the millennia. All this began to change with the industrial revolution.

The industrial revolution gradually but steadily raised the economic productivity of the businesses, countries, and people concerned. Steady industrial jobs induced workers to move from rural to urban areas, accelerating development of modern cities, with better infrastructure and social services. Migration of workers from agriculture to industrial employment improved the productivity of countries as a whole. Around the same time, the European maritime nations opened and controlled global shipping lanes, starting a boom in global trade, in specialization, and in the creation of comparative advantages amongst countries, a process that continues to this day. National productivity and income levels, first of European countries and then of North America rose steadily, making the “Western countries” both richer and more developed. The rest of the world, much of which controlled by the European maritime powers, fell further and further behind in terms of productivity, competitiveness, and per capita incomes. Just before the industrial revolution, China and India alone accounted for over 50 percent of global GDP, not because they were richer than the rest of the world but because Asia had over 60 percent of the global population. By the mid-1950s, Asia’s share of global GDP fell to as low as 14 percent (all comparisons in PPP terms).

*With respect to the fundamentals, ten global megatrends can be expected to affect long-term economic and social prospects of all countries—rich and poor, big and small and therefore the status of the world in 2050.*

Given this economic history, the rapid rise of emerging economies during the last 60 years is all the more striking. Developing economies as a whole now account for over half of global output (55 percent, again in PPP terms). This is a total reversal from the G7 economies' share of the global output of 57 percent in 1960. In short, there has been a historic rise of the emerging market economies during the past 60 years.

As a result, the world as a whole is in the midst of a dramatic transformation of its economies, societies, as well as peoples' aspirations. Since the 1950s, almost all developing countries have become independent—many after centuries of being ruled by outsiders. Hundreds of millions of people have been lifted out of absolute poverty with the global absolute (income) poverty rate having fallen from 52 percent in 1981 to less than 10 percent in 2015. For the first time, the majority of the people in the world live in urban areas and over half of the world's 7.3 billion people could be classified as upper or middle class in 2015. And, more and more people are living under democracies.

But, these past successes have also, in turn, created or at least exposed a new set of challenges. New threats are emerging to our very wellbeing. Past growth in emerging economies has been uneven, and explained mostly by the rapid growth of Asia, led by China and now India. Many countries, indeed regions, still remain heavily dependent on the vagaries of the commodity markets. In much of the world, disparities in income and access to basic services remain unacceptable, and in many cases are rising. Countries are struggling to create meaningful jobs for their youth. At the same time, with the information and communications revolution, peoples' aspirations are rising much more rapidly than the rate of growth of their economies. Climate change, caused by human action (or inaction) threatens the very survival of our planet. Despite the promise of technological progress, it is highly uncertain if we can leave behind a healthy planet for future generations, unless there are major changes in the lifestyles of people throughout the world. Further, the rise of fundamentalism and the

emergence of non-state actors seem to threaten global and national security. Global governance and current international institutions appear ill-suited for the tasks ahead. Under these circumstances, it is all the more important to look at the economic and social fundamentals while taking a longer-term view of things, which this book attempts.

With respect to the fundamentals, ten global megatrends can be expected to affect long-term economic and social prospects of all countries—rich and poor, big and small and therefore the status of the world in 2050. The ten megatrends are:

1. **Demographics:** By 2050, the world will have some 9.7 billion people compared to 7.3 billion in 2015 and almost 54 percent of the net increase will be in Africa. All regions of the world will have aging societies and shrinking workforces (except for Africa and the Middle East). This sharp divergence in demographic trends combined with difficulties in creating jobs for Africa's bulging youth population will pose unprecedented challenges to the global community, far beyond the current immigration crisis in Europe. Except for Africa, the world at large will either have to learn to live with an aging and eventually shrinking population, or accept large-scale immigration. Fortunately, in terms of economic growth in the medium term, the demographics could still be a strong positive force for developing countries. With the major exception of China, most developing countries will continue to enjoy the demographic dividend at least through 2040, provided of course they are able to provide quality health and education services for their growing populations and generate meaningful jobs for the youth.
2. **Urbanization:** The pace of urbanization will accelerate, with two thirds of the world living in urban areas as North America, Latin America and Europe already do. Asia and Africa will face an avalanche of urban migration between now and 2050, with

*Continued globalization of trade and investment will lead to an even more intertwined world.*

China, India and Nigeria alone likely to add a billion people to the urban population. These trends could be a powerful force for productivity enhancement, creation of low carbon economies, overall economic growth and improvements in the quality of life, but will also require huge investments and extensive urban planning and management capacity to create modern, smarter, safer and more livable cities.

