Flash Economics

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Nine characteristics of the present period that make it unique

We identify nine characteristics of the present period that make it unique; some of these characteristics have already been encountered, but in the distant past; others are completely new.

These include:

- The development of new technologies;
- The search for scarce resources, which is leading to a new form of colonialism;
- Very high levels of income inequality and even greater wealth inequality;
- The use of protectionism;
- The presence of two superpowers (the United States and China);
- Debt, particularly public debt;
- Demographic ageing;
- Very high market capitalisation and concentration of market capitalisation in a few companies.

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1. Development of new technologies

The development of **Artificial Intelligence** raises many questions. The first of these is the **change in the nature of tasks and jobs**. The OECD concludes that 28% of jobs will be highly exposed to the introduction of AI[1]. If, as is likely, AI is substitutable for labour, its introduction may lead to a transfer of jobs from sectors that use AI to other sectors, with the risk of jobs being shifted to sectors where skills are low, which would reduce the overall positive effect of AI on productivity.

The second question raised is that of the **massive investment required to introduce AI**, which is already evident in the evolution of software investment. **Chart 1** shows the case of the United States, where investment in intellectual property products is the only component of investment that is growing, having doubled since 2010.

Chart 1
United States: Private investment by component
(as % of nominal GDP)

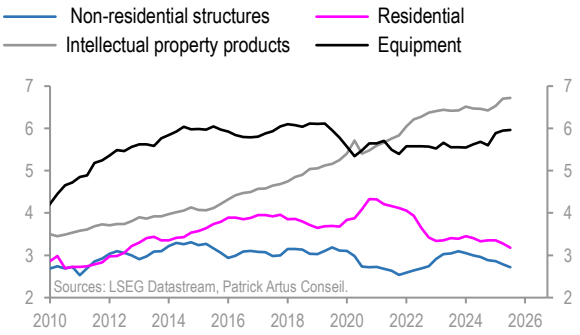
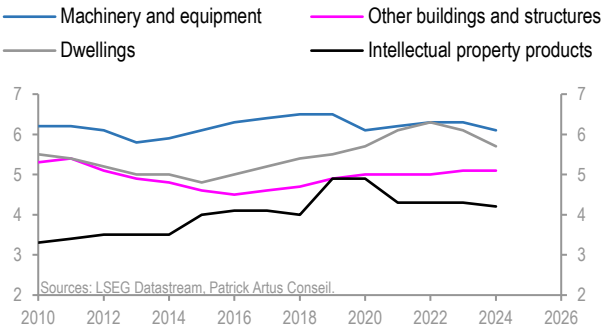


Chart 2 clearly shows Europe's lag in this type of investment.

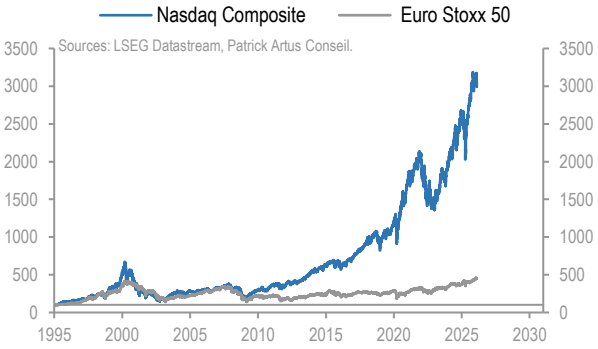
Chart 2
Euro zone: Investment by component
(as % of nominal GDP)



We can therefore see that if these investments do indeed translate into productivity gains, the United States will take a considerable lead over Europe. But if there is overinvestment, there will be a correction in the favourable productivity outlook and also a correction in the stock market valuation of US technology companies (**Chart 3**).

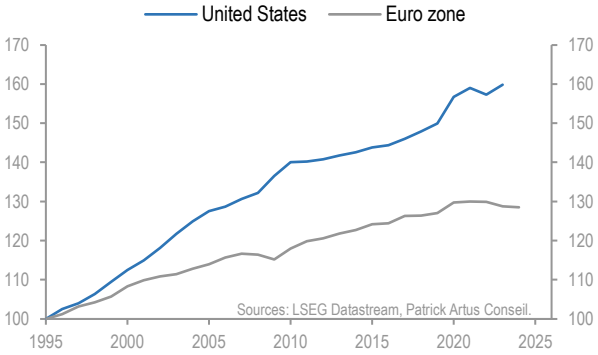
[1] IA, compétences et travail. Perspectives de l'emploi.2025

Chart 3
Stock market indices (01.01.1995 = 100)



It was necessary to weather a **stock market correction** during the last wave of investment in new technologies, which coincided with the development of the Internet. Furthermore, even today, the effect of the Internet on labour productivity is still debated (**Chart 4**), due to the very high number of low-skilled jobs created in connection with the development of the Internet (in transport and logistics, for example).

