[Five known unknowns about the future of the global economy]

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Since it seems I've written the Book of the Week this week on the global economy, it's apropos to think a little more about the future. Over the past week economists have been debating whether Thomas Piketty's r > g argument is kicking in yet. And as Robert Shiller noted this weekend, there's an awful lot of loose talk about secular stagnation these days. As Shiller noted:

The most prominent story since the September peak seems to be one of a "global slowdown" with associated "deflation." Underlying this tale are deeper, longer-term fears. There is a name for these concerns too. It is "secular stagnation" — the idea that there is disturbing evidence that the world economy may languish for a very long time, even for generations, as the word "secular" suggests….

There is little talk about secular stagnation in scholarly circles today. The recent chatter has centered in the news media, in conference panel discussions and in the blogosphere.

As someone who's paid to think about the future of the global political economy, I'd humbly suggest that the big known unknowns about the future of the global economy probably are not attracting a lot of scholarly chatter precisely because of the massive number of unknown parameters. When we think about, say, the next 30 years of the global economy, we're trying to marry a few deeply known ideas with some deep questions about the implications of those deeply known facts of life for the future.

There's another reason, however: a lot of the big questions are being asked by non-economists. Precisely because economists start off with a lot of baked-in assumptions. it doesn't always occur to them that these assumptions might not hold up.

To see what I mean, here are my top five known unknowns about the future of the global economy. Each unknown is named after the two authors largely responsible for planting the idea in my head. Half of these people are economists; the other half are outside the field but asking very interesting questions:

1) The Summers/Gordon Question. As Shiler notes, it was Larry Summers who popularized the "secular stagnation" thesis with [his IMF talk late last year]. However, Summers was just spitballing, and [cops to the notion that he might have overstated things]. The more thought-out version of this is [Robert Gordon's provocative question] — what if the elevated rates of economic growth that started with the Industrial Revolution are now petering out in the developed world? What if all the low-hanging fruit that have kept growth high for the last two centuries have been exhausted?

2) The Eichengreen/Rodrik Question. The default assumption that most economists make is that the developing world in general, and the BRICS in particular, will converge towards the affluence level of the developed world. This might not be the case however. As Barry Eichengreen and Donghyun Park and Kwanho Shin have observed in a series of articles, there is a very real "middle income trap" that can lead to a serious growth slowdown in the advanced developing countries. Even more disturbing is [Dani Rodrik's contention] that while globalization has led to a true convergence in manufacturing productivity, it hasn't caused any convergence in the rest of the global economy, much of which is non-tradeable. The result is that these economies might experience "premature de-industrialization," which cannot be cured by a sexy, lilting British accent. The question is, will the effects that Eichengreen and Rodrik identify lead to a growth slowdown in the developing world?

3) The Angell/Gartzke Question. As I argued in [The System Worked], part of the reason that there wasn't a return to protectionism was the incentives of the global supply chain — lots of exporters and importers has a stake in the open global economy. One can further argue that this open global economy has actually acted as a significant brake on what would otherwise be a spiral of conflict in the Pacific Rim. However, what if geopolitical tensions force a re-ordering of economic ties? This could erode the pacifying effects of commercial liberalism that scholars from Norman Angell to Erik

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Gartzke have observed. Or — and here's a more radical thought — what if technological innovation itself obviates the need for globalization? International trade would still exist in a world of 3-D printing and compact fusion engines, but countries might not think it's as necessary as they think it is now. What happens then?

4) The Fukuyama/Kirshner Question. Fukuyama's fundamental point about the economic superiority of free-market capitalism as an economic model has held up in the 25 years since he wrote "The End of History?" I've argued that despite reasonable expectations that the 2008 financial crisis could have fomented existential doubt about the system, it didn't actually happen. What if Fukuyama and I are wrong, however? Jonathan Kirshner's new book, "American Power After the Financial Crisis," makes this case, arguing that China and others are now rejecting the U.S. financial model. If Kirshner is right, what will this mean for the future of economic growth? More radically, what if other countries reject the capitalist model wholesale? And finally…

5) The Piketty/Freeland question. The reason that Piketty's argument is so provocative is that it says that, left to its own devices, capitalism will produce a dystopia where elites will grab an ever-growing share of the economic pie. What happens to the global economy if he's right? What kind of political backlash will it produce? And Piketty did not even address the effects of plutocratic class solidarity, which Chrystia Freeland explored in her book "Plutocrats." What are the systemic effects on the global economy if plutocrats start acting in concert to protect their relative economic position?