3. Globalization and international trade: Continued globalization of trade and investment will lead to an even more intertwined world. As East Asia has amply demonstrated during the past sixty years, embracing globalization prudently can accelerate productivity growth, facilitate convergence with the global best practices and help increase peoples' incomes and living standards. Continued globalization would permit steady growth of emerging and developing economies. But, this will require suitable national policies as well as an open global trading system. The failure of the Doha round and the advent of a new generation of mega FTAs could cause further fissures in the global trading system to the detriment of the less-developed countries. To prevent that from happening, the WTO needs urgent renewal.
4. Globalization of finance: Continuation of the past trend towards larger, more global and integrated but also more volatile financial markets will create more opportunities and could act as a strong positive force for economies—both developed and developing—with well-functioning financial systems. But even for them, it will create new risks that will need careful management. Bottom-up efforts by countries to adopt policies and regulations to reduce the recent excessive reliance on the more risky debt instruments and enhance countries' resilience to shocks, combined with further fundamental reforms of the global monetary, financial and taxation systems and institutions are necessary to prevent reoccurrences of costly global financial crises.
5. Rise of a massive middle class: This trend will be a natural outcome of the continued (inclusive) economic growth. By 2050, 84 percent of all people in the world may belong to upper or middle class. As in the current developed countries, emergence of large middle classes can potentially be a powerful positive force for economic and social development. Societies in developing countries will increasingly be driven by their (new) values and rising aspirations, but the existence of large middle classes will also add pressures on the political leaders to keep their promises, deliver concrete results and be held accountable. There will be increased pressures to reduce corruption and improve the rule of law.
6. Competition for finite natural resources: Under the central scenario of this volume, by 2050 people in as many as 84 countries could enjoy living standards equal or better than those of Southern Europe today. The fundamental question is whether the earth can sustain the demands of the resulting 4 billion or more new upper and middle class consumers if they choose to replicate the current lifestyles of Western consumers, or would people throughout the world agree to move to a different lifestyle that would demand far less from the earth? Far-reaching actions are needed both at a policy level and in people's habits and lifestyles to resolve this dilemma, as proposed throughout this book.
7. Climate change: This is possibly the greatest global common threat of our generation. Its resolution is in the enlightened self-interest of all countries—including developing countries—and requires cooperative global efforts. Global warming, while harmful to all, will cause the most economic damage to the poorest countries in Africa and

*The impact of these megatrends on individual economies or regions will obviously vary, and may change over time.*

Asia. Green growth and a dramatic reduction in the carbon footprint of all human beings are both necessary and feasible. Political commitments made at COP-21 in Paris, while most welcome, must be implemented with the greatest sense of urgency and seen as a shared moral obligation to the future generations.

8. Technological progress and breakthroughs: Progress in this area offers tantalizing prospects of solutions to many current and emerging societal problems, including: climate change; energy and food security; medical care for all (including the elderly); provision of services to the bottom billion; leapfrogging of the emerging and developing economies to the global best practice in many economic activities; and perhaps even accelerate the pace of growth of the global productivity frontier itself. But, for this promising technical progress to occur in reality and be sustained over the longer term, all countries and businesses must give higher priority to research and development. The new scientific and technological know-how so created must be treated as a global common good and its flow facilitated worldwide, while keeping intact the incentives for the private sector.
9. Historic rise of emerging market economies: A major shift in global economic power is underway, from the west to the east and from the north to the south. By 2050, just over half of global GDP will be generated in Asia alone. Between now and 2050, China and India by themselves may account for half of the net growth of global GDP. And, in some scenarios, at least three fourths of global output will be in the emerging and developing economies. As a result, at least economically, the world will move from being unipolar to multipolar. Global governance needs to be transformed to reflect this new global economic landscape.
10. Emergence of fundamentalism and non-state actors: Violent non-state actors pose potential serious threats to global security and rule of law. Unless contained, they may derail the very process of economic development and growth throughout the world. To combat their serious threat to global peace and security, concerted cooperative global actions are urgently needed, together with an all-out effort to promote higher and more inclusive growth to raise peoples' faith and hope in a peaceful world order.