Chart 4
Real labour productivity per hour worked (1995 = 100)



2. Search for scarce resources

The development of the digital industry implies very **strong growth in demand for scarce resources and strategic raw materials**: nickel, graphite, cobalt, copper, lithium, silicon and rare earth minerals.

This risks triggering a **new wave of colonialism**, with countries seeking to control these strategic materials, which are produced by a small number of countries (**Table 1**).

Tabe 1: the largest producers of critical materials

Critical materials	Country
Rare earths	China, United States, Myanmar
Nickel	Indonesia, Russia, the Philippines, Canada, New Caledonia
Lithium	Australia, Chile, China
Graphite	China, Madagascar, Mozambique
Cobalt	Democratic Republic of Congo, Indonesia
Copper	Chile, Democratic Republic of the Congo, Peru

The major countries (the United States, China, Russia) are effectively trying to control the production of these minerals, which may explain the aggressiveness of their international policies (the United States towards Canada, Greenland, Latin America; China and Russia towards African countries).

3. Income and wealth inequality

The United States also stands out from Europe in this area. The distortion of income distribution (Chart 5) and weak competition rules have led to **an increase in income inequality and a considerable rise in wealth inequality** (Chart 6 and 7).

Chart 5
United States : Real compensation per hour and productivity per hour (business sector, 1995.Q1 = 100)

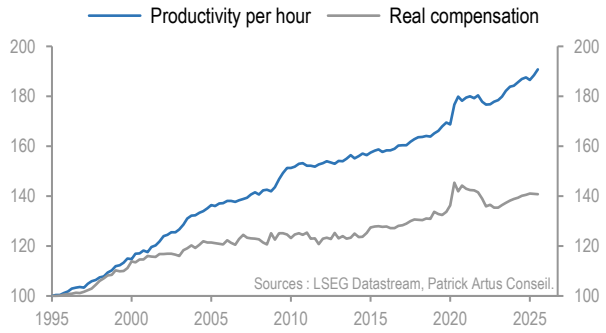


Chart 6
Gini index of income inequalities (after redistribution)

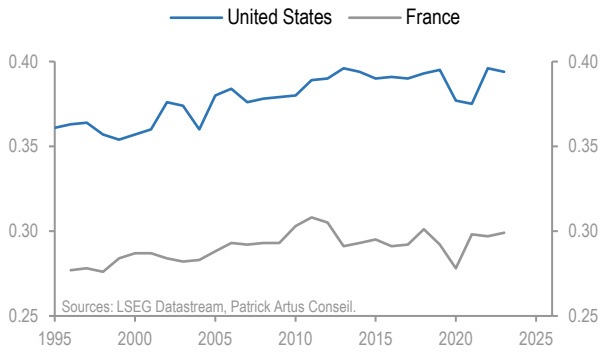
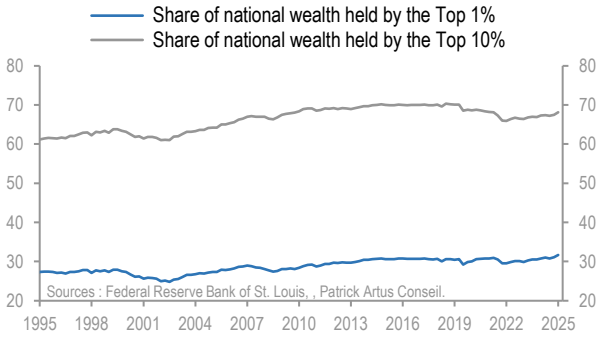


Chart 7
United States: Share of national wealth held by the 1% and the 10% of individuals with the highest wealth (as %)



Other countries have very high income inequalities, with a Gini index of inequality after redistribution greater than 0.4: Turkey, Turkmenistan, Malaysia, South American countries (Chile, Ecuador, Mexico, Venezuela) and many African countries.

