
LEADERSHIP—

THE WORLD IS WAITING!

THE DILENSCHNEIDER GROUP
44th TREND/FORECASTING REPORT

JANUARY, 2012

Three First National Plaza
Chicago, IL 60602
Telephone: 312-553-0700
Facsimile: 312-553-0695

200 Park Avenue
New York, NY 10166
Telephone: 212-922-0900
Facsimile: 212-922-0971

January, 2012

Please receive this Trend/Forecasting Report—our 44th—and recognize as we do that the world and our nation are in one of the most precarious states in many years.

Leaders in business, politics, and the social sectors are struggling with how to respond to the challenges that we face and which lie ahead.

These leaders are now joined with a new force—people in the street—that is showing itself in every corner of the globe from Wall Street to the Arab world, China, Russia, and elsewhere. The eventual impact of this new phenomenon has yet to be determined. But these people cannot and should not be dismissed.

The issues are many: the economy, job creation, energy, education, terrorism. The list goes on and on. Please read the first item in this Trend Report and consider a call to action.

Perhaps the over-riding issue is leadership, or lack of leadership. Most in the U.S. in leadership positions have not made a payroll; have not worked in the for-profit sector; and do not seek advice from seasoned experts as leaders did in the past. Outside the U.S., the leadership deficit is even more dire, with many in the world (see our Special Report on dictators) holding power by fear and intimidation. How we find leaders for the future is a major question.

Indeed, danger lurks in the vortex. The climate is right for a misguided populism to capture the attention of tens of millions. It has happened before.

This is a huge issue for the U.S. and Western Europe because, as you will see in the body of this Report, there exists the potential for long-term, systemic changes that could create a very positive future for the West.

While civilized people struggle with all of the above issues, count on the rogue states to work to destabilize the world. This is their only route to success. Know that terrorism is still with us and will be for decades to come. Al-Qaeda may be much stronger today than before the death of Osama bin Laden, if under different control and less centralized. And recognize that, in addition to the hundreds of millions living below the poverty line, nearly everyone on the planet has seen his, or her, life change and is worried about the future as all try to protect their piece of the world.

The situation we face is very troubling. That said, there is much that is positive happening, ranging from critical advances in technology and improvements in medicine, new industrial processes, and more. There is a will and a fiber to push ahead. But that will and fiber needs to be sparked and ignited.

In the Report that follows, you will see much that is hopeful. Nonetheless, we must ask ourselves serious questions whose answers might offer some direction:

- Who funded the “Arab Spring,” will it endure, and where did those “rebels” fighting Muammar Gaddafi get their sophisticated weapons?
- Who is funding the “Occupy Wall Street” movement and what triggered its emergence?
- What is driving the demonstrations in Moscow, where more than 50,000 have gone into the streets?
- To whom does the U.S. give foreign aid (see our September 2011 Trend Report) and why do we provide it to nations adversarial to us?
- Why is there so much focus on candidates’ often contradictory campaign oratory or personal lives and so little on their ability to get the job done?
- Is the U.S. in a slow economic recovery or are we undergoing a systemic, game-changing event?

- What role will the U.S. play in the world in the face of powerful new challenges?
- How close is the U.S. to the end of its economic dominance and political influence?

With this broad perspective in mind, and based on our continuing discussions over the past 12 months with hundreds of experts in diverse fields, including business, finance, journalism, the arts, academia and the non-profit sector, we have identified another set of noteworthy trends for 2012.

This Report, then, as it has for more than 20 years, focuses on critical thinking and on how you might apply it in your life, your business, or in whatever pursuits you follow. Though there are many demands on your time, we urge you to put aside a few moments, whenever convenient, to read it thoroughly.

We would, of course, be pleased to hear any response you might have to this latest effort.

Best regards,

A handwritten signature in black ink, appearing to read 'R. Dilenschneider', with a horizontal line extending to the right.