The impact of these megatrends on individual economies or regions will obviously vary, and may change over time. Also, these megatrends are not standalone but are interrelated. They feed into each other, reinforcing or offsetting each other as the case may be.

#### **Drivers of future long-term economic growth**

Fundamentally, a number of favorable factors are expected to drive the long-term growth prospects of emerging and developing economies. These positive factors fall in three broad categories. First, the countries' improved domestic policy and institutional environment (though much more can and needs to be done in all these areas). In most countries, the macroeconomic management today is much better than was the case in the 1980s and even the 1990s. Financial systems are also generally much better in most countries. Banks are stronger than they were, with better prudential regulations and supervision. A vast majority of countries have instituted structural reforms both at national and sectoral levels and have also increased competition through domestic and external sources to improve the efficiency of their economies and to enhance functioning of the markets. Additionally, the countries have strengthened the capacity and functioning of the domestic institutions critical in a modern economy. Finally, and most importantly, almost all countries have made and continue to make concerted efforts to improve their human capital and develop infrastructure to facilitate higher and

*The study generated multiple scenarios from Centennial's econometric model by asking "what if" questions.*

more inclusive growth; however, both these crucial areas require much further work almost everywhere.

Second, and conceptually most fundamentally, in almost all developing economies there is still a significant gap vis-a-vis the global technology frontier and hence, there is considerable scope for continued convergence with the advanced economies. As mentioned, almost all emerging and developing economies (except China) will have favorable demographic prospects for the next few decades. Also, most regions—led by Asia—have high savings and productivity growth rates that should yield high economic growth over the longer term, provided that the countries continue to follow economic policies that will help them avoid the middle-income trap. Countries in Africa, the Middle East and Latin America can improve their savings, investment and productivity growth to realize their full economic potential. New sources of growth, such as high value-added services, offer significant promise for countries with well-developed human capital. Further industrialization can be another potential source of employment, investment, and technological change, as demonstrated in the past by many successful countries particularly in East Asia but also Turkey and Mexico, all of which embraced open trade and integration with the global economy. All economies can create jobs and unleash new avenues of growth by adopting open economic structures and improving business environment.

And third, a careful review of the global megatrends as discussed earlier suggests that on balance they could act as a positive force for the vast majority of emerging and developing economies between now and 2050. Megatrends that have a clear potential to be a positive force are: demographics; urbanization; globalization of trade and finance; scope for improving agriculture productivity and food security; potential for technological breakthroughs and information revolution; and the coming massive rise of the middle class. These trends could all work to the advantage of agile economies. But, if not well managed, they could also prove to be major headwinds to some countries.

On the other hand, some other megatrends such as climate change, persistent or rising inequities as well as the recent emergence of fundamentalism and threats from non-state actors to national and global security are likely to be detrimental to most countries, developing and developed alike. Consequently, all countries need to work at the national level as well as join global cooperative efforts to meet these common global challenges. Overall, the global megatrends are likely to facilitate rather than hinder the march of the emerging and developing economies towards better living standards and prosperity for their citizens.

#### **The world in 2050: Alternate scenarios**

The study generated multiple scenarios from Centennial's econometric model by asking "what if" questions. The objective was not to develop definitive projections but rather a set of scenarios under varying assumptions in order to visualize the impact of things going well or going badly, both for the factors used in the standard growth model and under the global megatrends, where their impact could be quantified with a reasonable degree of confidence. The study presents just four of these scenarios, in order to allow a simple and clear presentation.