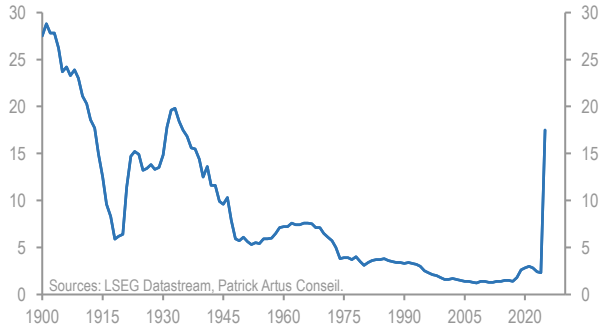
The level of inequality reached today is equivalent to that observed at the beginning of the 20th century, which led to wars and revolutions.

4. Protectionism, mercantilism

Starting in the United States, a **movement towards protectionism and the introduction of customs duties** is gaining momentum. The United States, which is at the origin of this movement, had not seen such high customs duties since the First World War, except at the time of the **Hawley-Smoot Tariff Act** of 1930. The Hawley-Smoot Tariff Act reduced global trade. Estimates show that these tariffs reduced US imports by at least 10%. World trade fell by 40%, but this was also in response to the Great Depression. Furthermore, the Hawley-Smoot Tariff Act led many countries (Europe, Japan) to impose retaliatory customs duties.

Gradually, starting in 1932, the United States moved away from this protectionist policy (Chart 8), and the world experienced prosperity linked to free trade after the Second World War.

Chart 8
United States: Duties collected on total imports (as %)



Protectionism must be linked to mercantilism. Mercantilism involves seeking a trade surplus (which justifies customs duties), subsidising certain sectors and creating large monopolies. The basic theory of mercantilism is that any gain for one country corresponds to a loss for other countries, unlike the theory of free trade, which emphasises the gains associated with trade. Mercantilists (Donald Trump is one of them) see the world as a zero-sum game.

5. A bipolar world, with two dominant countries

Since the First World War, and even more so since the Second World War, the world has been dominated by the United States. But today we are seeing a shift towards a **world with two dominant powers: the United States and China**. This can be seen when we look at the economic weight of these two countries (**Chart 9**), their research and development budgets (**Table 2**), their diplomatic influence and the development of new technologies.

Chart 9
GDP (bn USD , PPP)

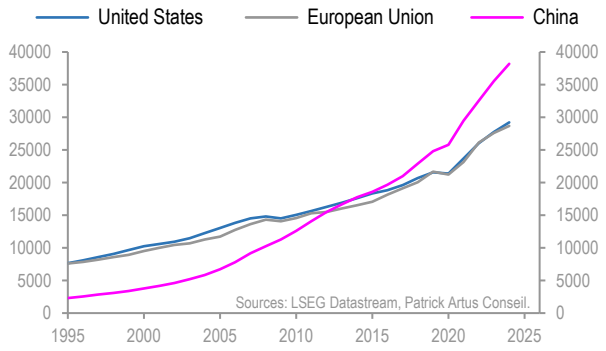


Table 2: The top 15 global R&D spenders (2023, in USD 2015 PPP)

Rank	Economy	Total R&D expenditure (in billions of dollars)
1	United States	783.6
2	China	723.0
3	European Union	410.0
4	Japan	183.5
5	Korea	121.3
6	United Kingdom	88.2
7	India	71.3
8	Turkey	38.9
9	Brazil	37.1
10	Russia	36.9
11	Canada	31.0
12	Israel	24.8
13	Australia	24.5
14	Switzerland	20.5
15	Egypt	15.8

Source: WIPO

China's technological catch-up can be linked to the number of graduates in STEM subjects (Science, Technology, Engineering, Mathematics), which is significantly higher in China than in the United States (Table 3) and also to the constructive involvement of the Chinese government in defining a technology development strategy (in batteries and electric vehicles, photovoltaics and wind power, pharmaceuticals and drug research, artificial intelligence, space, semiconductors, etc.).