Robert L. Dilenschneider

TABLE OF CONTENTS

Opening Quote

2012: The Stakes Could Not Be Higher -----	Page 1
The Economy—In Recovery, But Still Fragile -----	Page 3
Europe: Recession <i>And</i> A Banking Crisis?-----	Page 6
A New Europe Is With Us -----	Page 9
We're Off To The Races -----	Page 10
Exports Are Doing Better—For The Moment -----	Page 12
Will The Yuan Be The One?-----	Page 15
The Future of Wall Street: Bankers As Bureaucrats -----	Page 17
Europe's Next Phase: Taking It To The Streets-----	Page 20
It's Back To The Future For U.S. Travel To Europe -----	Page 22
World Religions Returning To Compassion-----	Page 23
Permanent Unemployment: A Looming Reality -----	Page 25
Is Small Business Important? -----	Page 28
The Question That Roils The Nation: How Far Should Government Go?-----	Page 28
The Clash of Civilizations -----	Page 29
Iraq—Many Costs, Few Benefits -----	Page 30
The Uncertain "Arab Spring" -----	Page 31

TABLE OF CONTENTS **(Continued)**

The Afghanistan Dilemma Goes On -----	Page 33
The Dear Leader Is Dead—What Next? -----	Page 35
China—Its Time Is Now, But Expect The Unexpected -----	Page 36
Russia: A Giant In Transition-----	Page 38
Cyberterrorism-----	Page 40
The New Threat: Hacktivism-----	Page 41
Technology: What’s Ahead -----	Page 42
African Women’s New Role In Business, Government -----	Page 44
Boomers vs. Millennials: A Generational Conflict -----	Page 45
Closing Quote	

*“Management is doing things right,
Leadership is doing the right things.”*

- Peter Drucker

2012: THE STAKES COULD NOT BE HIGHER

We are in the early moments of the final countdown to the 2012 U.S. presidential election. In terms of the nation's future, many we have spoken with believe it will be the most crucial presidential election in a generation.

We are inclined to agree. The stakes could not be higher.

Economic expansion and private sector hiring remain stagnant. The litany of unresolved policy issues—unemployment, entitlements, healthcare, regulation, budget deficits, and much, much more—continues to grow. Households are under great pressure and businesses remain in limbo about the scope and direction of future regulations, healthcare costs, and tax policy. For most Americans, it is a time of great uncertainty.

Clearly, there are a range of views about the causes and cures for the current economic malaise, and we respect any honest argument for or against the policies of the past four years. Some will argue these policies have failed, while others will urge more patience. In truth, the policy divide between the two major political parties could scarcely be more sharply defined.

Given the high stakes, we urge you to share your view of the future with all those who count on you for leadership and direction. Tell your employees, your shareholders, your customers, your business partners, and other stakeholders what you sincerely believe this coming election means for them and their futures. They deserve no less.

Perhaps your business or organization has prospered these past four years and you are eager for more of the same. If your enterprise has benefited from new regulations, taxpayer subsidies, unfunded congressional mandates or other interventions into the private sector, do not hesitate to endorse more of the same privately and publicly. In particular, let your employees and your shareholders know what you believe is best for them.

On the other hand, if any of these same policies have hindered the growth of your business or harmed your employees, your customers, your suppliers, and your shareholders, we would likewise urge you to be equally vocal and courageous in letting those who depend on you know how you see the future—their future—unfolding, if the policies of the next four years are anything like those of the past four years.

Elections have consequences. You may understand those consequences, but many who depend on you may not unless you tell them what the consequences are in clear, unambiguous terms. Keep your message simple. Share your frank and honest view about what this important election will mean for your business and for them and their families in terms of their jobs, their benefits, your corporate generosity, etc.

We are not urging anyone to endorse or condemn a given candidate or political party. But you can help educate the electorate from a very practical and pragmatic standpoint. Tell them what you believe is at stake for them. Don't mince words or sugarcoat the possible outcome.

Above all, encourage everyone to vote. Share your view of the future with those who count on you. They, and you, will have to live with the consequences.

IMPLICATIONS FOR BUSINESS: As noted, the stakes could not be higher for business. Given the likely presidential candidates' sharp policy differences and approach to getting the economy restarted and unemployed Americans back to work, business leaders should not simply "let the chips fall where they may" or rely on their industry or trade group to make their case for them. If you feel the election outcome will impact the future of your business or organization—for better or worse—share your hopes or fears for the future with those that count on you for guidance, direction, and a paycheck. That is what leadership in trying times is all about.

THE ECONOMY—IN RECOVERY, BUT STILL FRAGILE

For the first time in three years, the American economy is displaying more signs of recovery and strength than vulnerability and weakness.

In recent months, a broad range of reports—increased residential construction, rising small business and consumer confidence, and declines in initial unemployment claims—have created a sense of optimism. More important, recent data from the Federal Reserve show that bank credit is growing at the fastest pace in three years. During the third quarter, financial institutions increased commercial and industrial loans by an average annual rate of 10 percent, the highest since the comparable quarter of 2008. (More recent numbers show seasonally adjusted loan growth of 15 percent in October and just over 6 percent in November.)