The scenarios revolve around a "central" scenario considered most plausible for the global economy. A crucial assumption under this scenario is that the global productivity frontier (the United States economy) will continue to improve at an average annual rate of 1 percent, as it has for the past 100 years or so. It further assumes that only the advanced economies that have performed well in the past 20 years or so will continue to move at the same pace as the United States and similarly that emerging and developing economies that have a record of successful convergence in the past will continue to converge in the future as well. It also presents two further scenarios for the emerging and developing economies called "strong policy" and "poor policies and low productivity." Under the strong policy scenario, the assumptions about the global productivity frontier and the advanced economies'

*Under the central scenario, today's emerging and developing economies would grow at an average annual rate of 4.1 percent over the 2016-2050 period, in comparison to a rate of growth of 2.0 percent for today's advanced economies.*

performance remain the same as in the central scenario but policy performance of emerging and developing economies is improved significantly. On the other hand, the poor policies scenario combines two simultaneous adverse developments: a large number of emerging and developing economies fall in the middle-income trap as a result of their inability to maintain a reasonable policy regime and the global productivity growth rate slows to only 0.6 percent per year (as argued by some pessimists). While this scenario could be considered overly pessimistic, it cannot be ruled out altogether. The fourth scenario, even more optimistic than the strong policy scenario, assumes acceleration in the global productivity growth (as believed by some technologists) together with strong policies to test the impact of technical progress on the future of the world economy.

### Central scenario

Under the central scenario, today's emerging and developing economies would grow at an average annual rate of 4.1 percent over the 2016-2050 period, in comparison to a rate of growth of 2.0 percent for today's advanced economies. The average rate of growth for Sub-Saharan Africa would be in the order 5.1 percent, and that of Emerging Asia, 4.6 percent. Under this scenario the rate of growth of GDP in Latin America would be 3.1 percent and the Middle East 3.7 percent, and that of Emerging Europe 1.8 percent, about in line with the Advanced Economies. Over time, the rate of growth of the global economy will decline as countries converge toward the global best practice and also as population growth rates decline worldwide (except in Sub-Saharan Africa).

Under the central scenario, the world will be very different from the one we see today. By 2050, the global economy will triple in size to total \$335 trillion. The world will be significantly wealthier, with the global per capita income averaging close to \$35,000 as compared to \$15,000 today. Additionally, there will be dramatic improvements in the

income levels and living standards of people who live in countries currently referred to as "developing."

In 2050, as many as 84 countries will have GDP per capita higher than the average 2015 income of Southern Europe (Spain, Portugal, Greece, Italy). The distinctions between developed and developing countries that were so distinct half a century ago will have virtually disappeared. Perhaps even more importantly, as many as 5.5 billion, or 58 percent, of the world's expected total population of 9.7 billion in 2050 will live in these 84 countries; only 1 billion people, or 14 percent of the world's population, enjoy such affluence today. It will be a very different world indeed than the one we live in today.

By 2050, the center of gravity of the global economy will also have shifted to Emerging Asia, which will account for just over half (51 percent) of global output under the central scenario. China, India, Japan and Indonesia will lead the way in this process. The rise of Asia will bring Asia's economic share in line with its share of world population and bring back the balance that prevailed prior to the Industrial Revolution; though Asia's per capita income in 2050, at \$38,000, will still be less than half of that of today's advanced economies at that time (\$80,000).

By the end of the period, the three largest economies in the world, by far, will be China, India, and the United States (in that order), accounting between them for half of total world GDP. The top ten biggest economies will include just three other current advanced economies (Japan, Germany, and the United Kingdom). This list of the top twenty economies in 2050 excludes four members of the current G20 (Argentina, Australia, Italy and South Africa), and incorporates five newcomers (Nigeria, Vietnam, Pakistan, Egypt and the Philippines); currently, G20 also includes the EU.

Asia as a whole will account for about 62 percent of global growth between 2015-2050, and today's advanced economies for another almost 21 percent. The rest of the world will contribute less than 20 percent of global growth, unless of course the other regions step up their economic performance (particularly Latin America and Sub-Saharan

*On the contrary, the global 2050 outcomes could be dramatically worse if domestic policies are not as desired in most emerging and developing economies (particularly in the cases of China, India and Brazil) and if the rate of global productivity growth were to slow down dramatically.*

Africa, as postulated in the strong policy (optimistic) scenario outlined below.

