"You can't list your iphone as your primary-care physician."

2025.08.06

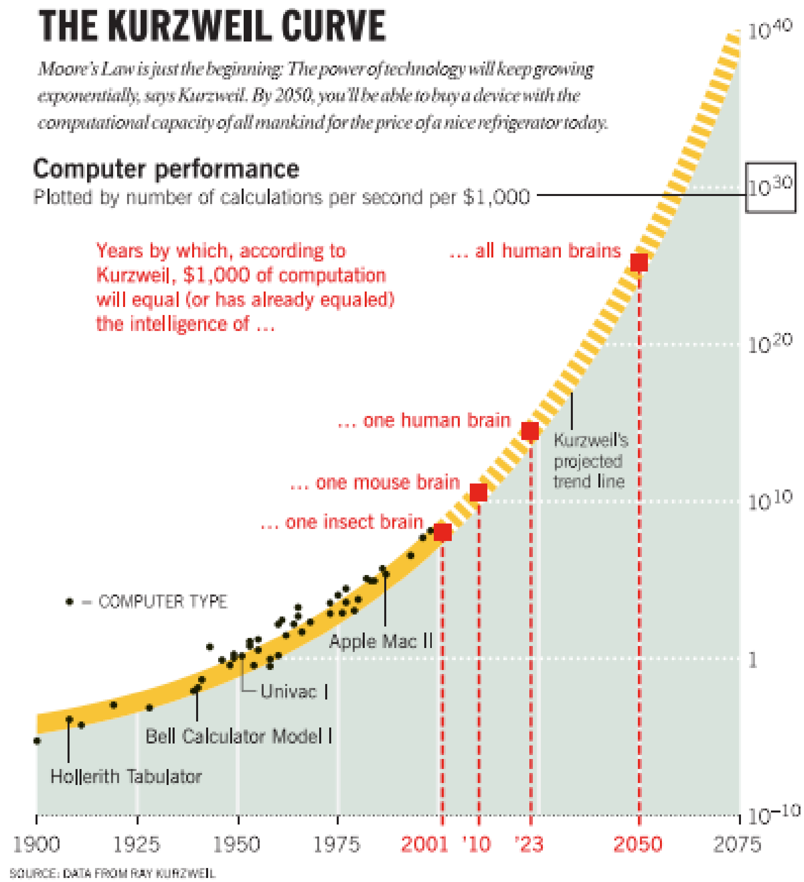
Until the year 1700, the world economy did not really grow. Over the previous 17 centuries global output expanded by just 0.1% on average -a rate at which it takes nearly a millennium for production to double. Then came the Industrial Revolution and spinning jennie's started whirring and steam engines began to puff. With that, global growth for the 18th century quintupled to 0.5%, then 1.9% for the 19th century and over the 20th, growth averaged 2.8% (a rate at which production doubles every 25 years).

Growth has not just become the norm, it has accelerated. And if the evangelists of Silicon Valley are to be believed, economic growth is set to increase on a scale that dwarfs the last three centuries. They maintain that artificial general intelligence (AGI) will soon lift annual GDP growth to 20-30% a year, or more.

That may sound preposterous, but for most of human history, so was the idea that the economy would grow at all. Explosive growth would have profound consequences for workers, but also for goods, services and financial assets.

Historically economies grew largely through the accumulation of people. But this form of growth did not raise living standards, at least at first. But eventually more people had more ideas, which led to both higher output and eventually to lower fertility. AGI, as the theory goes, would allow for runaway innovation without any increase in population, supercharging growth in GDP per person.

Economists who study endogenous growth theory (which attempts to model the progress of technology) argue that if ideas beget more ideas with sufficient velocity, growth should increase without limit. In other words, progress is multiplicative. Information produced by information capital in turn produces more information and so on. Evoking Ray Kurzweil's law of accelerating returns, brings about the singularity, a point when output becomes infinite.



So what would this mean for equities? Faster growth -as long as the company was not itself at risk from AGI, should lead to significantly higher future earnings. So despite the sky-high valuations of tech firms, markets are far from pricing in explosive growth. This would suggest they are massively undervalued. Companies that can harness the power of knowledge could sling-shot their earnings into multiples of their current levels, sending their stock prices soaring.

Silicon Valley has produced some remarkable things including AGI, and from the advent of the Industrial Revolution, innovation has outpaced forecasts for decades. You do not have to go back to the year 1700 to be surprised with humanity's subsequent progress, just imagine showing DeepSeek to a person from 2015. The consequences of accelerating AGI-driven economic growth for human welfare are so profound that it is difficult to comprehended its utterly transformative effect on the human experience.

The investor experience too.

Thanks for reading!

Martin

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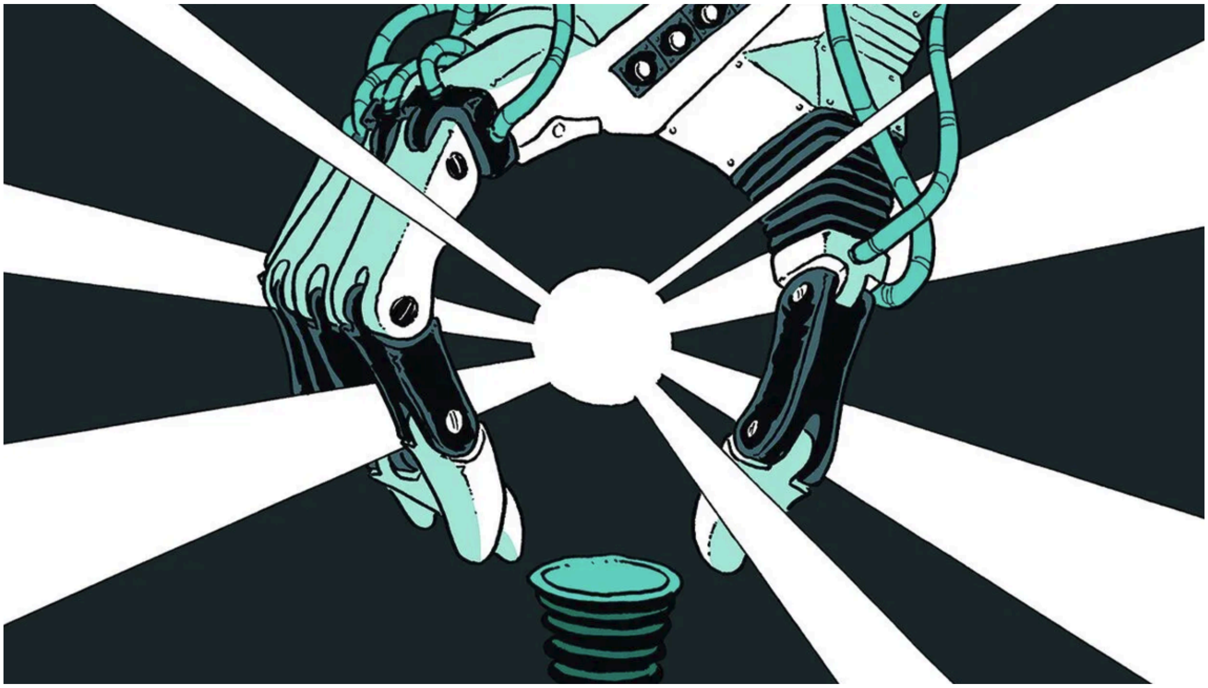

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