If this clear but modest trend in lending continues, the small business sector will contribute significantly to growth this year.

In the final three months of 2011, gross domestic product grew by more than 3 percent, by far the fastest pace of the year. Most informed opinion expects the economy to continue expanding at about the same rate in 2012.

No Job Growth

While most analysts do not expect job growth in 2012 to put a meaningful dent in the nation's unemployment rate (8.5 percent in December), recent history suggests the pessimists may be wrong. Since October, 2010, payroll employment has increased for 15 straight months.

There are, however, many reasons to be cautious about the economy in 2012. It is less than certain that the improving trends of 2011 will persist, since the great imbalances that helped to precipitate the financial crisis are still, three years later, serious problems.

This is especially true for American households. Since 2009, Americans have either paid down or walked away from a good portion of their outstanding obligations. Household debt has come down from its 2009 peak, measured against after-tax income, but only to 2004 levels. There is still a long way to go.

Government at the local, state, and federal level will not be a source of much, if any, stimulus in the coming year, and could be a drag because of more layoffs. The \$1 trillion in debt owed by the nation's college students and graduates could be yet another impediment to growth.

What's more, as 2011 dramatically illustrated, unforeseeable events can loom large—like the Japanese earthquake and tsunami or the fighting in Libya and tumult in Egypt that led to sharp oil price increases. And what American would have thought the federal debt ceiling fiasco—and the damage it inflicted on confidence in our government—was even remotely possible?

As 2012 unfolds, the U.S. and world economies face at least three key challenges: the Eurozone crisis, a possible slowdown in China, and more mischief in Washington.

It is hard to estimate how severely the challenges facing the Eurozone will affect the U.S. economy. But it is ominous news that German Chancellor Angela Merkel has said, "2012 will no doubt be more difficult than 2011."

Payroll Tax Holiday

In Washington, debate will resume about extending the payroll-tax holiday and long-term unemployment benefits beyond the end of February. For a full 12-month period, the two parts of this package amount to about \$150 billion in stimulus. On the other hand, failure to approve both could cost the economy 400,000 jobs and cut growth by half a percentage point in 2012.

Also at issue is the sun-setting of some tax incentives and the expiration of temporary spending measures that were part of President Obama's 2009 stimulus legislation. A number of private forecasters estimate the end of these provisions could dampen growth by as much as a full percentage point.

Other factors that will affect the coming year:

- **Exports.** In the aggregate, American exports are at near-record levels. But if the world economy slows—a real possibility given the sputtering of the Chinese engine—the export sector will obviously be affected.
- **Private sector.** Non-financial companies are flush with cash. At the end of September, they held at least \$2.3 trillion in cash and other liquid assets. Cash accounted for 7.2 percent of all company assets. This is the largest share of cash as a percentage of corporate assets since 1959.
- **Capital investments.** When capital expenditures by companies in the Standard & Poor's 500 index are added up for 2011, the total is expected to be \$546 billion, down from \$560 billion in 2008. Investment is a key driver of the domestic economy, so unless businesses increase spending and hiring, consumer spending will remain under pressure.

IMPLICATIONS FOR BUSINESS: Watch developments, especially in Washington. The opportunities to gain competitive and financial advantage are there. So are the pitfalls. Be alert. Be wary.

DID YOU KNOW?

In an era of historically low U.S. Treasury bond interest rates, it is sobering to realize that in the inflationary days of September, 1981, the 10-year Treasury note hit an all-time high yield of 15.84 percent! Today, the yield is hovering around 2 percent with plenty of buyers both here and abroad.

EUROPE: RECESSION AND A BANKING CRISIS?

What is happening to European economics has never occurred before. We do not know what the result will be. We can be sure of one thing—life will be very different.

The sovereign debt crisis confronting members of the European currency union and the banks in those countries has been lingering for two years. World financial markets have grown increasingly skittish about potential fallout as the crisis has dragged on without a solution.

An answer was always available, of course: The European Central Bank (ECB) should fulfill a role assumed by virtually all central banks, and act as lender of last resort for beleaguered countries like Greece, Spain, Portugal, and Italy. This is a role the ECB, under pressure from the German government, has been unwilling to assume.

That is still largely the case. But last month, the ECB quietly announced a policy change that makes it look and act much more like the U.S. Federal Reserve than it had previously. As a consequence, the worst of what could have been a transatlantic financial crisis, as well as an incipient dissolution of the euro, may well have been avoided.

