Predictions for the world in 2022

The Economist's Tom Standage shares predictions on how the pandemic and politics will shape the year ahead.

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Will we move from pandemic to endemic soon? How often will we go to the office? Can central banks fend off the newest form of inflation? Is democracy at risk? Each year, *The Economist* puts forward a special issue devoted to making predictions about the biggest questions we face in the months ahead. Each year, the highly anticipated magazine offers executives ample food for thought.

As part of the Economic Overview series, IESE's Alumni Learning Program invited *The Economist*'s Deputy Editor Tom Standage to share and discuss the findings most relevant to

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business leaders today. This event was moderated by Juan Jose Toribio, who noted at the outset that "we're living in a very interesting period of history, perhaps a little too interesting from my point of view." Below is a summary of some of the top trends promising to shape our world in 2022.

1. A less deadly virus. Nearly two years into the pandemic, the good news is that our vaccines are working. Where vaccine coverage is good, COVID-19 no longer poses a mortal threat to most people. And in addition to vaccines, more new tools are becoming available to fight infections -- including new antiviral pills. This should result in fewer severe measures taken to halt the virus' spread, all to the global economy's benefit.

Standage noted that one significant exception to this trend is China, which is the last major economy to pursue a zero-COVID strategy, even in the face of the highly transmissible Omicron variant. Since China's own vaccine is currently not as effective as mRNA ones, like Pfizer's and Moderna's, the country is still resorting to strict lockdowns. "This doesn't look likely to change until China develops an mRNA vaccine," he said. "This will probably lead to another year of lockdowns and closed borders given that China doesn't want to use Western vaccines."

On the subject of vaccines, Standage added that nasal and skin patch options currently in development could be game changers, particularly in developing countries where vaccine coverage is still poor.

2. The future of work. In the sphere of work, the pandemic's effects will be felt for years, if not decades. "There's broad agreement that for white collar work, the future is hybrid," said Standage. Still, there are fault lines when it comes to what that hybrid model will look like.

"Bosses want to go back to the office more than workers," Standage said. "And workers want to go back less than they say they do. Given the choice, most want to be at home four or five days a week, even if they say two or three."

This could become problematic since women and members of ethnic minorities are especially reluctant to return to offices. If that leads to proximity bias by managers, pay gaps could widen and workplace inclusion could erode.

3. A new form of inflation. While the economy has rebounded in many areas since the worst of the pandemic, blocked supply chains and inflation are predicted to persist throughout the coming year. This will put central banks in a tough spot. "Raising interest rates will likely be necessary," Standage said. "But that doesn't unblock supply chains. It

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may, in fact, make it harder to unblock supply chains" as corporate investments become more expensive and difficult when interest rates are higher.

Standage stressed that this is not a repeat of '70s-style inflation. "As opposed to then, we're seeing rapid growth thanks to stimulus," he said. "We also don't have high unemployment. We have the opposite: a labor shortage. That's good news, but bad news in terms of being in uncharted territory. Given that, how can we determine the right levels of response?"

4. Democracy at risk. As for the geopolitical realm, Standage said "we're clearly at the end of a period of relative geopolitical stability that followed the collapse of the Soviet Union." This is most apparent in the ongoing rivalry between the United States and China, which Standage sees as a broader international conflict between democracy and autocracy.

"Both countries are keen to demonstrate superiority through growth and innovation," he said. "The problem is that democracy has been in recession for a while and the U.S.'s own democracy is now extremely dysfunctional, and that makes America a poor advertisement for the merits of democracy."

Political chaos in the U.S. and the prospect of another Trump presidency work well with China's narrative about the merits of more autocracy. "It's a gift to propagandists that America is in such a mess," Standage said.

This political instability is aggravated by climate change. On that front, Standage was encouraged to see net-zero pledges now covering 90% of the global economy. Yet the COP26 conference was a "disappointment" and the inevitability of more extreme weather in 2022 may be the only thing to "refocus minds."

While the world seems very eager to move on from the pandemic to live in less interesting times, Standage surmised that "unpredictability is here to stay for the rest of this decade."

"Will we go back to normal?" he asked. "Well, I don't think we will. Not to the normal of before the pandemic. The coming decade will look a lot more like right now than then."

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