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Dealing With the Great Stagnation

A friend of mine, John Eckhouse, recommended that I read *The Great Stagnation: How America Ate All the Low-Hanging Fruit of Modern History, Got Sick, and Will (Eventually) Feel Better* (a Penguin eSpecial from Dutton), by Tyler Cowen, a professor of economics at George Mason University. The book is written in a

clear, intelligent style, and is extremely provocative in its cogent conclusions.

I encourage you to read the book, but to briefly summarize it: Cowen argues that the United States has basically had it easy for the past 200 years, and that things will become much more difficult in the coming decades and centuries. After its founding, the United States was blessed with abundant land and natural resources. In the late 1800s, it benefitted from a wealth of free immigrant labor, and then saw great advances in technology—telephones, automobiles, airplanes, home appliances and so much more.



“Yet during the last forty years, that low-hanging fruit started disappearing, and we started pretending it was still there,” Cowen writes. “We have failed to recognize that we are at a technological plateau, and the trees are more bare than we would like to think. That’s it. That is what has gone wrong.”

This makes a lot of sense. My wife’s grandmother was born in China in 1898. At the time, the British were forcing the Chinese emperor to lease the New Territories to the British Empire, so the East India Company could continue dominating the trade with the East, which relied on ships. People traveled by horse and buggy. There was no radio, telephone or television. Most families resided in the countryside and farmed for a living. Before she passed away in 1996, she saw most people traveling by car and airplane, watched a man walk on the moon, and enjoyed myriad consumer goods manufactured

around the world.

Someone born in, say, 1950 has not seen similarly dramatic advances in transportation, communications and manufacturing during his or her lifetime. Thus, Cowen argues, we have reached a technological plateau, and rapid growth will resume when a new level of technology advancement occurs. Much of the content and activity on the Internet is free, Cowen notes, suggesting that “more and more, ‘production’—that word my fellow economists have been using for generations—has become interior to the human mind, rather than set on a factory floor.”

In truth, I think Cowen might be shortchanging the value of computers and the Internet a bit. These days, it’s possible to run factories remotely online, and to optimize systems and business processes to maximize productivity. That just wasn’t possible before 1950. Computers connected via the Internet have also made the economy global. The car you drive and the plane in which you fly have parts made in dozens of countries, which means wages around the world can rise, creating greater prosperity for all.

In my view, radio frequency identification is the next stage of the computer revolution. Enabling IT systems to better manage everything mobile—which is presently being managed poorly—will lead to reduced waste in the supply chain, fewer lost or stolen assets, higher asset utilization rates and more. These benefits could significantly boost productivity, which would thus lead to greater prosperity.

Granted, this change might not be as significant as the transformation from shipping goods by train to transporting them via airplane—but technologies such as RFID will allow us to reach the fruit a bit higher up on the tree of prosperity.

Mark Roberti is the founder and editor of RFID Journal. If you would like to comment on this article, click on the link below. To read more of Mark’s opinions, visit the RFID Journal

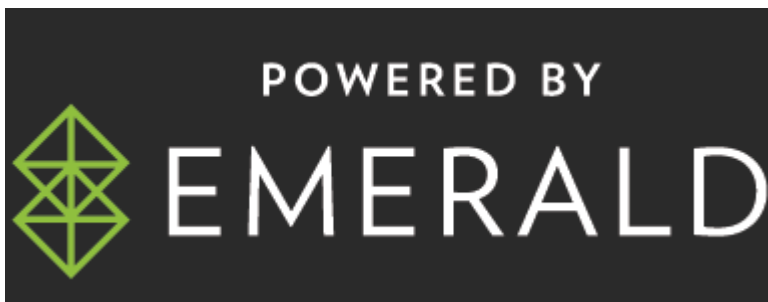
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