### **Strong policy (optimistic) scenario**

The strong policy scenario differs from the central scenario by quantifying effects of two key “what if” questions. The first is what would be the outcome if most emerging and developing economies joined the club of fast growing “convergers”? The second is what would be the impact of this convergence occurring at a faster rate than that assumed under the central scenario? This of course assumes that the current non-convergers will successfully adopt the strong policies and institutional reforms needed to unleash the rapid catch-up process and accelerate productivity-driven growth. Hence, the name “strong policy scenario.”

Under this scenario, the average rate of growth of the emerging and developing economies group as a whole will increase from an average annual rate of 4.1 percent in the central scenario to 4.9 percent. Due to the effects of compounding, by 2050 the difference for the concerned economies becomes very significant. By the end of the period, the resulting global GDP will also be almost one quarter higher than in the central scenario. Additionally, while GDP per capita in emerging and developing economies will more than triple from its 2015 level under the central scenario (jumping from \$9,400 to \$28,500), it will nearly quadruple, reaching \$36,500 under the strong policy scenario (Figure 1).

Though the regional differences will still remain significant, they will become less pronounced. This is because the largest contributors to growth in Asia are already convergers: China, India, Indonesia and Vietnam. By contrast, growth in the less-dynamic regions under the central scenario (Africa, the Middle East, and Latin America) is much higher in this more optimistic scenario.

### **The poor policies and low productivity growth**

### **(pessimistic) scenario**

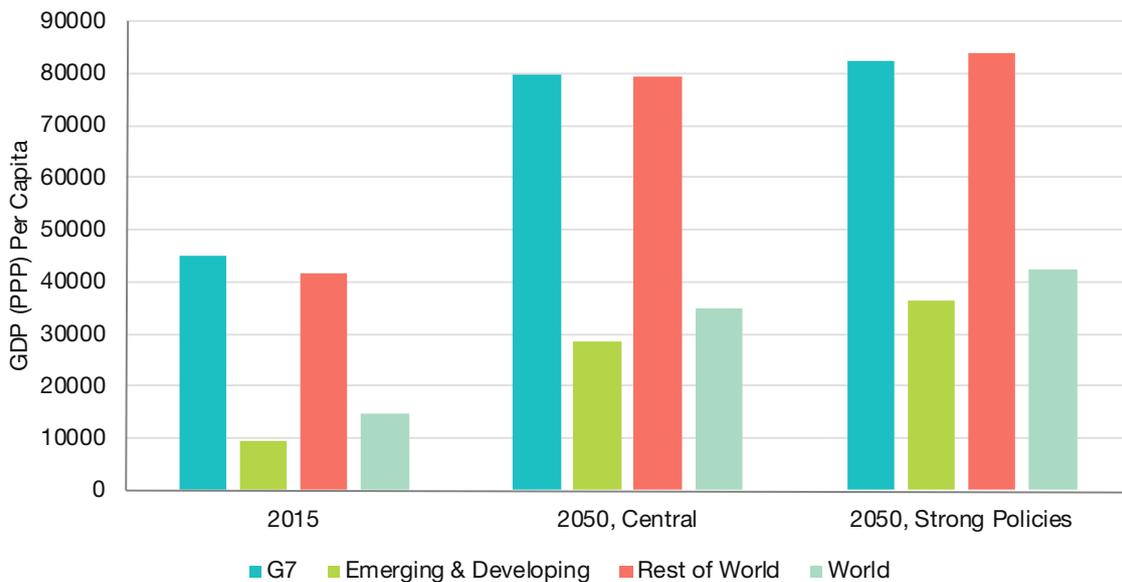
On the contrary, the global 2050 outcomes could be dramatically worse if domestic policies are not as desired in most emerging and developing economies (particularly in the cases of China, India and Brazil) and if the rate of global productivity growth were to slow down dramatically. Under this pessimistic scenario, average annual world GDP growth would be 1.3 percentage points lower than in the central scenario and 1.9 points lower than in the strong policy scenario. The fall would be particularly harsh in the case of Asia, but all regions would suffer. In absolute terms, overall world GDP would be 36 percent lower than in the central scenario and about one half of the estimate for the strong policy scenario. The range of possible results is a function of the assumptions about country policies and about the global productivity frontier, but it clearly shows the dramatically different impacts of good and poor policies as well as the importance of the rate of growth in global productivity.

