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Bloomberg

Weekend Edition

The Forecast

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Welcome back to [The Forecast](#), where we help you think about the future — from next week to next decade — with predictions and analysis.

It's the end of the year, so we're getting some rest and hope you are too. In that spirit, today we just have an essay — one full of fodder to discuss at any New Year's Eve party. Our usual format will return next weekend.

Bots, Bullets and Bitcoin

Throughout the year, Bloomberg Intelligence tracks a list of themes based on companies' exposure to consumer and technology trends. Elections and macroeconomics dominated the news this year, but BI's list highlights a few other important narratives. The top-performing theme by total returns was "modern global

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defense,” while AI came in third, enterprise fintech fourth and the future of finance fifth. (Second went to the futuristic catch-all “Frontier Tech.”)

AI, defense and fintech — bots, bullets, Bitcoin. It’s a fitting summary of the global economy as 2024 draws to a close.

Start with AI, where this year brought plenty of breakthroughs. OpenAI’s o1 model surpassed predecessors in math and science, while Anthropic, Google, X and Meta released models at or near the frontier. Chatbots are giving way to [AI agents](#), and [nearly two-thirds](#) of companies now use generative AI. One in three working-age Americans [uses it every week](#).

Today’s AI already allows people to interact with computers in ways that until recently seemed impossible. Want to make a playlist on Spotify? AI can do it for you. Want to write a program that filters news articles from an API? No need to write code yourself. [Want a recipe to create a deadly bioweapon?](#) Well, that brings us to defense.

Many of the companies in BI’s “modern defense” theme made a strategic bet that the post-Cold War order was over, and that a world without US hegemony would be more brutish (and thus require more defense spending). Palantir’s iconoclastic [2020 IPO prospectus](#) — in which it decried the “engineering elite” of Silicon Valley for failing to understand “what justice requires” — now seems prescient. It’s been nearly three years since Russia’s invasion of Ukraine reset geopolitics, and 14 months since Hamas’s attack on Israel, and Israel’s response, started to redraw [Middle Eastern politics](#). And that’s only the shortlist.



Workers clear rubble at a thermal power plant in Ukraine, damaged after a Russian missile strike in April. *Photographer: Andrew Kravchenko/Bloomberg*

The result is boom time for weapons makers around the world. Human ingenuity that might have gone into health care or clean energy is now going toward defense. AI, too, is being directed under this aegis, from drones to cybersecurity.

Unfortunately, there is another side to the “bullets” theme. Global conflict has not, by and large, drawn citizens closer within borders. Political polarization is [rising in nearly every part of the world](#) and democracy has [wobbled](#) in places like South Korea and Romania. In July, a would-be assassin’s bullet glanced off Donald Trump; in December, one took the life of UnitedHealthcare CEO Brian Thompson. Here again, AI could exacerbate existing tensions — reorganizing entire [occupations](#) and creating bitter fights over who has to change and how.