The effect of what the ECB decided on December 8 was made visible December 21, when it was announced that 523 European commercial banks had borrowed nearly \$640 billion from the ECB at extremely favorable terms. This could be a turning point in Europe's debt crisis—a problem threatening global growth for nearly two years.

No Visible Strings

The ECB attached no visible strings to the loans. But it widely assumed that at least some of the money will be used by the borrowing banks to buy securities issued by those banks' home governments.

If the banks use the money in that fashion, it would address the bigger challenge of easing the borrowing climate for troubled, already highly-indebted governments. About \$1 trillion in sovereign loans held by Europe's banks needs to be refinanced in 2012. A big test of the efficacy of the ECB's approach will come in February, when Italy has debts totaling about 46 billion euros (\$59.5 billion) coming due.

Later that same month, the ECB has said it plans to offer another round of loans, maturing in three years. And it seems quite likely that even more loans will be extended going forward.

It is much too soon to predict with confidence that the new policy will, in fact, work. At a minimum, it is an improvement over the stop-gap measures European leaders have approved—and markets have ultimately found wanting—over the past two years.

Last Resort Move

In the final analysis, it may be that the ECB will be forced to step in and become the lender of last resort, buying large amounts of sovereign debt directly from individual European banks. For the time being, though, that is not likely to happen. Whatever, the ECB's efforts may forestall or solve the currency crisis that threatens the very structure of the European Union, and which could precipitate a trans-Atlantic banking crisis.

The European banks will be extremely happy to have the ECB's money. But it seems unlikely that much, if any, of the funds that are borrowed will end up being extended as credit to European businesses. Indeed, those banks are likely to use at least some of the money to shore up their own balance sheets. That will be necessary because, in early December, the European Banking Authority ordered the region's financial companies to raise more than 110 billion euros (\$142.2 billion) of additional capital by the middle of 2012. This will clearly help stabilize the banking system. However, in addition to a currency crisis, the European Union is teetering on the edge of a fallback into recession. A financial sector that is more interested in raising capital than in extending new loans is not one that can be expected to help stimulate growth.

Record Joblessness

A second recession in some three years would make life even more difficult for many in Europe. Already, Eurozone unemployment is at its highest level since records there began to be kept in January, 1998. More than 16 million people are out of work in the region. The Organization for Economic Cooperation and Development slashed its Eurozone growth forecasts for 2012 to 0.3 percent from 2 percent just five months earlier.

More worrisome than European unemployment, generally, is the splintering of the bloc's members. Few of the members agree on anything and much time is spent on appointments rather than solutions. Unemployment in countries like Germany, Austria, and The Netherlands is under 6 percent. But on the periphery it is much higher and climbing. In Ireland, the rate is now more than 14 percent; in Greece, it is close to 18 percent; and in Spain unemployment tops 22 percent.

A downturn could be avoided, or mitigated, if countries like Germany took steps to increase domestic consumption and/or government spending. But both options are antithetical to the German character. Germans are savers and exporters, not spenders and importers.

IMPLICATIONS FOR BUSINESS: In summary, while there is at least some reason for optimism about the fate of the Eurozone, it is difficult to mount even a quasi-convincing case that the continent will generate appreciable economic growth in the coming year. Macro and micro policies will need to be realigned. This will create formidable hurdles of some significance. Unemployment is high and is going to get worse. Many believe it will take a huge jump-start in thinking to address this issue. The Eurozone will NOT fall apart. For all their complaints, the Germans may have too much to lose if it does. Distress creates opportunities. Be on the lookout for attractively priced assets in Europe and Asia.

DID YOU KNOW?

Since 2000, the U.S. gained 8,192 square miles in water territory, though that was offset by a loss of 5,533 square miles of land. There are 87 Americans per square mile of land, up from 79 a decade ago, and 4.5 in 1790.

A NEW EUROPE IS WITH US

Seven of the 17 nations that are on the euro saw their governments change in 2011—a key indicator of the continent’s political turmoil and economic distress. They were: Belgium, Greece, Ireland, Italy, Portugal, Slovakia, and Spain. An eighth nation, Latvia, which is in the European Union, but not on the euro, also saw its president ousted.

The French will hold their presidential election in the spring, and in the United Kingdom, Prime Minister David Cameron’s coalition with Liberal Democrats is hardly rock solid.