### **High global TFP and superior country policies**

Finally, the sensitivity analysis around the megatrends revealed that the global growth prospects were most sensitive to the assumption about the rate of change in improvement of the global productivity frontier. Some experts on technological change believe that the current consensus of the economists on the future pace of productivity growth is too pessimistic, and that actual growth in global productivity may in fact accelerate. Accordingly, the study generated a scenario for the global economy under which the global productivity frontier grows at 1.3 percent annually, with all other assumptions related to individual country (policy and institutional) performance remaining the same as in the case of the strong policy scenario. This higher TFP growth will lift the global GDP growth rate for 2016-50 from 3.3 percent (under the central scenario) to 4.2 percent and the emerging and developing economies’ growth rate for the same period from 4.1 percent to 5.2 percent. As a result of compounding, by 2050 the global

*Despite the low probability that the fortunate combination of events assumed here would indeed come together, this fourth scenario does highlight the potential positive role that technological progress in combination with strong policy could play in improving human well being over the longer term.*

**Figure 1:** World GDP per capita more than triples under the strong policies scenario



Source: Centennial Group (2015)

GDP will be significantly higher, with global output levels exceeding the central scenario by as much as 36 percent with emerging and developing economies' output higher by 44 percent.

These results suggest a possible dramatic improvement in the state of the global economy by 2050. Under it, people throughout the world will be much better off compared to all other scenarios. Despite the low probability that the fortunate combination of events assumed here would indeed come together, this fourth scenario does highlight the potential positive role that technological progress in combination with strong policy could play in improving human well being over the longer term.

The central scenario envisions a future where countries remain on the same trajectory that they have followed in the past. But to remain on their trajectory, countries will need to work harder than ever before for the simple reason that as they catch up with the more developed economies, it will become more and more challenging to

further improve their productivity and competitiveness. It will require overcoming a daunting list of hurdles—political, social, and institutional—that must be overcome to realize this plausible scenario, or an even a better one. The strong policy scenario, while even more desirable, should be regarded as a stretch goal. This scenario will require all developing regions to emulate the past record of East Asia. While such a goal is certainly within the reach of even the poorest and resource-deficit countries, achieving this scenario will require utmost discipline and single-minded dedication to economic development on everyone's part. Still, the promise of this scenario is so attractive for the lives of future generations that the current generation of national leaders and policymakers must strive to realize this scenario. On the contrary, the pessimistic scenario is a vivid warning that countries can also diverge from history in the wrong direction, failing to learn lessons from others and stagnating at their current levels or even falling below their

*A country that has eliminated poverty but remains highly unequal will not be a shared society and will continue to experience social unrest.*

own past record by getting mired in the middle-income trap. This is where domestic policies become crucial.

The main message to the political, economic, and business leaderships then is to remain vigilant against complacency, to continuously enhance economies' resilience to external as well as domestic shocks, and equally important, to pursue relentlessly the creation and strengthening of institutions needed now and in the future as economies become both more complex and more globalized.

In other words, the long-term future of the emerging and developing economies is and will be in the hands of their leaders. Ultimately, it will be their actions, or non-actions, that will determine what kind of world their grandchildren and great grandchildren will inherit.

### **Development is more than growth**

This book spells out a vision of a more prosperous and harmonious world in 2050. However, to achieve that vision, the world needs to be much more equitable and socially more mobile than it is today. Steady, long-term economic growth is clearly essential for development; however economic growth is not an end by itself but rather the means to development. True development means improvements in people's wellbeing, not simply improvements in a nation's gross domestic product.

Single-minded focus on growth has two major weaknesses. First, while economic growth is necessary to addressing poverty, it is not sufficient to reduce poverty. The real question is, who receives the benefits of economic growth? In part, this depends on levels of inequality. Inequality and poverty are intricately related, as inequality has been shown to have a dual effect on poverty. It may slow economic growth, while also reducing the share of the economic growth that poorer people receive. So reducing poverty and inequality can also be a means to achieving the more traditional measure of development: economic growth. Second, focusing on economic growth alone as the ultimate development goal ignores what people value

even more: the quality of life. Inequality is also directly related to people's wellbeing.

