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The Gurus

Five eminent economists gaze into the future.

S.L. Mintz

Unless Y2K turned out to be a much bigger catastrophe than most experts predicted, this issue of CFO reaches readers with 1,200 months to go until year-end 2099. No one can say for sure, of course, what the heirs of today's finance professionals will face by the next fin de siècle. But the future of the capital markets in the new decade certainly is fair game for informed speculation. And who better to weigh in than the intellectual pioneers who helped shape finance and investment in the 20th century? CFO invited thoughts from a select few, asking what senior finance executives face in the next 10 years. Responding were four Nobel laureates–Paul Samuelson, Harry Markowitz, William Sharpe, and Robert Merton–and the country's preeminent economic historian, John Kenneth Galbraith. Happily, these great minds do not think exactly alike. Except for some tweaking from Galbraith, though, they generally express optimism about the finance world ahead.

Paul A. Samuelson

Besides fostering the development of static and dynamic economic theory, Paul Samuelson secured a place for rigorous analysis in the field of economics. For these far-reaching achievements, in 1970 Samuelson became the first American to receive the Nobel Prize in Economic Science. Now 84 years old, he is the Institute Professor Emeritus at Massachusetts Institute of Technology.

FATE SOMETIMES CONTRIVES A SILVER LINING in the dark clouds. U.S. productivity fell in the early 1930s, and by 1940 was back only to our 1929 previous peak. That meant a whole lost decade. But as John Maynard Keynes predicted when he came to wartime Washington, D.C., there had accumulated during the depressed decade new but unused knowledge. It was proved that Keynes was near the mark when, by 1945, U.S. productivity had reached to as much above 1930 as 1930 had been above 1915.

I suspect a similar surprise may be in store soon for Euroland and Asia. If their slump is indeed behind them, then by 2005 they may find themselves at a level of living and a pace of progress that the pre-1990 trend statistics would have predicted to take place, in the absence of (1) the land bubble and the stock bubble that affected Japan so mortally, and (2) the post-1997 Asian flu.

There is no magic or miracle in this sanguine hypothesis. It rests only on good sense.

- Persistent stagnation has been putting effective pressure on corporations everywhere to break out of the careless habits formed during the easy bubble years. Inefficient practices must be modified under the ruthless, competitive forces of the modern global economy.
- A store of new technologies is constantly accumulating. When given a chance by a return of macro prosperity, that store will increasingly be drawn on.
- Knowledge is spreading everywhere. People in still-underdeveloped regions have become clever importers of new knowledge wherever its origin.

The worldwide golden age I am envisioning for most societies depends on how well the macro global economy holds up in the next five years. Here, too, the objective signs look favorable.

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