Expect more changes, then, in European leadership. With the changes that have already occurred, the bureaucracy underlying the leadership has also changed.

Why is this happening? There are different reasons for every country, but the root cause is deep unhappiness with what politicians have created with little promise for a positive future.

IMPLICATIONS FOR BUSINESS: Every business will need to make massive adjustments to a new order in countries where change has occurred.

DID YOU KNOW?

There have been countless thousands of stock offerings, here and abroad, in modern times. But the very first IPO in human history was made in Holland over four hundred years ago (1602) by the Dutch East India Company.

WE'RE OFF TO THE RACES

It has been many decades since the political environment has been so unpredictable or chaotic.

The American public doesn't think the political system is working for them and judges the Congress with real disdain. Over 84 percent of Americans disapprove of the job Congress is doing and nearly 70 percent feel the country is going in the wrong direction.

This is after two dramatic elections in a row in which huge numbers of Americans voted for President Obama (53 percent) and House Democrats (54 percent) in 2008, and reversed themselves in 2010 and voted Republicans into the majority in the House by huge numbers (52 percent nationally) picking up 63 seats (the largest gain by either party since 1948.) Republicans also added six Senate seats, five Governorships, and 675 legislative seats at the state level.

The divided government has led to deadlock on budgets and other critical legislation and for the foreseeable future no progress will be made. In spite of record deficits, Republicans will not raise taxes and Democrats have no desire to cut cherished entitlement programs.

Most major decisions will be put off until after the November elections with both sides hoping their position will give them an electoral advantage. The Democrat leader and former Speaker Nancy Pelosi, is urging the President to run against the Congress similar to Harry Truman's 1948 upset win.

Due to the economic conditions discussed earlier in this Report, and his leadership style, President Obama is viewed as vulnerable. His re-elect numbers are dismal and a generic Republican candidate can beat him. The nominating process is just underway, and former Massachusetts Governor Mitt Romney is the leading candidate after running non-stop for six years. Romney is viewed as the establishment candidate and the only one at this time who has a real campaign in place with a superb organization and fundraising capacity. He has just won the Iowa and New Hampshire contests.

The GOP Opposition

Conservative voters at this time are not excited with his candidacy and are still seeking an alternative. The possibilities are former House Speaker Newt Gingrich, former Pennsylvania Senator Rick Santorum, and Texas Governor Rick Perry. Two other choices, although not viewed as conservatives, are Libertarian Congressman Ron Paul and former Utah Governor and Ambassador to China Jon Huntsman. The time frame for these other challengers is short and unless they win somewhere soon, South Carolina or Florida—they may drop by the wayside. If an alternative develops, the nominating process could drag on for a period of time, which could weaken the eventual nominee. But if Romney wins the next several state primary contests, his opponents will be forced to the sidelines by a lack of resources and the fall contest can begin in earnest.

Eventually conservatives will fall into line due to their desire to oust President Obama. Beating an incumbent president is never easy, and it will take a unified and energized party to do it.

Neither side could win enough states today to give them the 270 electoral votes needed. The president won 28 states with 361 electoral votes in 2008. The fight for victory will come down to eleven states: Florida, Ohio, Virginia, Wisconsin, Colorado, Nevada, Pennsylvania, Minnesota, and Iowa, New Hampshire and North Carolina. If you live in one of them you will be bombarded with television commercials and direct mail. If you don't, you won't even know the race is going on except in your news outlets.

The House probably remains Republican, even though they may lose a few seats. The real battle is for the Senate, now controlled by a Democratic majority—51 Democrats, 47 Republican and two independents who vote with the Democrats. In the 2012 cycle, 23 Democratic seats are up for grabs and 10 Republican. As of now seven of those Democrats are retiring and their seats are judged a toss-up: Hawaii, Montana, New Mexico, North Dakota, Virginia, Nebraska, and Wisconsin. There are four other seats with incumbents running for re-election that are also viewed as toss-ups and possibly vulnerable: Republican Senators Brown of Massachusetts and Heller of Nevada, and Democratic Senators McCaskill of Missouri and Tester of Montana.

The one thing that is undeniable in 2012 is that more money will be spent in presidential and congressional races than ever before in U.S. history. The combination of no presidential candidates taking public monies and the rise of super PACs without donor limits will mean enormous sums will be spent trying to alter the political landscape.

IMPLICATIONS FOR BUSINESS: Stand by. The lines of future direction for the United States and its role in the world have not been more sharply drawn in our lifetime.

So the American people will have a huge decision to make in November.