Despite sustained global growth over the past half century, income inequality has been on the rise within most countries. According to Oxfam, almost half the world's wealth is owned by 1 percent of the population, and the bottom half of the world's population owns the same as the richest 85 individuals in the world. Since 1980, the richest 1 percent has increased their share of income in 24 out of 26 countries for which data are available. This phenomenon applies both for developed and developing countries. The International Labor Organization affirms that labor's share of income has fallen over the past two decades in 26 out of 30 advanced economies—even though labor productivity has risen.

The list of social ills either caused or exacerbated by inequality comprises a number of diverse problems, including: poorer health (increased obesity, heart disease, etc.), reduced life expectancy; decreased educational performance, particularly of poorer children; increased crime, especially violent crime and homicides, and increased incarceration; decreased social mobility (individuals are more likely to remain in the income stratum of their parents); and, ultimately, diminished trust in, and connectedness with, fellow citizens.

A country that has eliminated poverty but remains highly unequal will not be a shared society and will continue to experience social unrest. While inequality may seem to affect only the poor, it can also hamper the achievement and wellbeing of even the most privileged—thereby putting a cap on a society's potential in a broad set of economic and social domains.

These societal effects of inequality suggest that, ultimately, it (inequality) will contribute to the slow breakdown of community, and thus society, through increased alienation from fellow citizens, increased segregation, decreased social mobility, and increased frustration, anger, and psychological angst regarding a social and political system that does not seem to serve the interests of the majority. If

*In this world, intercultural capacities, i.e., the ability to intermediate between the value systems of different cultures will inevitably become more and more important.*

the world is going to make its leap forward to becoming a socially inclusive society, it must tackle inequities and inequality head on. In addition, all members of a society must have access to basic education and health services as well as voice in how their communities are governed.

### Revamping global governance

Clearly, the destiny of individual countries are crucially dependent on their domestic polices and institutions. At the same time, in the increasingly interdependent world foreseen in this volume, management of global commons and global institutions will also become more critical.

Many issues—including the megatrends—have a global dimension. Their solution will heavily depend on the quality and strength of institutions responsible for various aspects of global governance, supported by an enhanced spirit of international cooperation. The present international institutions were designed to face the problems of the world after World War II. Since then, there have been tectonic changes in geopolitics and in the structure of the global economy. In geopolitics, the collapse of the Soviet Union led to a unipolar world but more recently we have begun moving slowly but surely towards a multi-polar world. In parallel, the dominance of the G7 in the world economy has gradually given way to the rise of the emerging market economies, especially in Asia. This book points to scenarios under which the center of gravity of the world will move to Asia and the bulk of global economic growth between now and 2050 will be generated by the emerging economies. In short, the world is headed towards not only a much more complex and different economic structure but also a multipolar geopolitical regime, which stands in sharp contrast to the world that the current governance architecture was designed to serve. Revamped global governance architecture is thus a must to realize the vision of a prosperous and harmonious world in 2050 articulated above.

The new institutional architecture is particularly necessary to help identify the strategies and means through

which a credible response could be developed and implemented to address issues related to the most important global commons, such as: climate change; stability of the global monetary and financial systems; an open global trading system; the fight against poverty and inequality; competition for finite natural resources, and global peace and security. This calls for immediate actions in the two domains where global financial stability and collective security are at stake: the Bretton Woods institutions and the UN family, together with the related regional bodies whose contribution is more and more required, under the principle of subsidiarity.

### A new leitmotif for sustaining a multipolar, multicultural and interconnected world

One final crucial piece must fall in place at the global level for this book's vision of a prosperous and harmonious global community in 2050 to be realized: the world needs a different leitmotif for interactions between its more than 190 countries in a multipolar, multicultural and interconnected world.