Table 3: Total number of doctorate degrees awarded in science and engineering fields in 2021

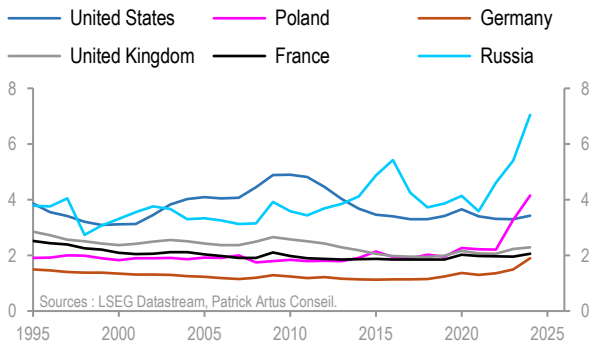
Country	Number of doctorate degrees
China	42000
United States	22000
Germany	11000
India	11000
United Kingdom	10000
South Korea	7000
France	6000
Brazil	6000
Japan	5000
Italy	4000
Spain	4000

Source: Council of Economic Advisors

6. Military expenditure

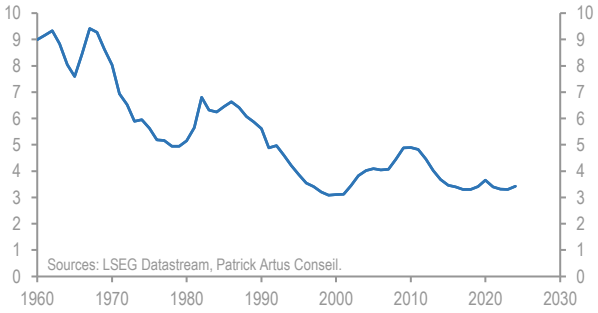
Since 2022, there has been a sharp increase in military spending following Russia's invasion of Ukraine (**Chart 10**). **Many countries have very high military budgets as a percentage of their GDP**: the United States, Russia, Saudi Arabia, Ukraine, Israel, Poland, Algeria, Greece and Kuwait.

Chart 10
Military expenditures (as % of GDP)



With Donald Trump's latest announcements (increasing US military spending from $1 trillion to $1.5 trillion), the United States will return to a level of military spending similar to that seen during the Vietnam War and the Cold War (**Chart 11**).

Chart 11
United States: Military expenditures (as % of GDP)

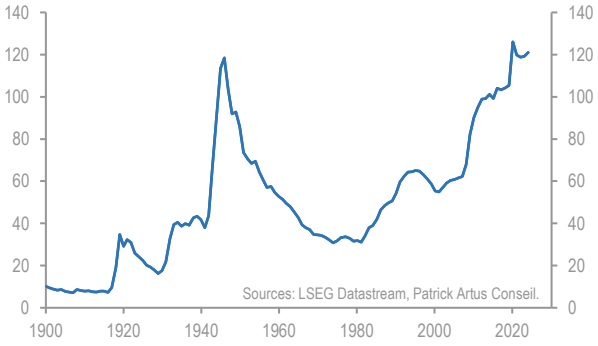


From an economic perspective, several questions arise: does investment in military equipment replace productive investment? Are there synergy effects that boost productivity when military budgets are high? And, of course, will Europe succeed in creating a large coordinated market for military equipment among European countries?

7. Public debt

The US public debt ratio was 36% of GDP after the First World War in 1919, and 121% of GDP in 1946 after the Second World War. It fell back to 30% of GDP in the 1970s, and today stands at 121% of GDP, which is the same level in peacetime as after the Second World War (Chart 12).

Chart 12
United States: Public debt (as % of nominal GDP)



In the United Kingdom, public debt rose to 180% of GDP after the First World War and to 250% of GDP after the Second World War; it stood at 96% of GDP at the end of 2025.

High levels of public debt are a widespread phenomenon: 117% of GDP in France, 235% of GDP in Japan, 111% of GDP in Canada, 135% of GDP in Italy, 104% of GDP in Belgium, 82% of GDP in India, 88% of GDP in China, 89% of GDP in the European Union, 110% for all OECD countries.

There are many reasons for this sharp rise in public debt:

- The desire to lower tax rates, tax competition between countries;
- An ageing population and growing deficits in social protection systems;
- Increased military spending.

The negative consequences of rising public debt are also manifold: crowding out of corporate debt, rising real long-term interest rates, and the risk of crisis if demand for public debt does not keep pace with supply, loss of credibility for central banks if they have to switch to "fiscal dominance", i.e. a situation where monetary policy has to ensure the stabilisation of the public debt ratio.

8. Ageing population

The decline in fertility rates affects virtually all countries (**Charts 13A/B/C**).