The question will always be this: Can the candidates carry out their pledges?

But two very different directions are clear and both have huge implications for every element of business and every reader of this Report in the U.S. and around the world.

EXPORTS ARE DOING BETTER— FOR THE MOMENT

Helped in part by a weak dollar and a continued decline in manufacturing labor costs, American exports staged a strong performance in 2011. And, for the first time since Harry S. Truman was president, the top export from the United States will likely be fuel.

That's the good news. The bad news is that, even though U.S. exports have been strong, domestic demand for foreign goods and services is even stronger. This means the nation's current account—the difference between the goods and services this country ships abroad and what we import from all other nations—will once again be in the red. The last time the U.S. ran a current account surplus was in 1981, the first year of the Reagan presidency.

Final figures for all of 2011 have not yet been announced, but the numbers that have been made available so far underscore what has been true for many years: The United States is the most important nation in the world when it comes to world trade. The American appetite for imported products is well-documented, but the U.S. has also consistently remained among the world's top three leading exporters.

Fuel Top Export

By far, the most significant—and surprising—development in the 2011 American export story is the re-emergence of fuel as its leading export. Measured in dollars, in 2011 the nation was on pace to ship more gasoline, diesel, and jet fuel abroad than any other single export. It will also be the first year in more than six decades that the U.S. has been a net exporter of these fuels. By way of comparison, as recently as ten years ago, fuel was not even among America's top 25 exports. (For the past five years, aircraft was the top export.)

The value of U.S. fuel exports has been growing steadily over the last decade, coinciding with rising oil prices, increased global demand, and a steady deterioration in the value of the dollar on foreign exchange markets. (Like many other commodities, oil is priced in dollars.)

Developing countries in Latin America and Asia have been burning more gasoline and diesel. They also buy more cars and build more roads and factories. And Europe has been buying additional U.S. fuel to compensate for its lack of refining capacity.

Higher Profits

Refining companies decline to say how much they earn selling fuel overseas. But analysts say those sales are likely generating higher profits per gallon than fuel sold in the U.S. Without the prospect of a bigger payday, the refiners would otherwise market the fuel in the United States.

The bottom-line impact may be a secret, but there is no question more refined product is being exported. In 2011, U.S. refiners exported 117 million gallons per day of gasoline, diesel, and jet fuel in addition to other petroleum products, up from 40 million gallons a day a decade ago. There are other reasons for the rise in fuel exports. For starters, the United States is using less fuel. That's partly due to the residual effects of the Great Recession. But it's also a reflection of greater efficiency in the vehicles Americans are driving.

Domestic Demand

Domestic demand for fuel is likely to rebound somewhat when the economy gains momentum. Even if that happens, recent developments in the discovery and extraction of America's enormous natural gas reserves almost assure that the United States will remain a significant fuel exporter for decades to come. Despite all of this, our nation is nowhere close to becoming energy independent. America remains the world's largest importer of crude oil. From January through October 2011, the U.S. imported 2.7 billion barrels of oil worth roughly \$280 billion.

Continued strong growth in exports will be dependent—as it always has been—on foreign economic growth. Here, the outlook for 2012 is not entirely promising. Europe appears to be on the verge of recession and the Chinese economy, which buys billions of dollars of American exports, is showing signs of a slowdown. Aside from the competitive edge provided by a weak dollar, there are other signs indicating why the American export picture is improving. Unfortunately, not all of them bode well for the American worker, or for the nation's standard of living.

Specifically, over the last five years there has been a sharp decline in unit labor costs. In manufacturing, the U.S. Bureau of Labor Statistics has reported that wages and benefits invested in each unit of production have fallen in eight of the past 10 years, a net decline of 13.6 percentage points. To be sure, productivity played a role in that, as modern factories employ fewer workers. Nonetheless, the decline is the biggest in such a short time since the Bureau began tracking the measure in 1951.

Exports by all countries have great meaning for our economy. Perhaps the country that does it best is Germany, where there appears to be a policy behind Chancellor Merkel by business leaders to line up and aggressively sell, oftentimes as a unit. No other country we are aware of has organized its exports in this manner, but there is a huge benefit to doing so.

IMPLICATIONS FOR BUSINESS: It seems highly unlikely that a resurgent export sector will be enough to bring America's current account into balance. For decades, economists have been issuing warnings about the dangers inherent in what they often refer to as the nation's "twin deficits"—the current account deficit and the federal budget deficit. The cumulative impact of those deficits is now being felt and—belatedly—addressed.