After 1945, a bipolar structure dominated the international arena with the United States and the Soviet Union as the two superpowers. Still, the political elites of both these countries were formed by Western values, both in their religious and in their non-religious forms. The dissolution of the Soviet Union led to a short period during which the United States exerted an exclusive hegemony. The world domination by a sole superpower did not last long, and it is now obvious that the international arena of the 21<sup>st</sup> century will be multipolar, with the United States remaining a leading power but other powers rising. The new concert of world powers will no longer be mainly North American and European, if only because around 60 percent of the world population lives in Asia and that, even now, three of the four largest economies (in PPP terms) are Asian (China, India and Japan). The basic norms agreed upon for the world economy to flourish can no longer be based on Western values alone. The world of the 21<sup>st</sup> century will

*Despite the omnipresent crises in international politics, which reveal the fragility of the consensus among nations and cultures, there is legitimate reason for hope that dialogue and cooperation can ultimately prevail.*

not only be multipolar but also multicultural: the old Asian cultures, especially China, India and Japan will reclaim their place in political, economic, and cultural discourse.

In this world, intercultural capacities, i.e., the ability to intermediate between the value systems of different cultures will inevitably become more and more important. Economic globalization will lead to greater assimilation among the various cultures. Greater the interactions among cultures, the more they have to adapt to each other, which may provoke a struggle against what is perceived as a threat to the core of one's culture. Working toward an intercultural consensus that facilitates a universal, sustainable development and diminishes the risk of violence within and among states is one of the most important tasks that must accompany the formation of an interconnected world economy. Only a dialogue between the various cultures which builds upon their various traditions and subjects them to the scrutiny of reason may lead to a vision of the world that all cultures can share.

The more the center of economic activity moves to Asia, Latin America, and Africa, the more untenable will be an international order that still favors the Western countries. It is of crucial importance that this time the transition to a new world order, which in the past was usually accompanied by wars, occurs in a peaceful manner. The decisive factor in avoiding violence is respect for the commonly accepted and agreed legal order—even by the most powerful countries. At the same time, the law must be perceived as just; and thus further development of international law in the direction of the substantial demands of international and intergenerational justice must go hand in hand with respect for the actual international law. Key for increasing respect for international law will be respect for and strengthening the role of the UN, which is and will remain the unique legitimate forum for cooperation between all countries of the world.

Despite the omnipresent crises in international politics, which reveal the fragility of the consensus among nations and cultures, there is legitimate reason for hope

that dialogue and cooperation can ultimately prevail. At least two major agreements that were reached by the international community in 2015 give reason for renewed optimism: in December, the Paris Agreement was adopted, sketching out a consensus of how to limit average rise in global temperature by year 2100 to 2°C or less. Earlier in September, the heads of government had agreed at their Summit at the UN on the 2030 Agenda for Sustainable Development, an ambitious action plan of 17 goals (SDGs) that they pledged to reach by 2030. The agenda builds on the success of the Millennium Development Goals, but at the same time reaches beyond their scope: the main goal is now to eradicate extreme poverty altogether. An important conclusion from both the Agenda 2030 and the Paris agreement: poverty eradication and economic growth must not happen at the expense of destroying our planet. Critically, both agreements involve universal commitments: they are aimed not just at developing countries but require transformation in all countries – developed, emerging, and developing economies alike.

Both agreements are major successes for international diplomacy, which many had long given up hope on. Whether they will also be real successes in terms of affecting the lives of people and of protecting the planet will depend on the willingness and ambition of governments to walk the talk. But, these agreements could be the starting point for the emergence of a new leitmotif in international politics, the paradigm of global partnership: a sense of interconnectedness, of common interest and mutual accountability. Such a new leitmotif of partnership would befit an emerging world order that looks less and less like the one existing after World War II.

There are three reasons for optimism that such a new leitmotif based on intercultural understanding could actually turn into reality: first, the agreements of the year 2015 have been elaborated with the involvement of an active civil society coming from all cultures, thus increasing the intercultural legitimacy of the agreed policies. Secondly, both the Paris agreement and the Agenda 2030 contain

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measures for monitoring and mutual accountability, making it much harder for governments to ignore their promises. Last but not least, the year 2015 has shown that the UN is still alive, and is still the only forum where decision can be made with a truly global scope and truly global legitimacy. When thinking about how the world might look in 2050, a strong UN should be a top priority.

Overall, the 26 authors are cautiously optimistic that the vision of a more prosperous and harmonious world in 2050 portrayed here is both plausible and well worth striving for. It will be a far better world than the one we live in today. Its 190 plus nations will live together in a multipolar, multicultural and interconnected world without further harming the planet they all share.