Chart 13A
Fertility rate (births per woman)

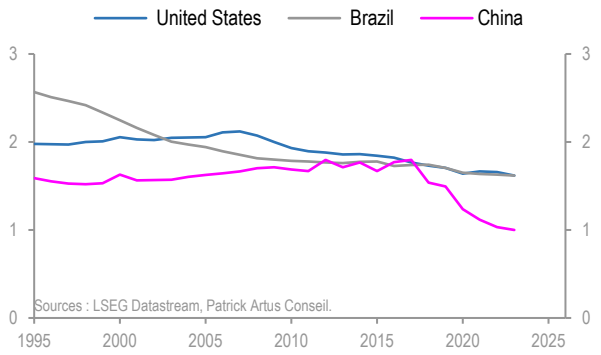


Chart 13B
Fertility rate (births per woman)

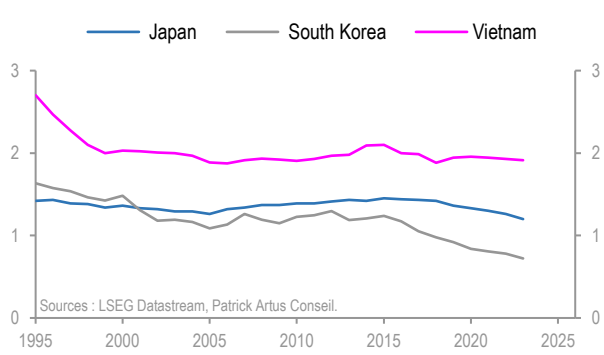
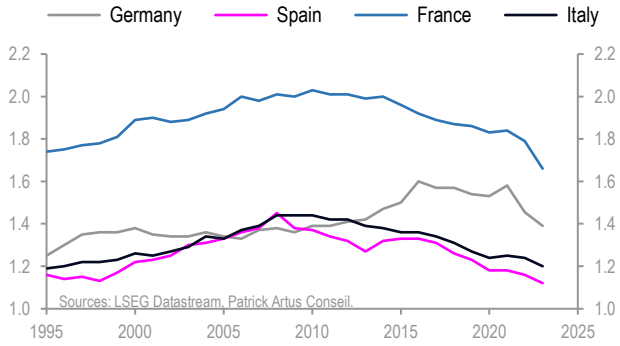


Chart 13C
Fertility rate (births per woman)



The resulting population decline (already evident in China, Japan, South Korea and Italy) will have significant effects:

- **Stimulation of robotisation**, which is clearly visible in Japan, Korea and China (**Table 4**);

Table 4: Robots installed per 10,000 employees in fhe manufacturing industry (2023)

Country	Robots installed per 10,000 employees
South Korea	1012
China	470
Germany	429
Japan	419
United States	295
Italy	228
France	186
Spain	174

Source: World Robotics 2024

- **Deterioration in the financial stability** of pension schemes and health insurance schemes;
- **Decline in potential growth**;
- **Recourse to immigration**, which faces growing public opposition but will be economically essential.

9. Very high market capitalisation in the United States

Chart 14 shows the market capitalisation of the United States as a percentage of GDP. It shows that market capitalisation has reached a very high level in recent years.

Chart 14
United States: S&P 500 Market capitalisation
(as % of nominal GDP)



The most striking feature is the concentration of this capitalisation in a small number of companies (Chart 15).

Chart 15
Market capitalization of the "Magnificent Seven"
(as % of S&P 500 market capitalization)



The associated risks are high:

- A very negative wealth effect affecting consumption in the event of a decline in share prices;
- Dependence on the idea that the development of artificial intelligence will lead to an increase in corporate profitability, justifying the rise in share prices.

There have already been sharp declines in the US stock market (in 2000, with the bursting of the dot-com bubble); the situation today is quite similar to that of 2000 before the bubble burst.

Summary: characteristics that have already been observed in the past or that are completely new

The development of new technologies was already observed during the first industrial revolution (1770–1850) and the second industrial revolution (1850–1914), as well as during the development of the Internet (late 1990s).

The search for scarce resources and the resulting colonialism have been observed throughout the colonial history of European countries, in the development of oil exploitation (for example, in Saudi Arabia by Aramco from 1945 to 1980).

Income and wealth inequality was already as high at the beginning of the 20th century as it is today.

Protectionism and a mercantilist world view already dominated from the late 19th century until the Second World War.

Military expenditure was already very high during the Cold War.

Market capitalisation was already very high in 2000.

However, three characteristics of the contemporary period, prior to the bursting of the Internet bubble, are new:

- The simultaneous presence of two superpowers (China and the United States);
- Very high public debt in peacetime;
- Demographic ageing.

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