Manufacturing gets all the attention, due to its decline and its relatively high labor component. But manufacturing only represents 11 percent of the U.S. economy. Service sector industries need to be just as export-oriented as their manufacturing counterparts.

If the U.S. trade and current accounts are to return to balance, the value of the dollar will need to stay low relative to other major currencies for a long, long time.

Many developed countries are looking to exports as a way of jump-starting their economies. Inevitably, this shared view will generate tension and raise the risk of bilateral and multilateral trade disputes.

WILL THE YUAN BE THE ONE?

Twenty-five years ago, when Japan seemed astride the world economy, there was much talk about the ascent of the yen as the world's primary reserve currency. That has not happened for various reasons.

Now it may be China's turn. As with the Japanese in the early 1980s, today there are compelling economic arguments to support the inevitability of China's currency rising to dominance.

If anything, in recent months the sight of politicians in Washington and Europe failing to deal forthrightly with serious fiscal issues has strengthened that view among many—particularly, it seems, in Beijing.

In what many analysts characterized as a “baby step” toward transforming the yuan (also known as the renminbi or “the people's money”) into a reserve currency, China and Japan last month said they had reached a wide-ranging currency agreement that is expected to give the Chinese yuan a more powerful role in international trade.

The agreement includes direct yuan-yen trades without converting the currencies first to dollars. In addition, Japan agreed to hold the yuan in its foreign exchange reserves, currently largely denominated in dollars. Finally, Japan agreed to buy Chinese bonds in 2012, thereby allowing it to accumulate more yuan in its foreign exchange reserves.

All these are impressive steps, fully consistent with the view articulated by top Chinese officials in recent months that they would like to broaden the global use of the yuan. They hope to see more countries move away from relying on dollars as the worldwide currency.

Despite this agreement, the yuan is not yet—and will not likely be in the foreseeable future—fully convertible to other major currencies. Until that happens, the yuan will not be able to compete with the dollar and the euro as a global reserve currency.

For it to supplant the dollar as a major reserve currency, the Chinese exchange rate would have to fluctuate. Controls on capital inflows and outflows will also have to be addressed. Additionally, China's domestic capital markets will need to be liberalized and China will need to create markets for yuan-denominated debt. Beijing lacks the political flexibility to do this. That is the issue that trumps—or that threatens to trump—all of China's economic and financial bona fides that would otherwise qualify it for reserve currency-hood.

IMPLICATIONS FOR BUSINESS: The Chinese government's five-year plan calls for a shift in emphasis from exporting to the promotion of domestic consumption. This transition is taking place at a time when the Chinese economy seems in the midst of a sharp slowdown while domestic unrest in the country is on the rise.

It may well be that in the next 10 to 20 years the Chinese political system will be able to support—and withstand—the pressures and benefits that accompany being home to a reserve currency. But at this point, this does not seem to be an odds-on bet.

Assuming the accord with Japan becomes fully operational in 2012, expect downward pressure on the value of the dollar and the euro, and upward pressure on U.S. and European interest rates. Over time, a fully convertible yuan could persuade commodity producers to price their goods in the Chinese currency instead of dollars.

THE FUTURE OF WALL STREET: BANKERS AS BUREAUCRATS

Back in 2008/2009, when many observers were pronouncing the “death of Wall Street,” we took a much different perspective. In our Trend Report that year, we predicted that, despite massive, industry-wide failures that had brought down financial markets and unleashed the scorn of the global populace and the ire of national and international regulators, the banks of Wall Street would regroup, revise, and eventually reassert themselves as newly profitable and powerful enterprises.

This prediction—which has been proven correct in just a few short years—didn’t require much in the way of foresight. Rather, it simply required one to step back from the apocalyptic headlines and think about history.

This wasn’t the first crisis faced by Wall Street. It wasn’t even the first crisis *caused* by Wall Street. In every past crisis, while individual banks and bankers were destroyed, Wall Street as a whole pulled back, nursed its wounds, promised regulators that it had learned its lesson, and, gradually over time, went about the business of rebuilding its business. Although this time around the stakes were perhaps higher and the rhetoric was certainly more intense, there was no reason to think the outcome would be any different.

Two Caveats

And, by and large, it wasn’t—except for two extremely important caveats: The imposition of new capital reserve requirements and the banning of proprietary trading represent real, fundamental changes to the business. The virtual disappearance of bank proprietary trading had a sudden and dramatic effect. Banks around the world looked to replace this former profit engine by shifting strategic focus and resources to previously neglected “customer” businesses such as equity and fixed-income trading.