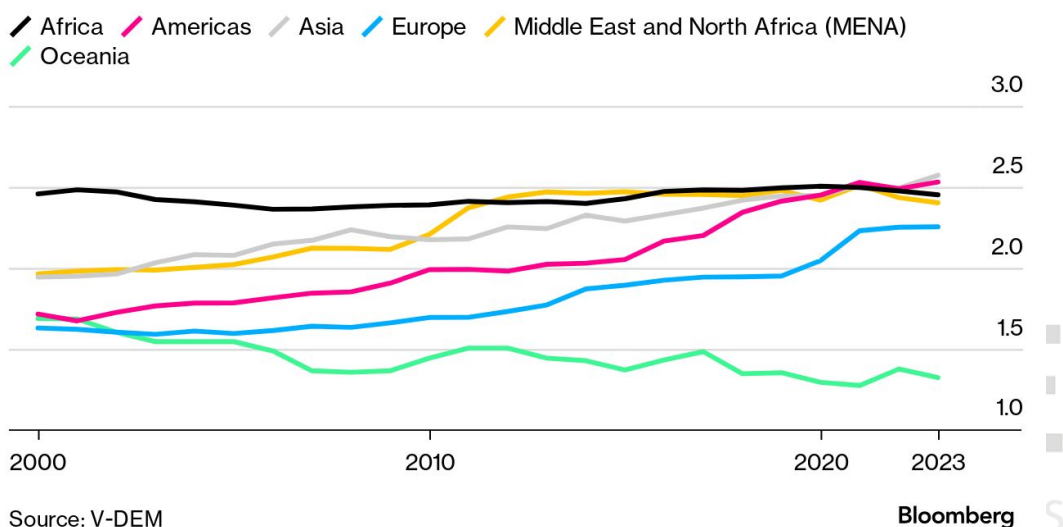
AI should be the type of technology that makes people’s lives better. Economists generally view innovation as the main long-term contributor to living standards, as new ideas make people more productive and richer, freeing up time to innovate anew. But there is a second strand of thinking in the economic growth literature, and it holds that political institutions matter most of all. This year, the pioneers of that

school, Daron Acemoglu, Simon Johnson and James Robinson, of MIT and the University of Chicago, [won the Nobel prize in economics](#) for their work.

The trio contends that more inclusive, more democratic political institutions are the primary driver of economic growth — because they allow citizens to share in the fruits of their labor. Lately, Acemoglu and Johnson have warned that AI could centralize power and therefore lead not to prosperity but to tyranny.

Political Polarization is Rising in Most Parts of the World

Based on expert assessments in the Varieties of Democracy Institute survey.



The Palantir prospectus anticipated this growing gap between geopolitics on the one hand and the marvels coming out of Silicon Valley on the other. “The advance of [internet companies’] technologies has outpaced the development of the forms of political control that are capable of governing their use,” CEO Alex Karp wrote.

He was right. If only there were some sort of governance technology that could operate in a low-trust world, and that had recently been unleashed from any specter of regulation...

Advocates of cryptocurrency have long lauded it as a means of decentralized decision-making, but despite a banner year the technology is still teetering between the Wild West of scams and fortunes and its quiet integration into the [financial system](#). Peter Thiel famously said, “We were promised flying cars; we got 140 characters.” With crypto we were promised DAOs and smart contracts; we got \$100,000 Bitcoin.



A cartoon image of Trump holding a Bitcoin token at a Coinhero store in Hong Kong.

Photographer: Justin Chin/Bloomberg

So what happens next? The smart money is usually on “muddle through,” but it’s also worth contemplating an alternative. What if governance never catches up to invention? What if AI is unleashed and never quite controlled — not in the sense of a robot takeover but, as Harvard law professor Jonathan Zittrain puts it, as a new form of asbestos: dangerous, everywhere and hard to get rid of.

What if we [simply don’t stop burning coal](#) because energy demand is rising too fast and geopolitics prevent us from adopting cleaner alternatives? What if we [don’t learn any lessons from Covid](#) and the next pandemic is even worse? What if multiple great powers equipped with nuclear weapons and AI can’t find a way to peacefully coexist?

In 2025, look out for any sign of improved governance and water those seeds if you can. Technical progress desperately needs to be matched by social progress that increases trust and delivers better decision-making — from neighborhoods to boardrooms to relations between heads of state. There is a future out there where AI makes us much more prosperous, where war abates and international cooperation resumes and where climate change is at least mitigated and managed. But looking back at the themes of 2024, it’s clear that’s not the path we are on.

— *Walter Frick, Bloomberg Weekend Edition*

Bloomberg Intelligence theme rankings are year-to-date, equal-weighted percentage return. Terminal subscribers can see BI's theme library at [BI THEM <GO>](#).



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Have a nice Sunday and a restful end of the year.

— *Walter Frick and Kira Bindrim, Weekend Edition*

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