

The Future?

A conversation with Anatole (skinowski)

Anatole:

Productivity is wonderful, but deflationary.

Is it? I don't think so. Farm productivity didn't kill the price of beans, what it did was to move people away from farms to other work. When productivity grows we can not only buy more goods and services but we can work fewer hours to enjoy life more. Inflation and deflation are symptoms of bad money management by the government which seems to think that it has to meddle with money management. I'm sure that if the market were left to itself, it would manage the money supply very well, the same way it manages other commodities. Every time you buy something with a credit card you increase the money supply. When you pay off your credit card, you reduce the money supply. Whenever a bank makes a loan it increases the money supply.

You can only use but one phone, and wear one pair of shoes at a time...

Yes, but you can have 3000 pairs of shoes like Imelda Marcos did and you can have a phone in every room and in every car and on each member of your family. And there are huge potential markets out there, how many in Asia don't have a phone or a car or even a bicycle?

A fraction of the labor force of China may potentially do all manufacturing needed for the entire planet.

Yes, more vaca time! Not only that, but if they don't work then they won't be able to buy the stuff we have to sell them. The trend is from manual labor to mechanized labor to intellectual labor. Not only do the hours worked go down, the pay per hour worked increases much much faster. If Ray Kurzweil is to be believed, a time will come when no human will work for an income, our robots will do it for us.

To the extent that the markets reflect the economy and/or the public psychology, at present it's all but "trendless"... We perceive confusion, hesitation. In TA, it is called "Consolidation", and often, or even usually, you're not sure which way the 'breakout' will occur...

Then just sit tight! But I don't think the world is trendless. Good news is not news and that is why everyone is focusing on Enron, terrorism, the optics slowdown and other assorted bad news. But the world did not stop, there are areas that are going forward at a good pace. Just think of all the cell phones that will be sold in China and India over the next 10 years. That ought to light a fire under Qualcomm, ARM, and the other wireless players. A revolution is brewing in network processors that promises to cause upheavals: router suppliers will go to single chip products; PowerOne might lose a large part of its market for the current power bricks; maybe the cost benefits will be so high that metro networks will actually be built and connectivity might become ubiquitous.

We need to cut through the FUD.

but what if they'll leapfrog ahead and turn out as good or better than we are in chip design, programming, etc... What if they'll be trying to sell us things they were supposed to be buying from us, and much cheaper than we were going to charge them?

That fear, IMO, is overblown. Not too long ago the fear was that Japan would take over from the US as world leader in technology. They certainly took over some things like TV sets and memories. But analyze what they did and what they did not take over. Speaking in economic terms, they took over products mainly in the realm of decreasing returns but they were not able to take over the increasing returns turf. They took over memories and soon were competing with Korea and Taiwan. RISC cores, on the other hand, moved to Britain, to ARM Holdings. What lies behind this uneven distribution? IMO, it is the political system. Only a culture that encourages individual risk taking can produce superior results. Only a culture where failure is not a cause for shame but a reason to try something else that might work can produce such superior results. The top country in that respect is the United States of America. All other countries are more socialized. In Japan, you have to be extra polite, you cannot tell everyone that you have the best idea because then they would lose face. In America, you don't care if people lost face, you blatantly tell the world that "We Are Producing Insanely Great Products." You send "The Dream Team" to the Olympics.

Suppose for a moment that an Eastern country were to change its mind set, and it

is possible, Hong Kong being proof of it, then yes, they could become a true competitor for America. But how likely is it that China, India or Japan will throw out their millenary traditions? Not very likely at all. Where do Asian people really succeed? In America because there they have the proper environment to succeed in. Back home there are so many difficulties that success is very hard to come by, even for the most talented people.

For a different view of the same question, please read [The Mystery of Capital, Why Capitalism Triumphs in the West and Fails Everywhere Else](#). Having had businesses both in Venezuela and in the U.S. I can tell you that de Soto is right on the money.

No, the rest of the world is not a threat to America's economic power. The real threat is inside America. Just as in Rome the aristocracy became soft and encouraged populism with "Bread and Circus," in America the real threat are the bleeding heart liberals. Sadly they think that they are on the righteous and virtuous path of altruism. But they are on the **deadly path of altruism**. Only competition can bring out the best in everyone. If the state guarantees equal outcome there is no reason to put in any extra effort. As a matter of fact, in socialist states extra effort is punished because you are looked on as a speculator who is living off the deserving poor. In socialist states all that is allowed is to be part of the deserving poor, unless you are an aristocrat, of course.

The real reason why America prospered so was by an historic accident. The Thirteen Colonies were placed on virgin land [no offense to my native American friends] and then they decided to break with the Old World. America became a land of no traditions in many areas, sorry, instant traditions in many areas. America managed to break free from European political thinking in a way that only a new country can. Latin America, on the other hand, was much closer to the mother countries. For example, in North America you had a diversity of religions; in South America, even if religious freedom was respected, the great majority of people were Roman Catholics. Since there is no new land to colonize on our Earth, America is the last true experiment in statehood that we are likely to see.

BTW, [Guns, Germs, and Steel: The Fates of Human Societies](#) by Jared Diamond is another interesting book about why the world is like it is today.

Is there anything out there that is capable of sparking imagination, inspiring another great surge of creativity, of "must have's" and "must do's" ? Perhaps the biotechs... or the new gyroscopic bikes, or replacing our fleet of cars with new, electric ones? Breakthroughs in entertainment, 'virtual reality' tourism? F-cells? Are these things capable of bringing about some new true enthusiasm, or are they destined to become commodities right upon their birth?

Yes, there is: **human ingenuity, Yankee ingenuity, MIT ingenuity, Silicon Valley ingenuity.** Progress is not a smooth stairway to heaven. Just look at a stock market chart. Progress is by fits and starts. In the economy you have bubbles and crashes. In biology you have sudden advances and massive extinctions. The best example of the way the world works is the sand pile. Start dropping grains of sand on the table and a pile will slowly form. Then one grain will cause an avalanche. You know beforehand that there will be avalanches, small and large, but you don't know which grain is the cause of them. Same as the popular saying: "The straw that broke the camel's back."

BTW, do you know what was the precursor of the modern optical fiber? Water spouts in illuminated fountains. Did anyone in London or Paris, when taking a walk to see the fountains, suddenly stop and shout: **Telecosm, Fibersphere!?** To find out the whole story from illuminated water fountains to the Fibersphere, read [City of Light: The Story of Fiber Optics](#) by Jeff Hecht.

Denny

"Demand creates queues. **Supply gets rid of them.**"

[Software Times](#)