It is the imposition of these new capital reserve requirements that will ultimately prove the most disruptive to the existing investment banking business model. The impact of the new rules is only now beginning to materialize. The first signs of fundamental change are already evident in Switzerland, where regulators have imposed capital requirements even stricter than those implemented in the rest of Europe and North America. Credit Suisse and UBS have revised their business models, pulling back from investment banking businesses that require significant capital commitments.

These changes represent just the tip of the iceberg. In the decade leading up to the global crisis, fixed income had become a huge source of revenues and profits for banks. In the months ahead, expect banks around the world to follow the example set by the Swiss and reduce the amount of resources dedicated to fixed income and other businesses where tighter capital reserve requirements are reducing profit margins.

In most cases, these shifts will occur without the types of dramatic announcements made by UBS and Credit Suisse. Banks have begun quietly retrenching in global fixed income markets, often by pulling back the amount of resources available to clients outside the select group of their largest and most profitable institutional and corporate clients.

Many Job Cuts

In the past few months, there has been a steady drumbeat of announced job cuts from global banks. Expect more in 2012, with most centered on fixed income businesses. These reductions will not be a reflection of typical cyclical market movements. To the contrary, they will signal a deeper and more secular change to the investment banking business model. The resulting model, which will feature less risk, lower profits, stricter regulation, and more focus on actually working on behalf of customers is already being dubbed the “utility” banking model. (And make no mistake, on Wall Street any comparison of its business to a utility is not a compliment.)

The Swiss banks have already announced that, henceforth, the main purpose of their investment banks will be to support and provide product to their immense wealth management businesses. Other banks are harnessing their newly clipped investment banking functions to service the traditional corporate finance needs of global corporations or the investment needs of the world’s largest institutions.

As 2012 gets underway, we are revising our take from 2009—but only slightly. This time around it really is different in that regulators, after the crisis, imposed rules that alter the economics of investment banking. In the end, Wall Street responds to just one stimulus—profits. Because regulators have compressed margins in core investment banking businesses, financial service firms will alter their fundamental structures in response. Investment banking is evolving into an industry that is much less profitable, much less risky, and much less sexy.

But long-term, our fundamental position remains unchanged from 2009: While it is possible that investment banking has forever lost its swagger, and that bankers will come to resemble coach-flying bureaucrats at a government-regulated utility, we doubt it. Banks already have their sights focused on Asia, where they see the potential for dramatic growth in markets that are far less regulated than those in the developed West. Bankers chafing under the restraints of the new “utility” model will be all the more motivated to discover the next big thing—and there has always been a next big thing.

IMPLICATIONS FOR BUSINESS: It’s no secret that new rules imposed on banks will result in increased costs of capital for companies around the world. Smaller companies and institutional investors can also expect to experience reductions in the scope and quality of the coverage they receive from investment banks in core functions. Companies and investors should be on guard against reductions or even more serious disruptions in liquidity in fixed income and other capital markets as major dealers retrench and the European sovereign debt crisis continues to roil markets.

DID YOU KNOW?

Although \$7.25 has been the official federal minimum wage rate since 2009, Washington State has just become the state with the highest minimum wage, raising the figure to \$9.04. The nation’s first federal minimum wage law was passed in 1938 in response to the Great Depression. It was \$0.25.

EUROPE'S NEXT PHASE: TAKING IT TO THE STREETS

The non-violent “Occupy Wall Street” movement (please see our Special Report of October, 2011) that began on September 17th of last year and soon spread to scores of cities across the nation, may have been modeled on similar tactics long employed by Europeans to express political dissent.

However, there is one major difference.

Over the past three years, Europe has experienced a succession of crises, each shaped by those that preceded it—financial, economic, and, most recently, political. However, in 2012 expect the situation in Europe to enter its most dangerous phase to date—social crisis.

Today, it is painfully apparent that, for much of Europe, no one is going back to business as usual. Regardless of how Europe’s political leaders agree to address the immediate sovereign debt crisis, one thing is certain: For the foreseeable future, many European countries are in for an extended period of painful government austerity and dismal economic conditions. In the eyes of many Europeans, these dark prospects are being imposed by outside forces with their own agendas through non-democratic processes. This is a recipe for social unrest.

New Urgency

That issue has taken on added urgency in the 21st century. Decades-old dictatorships were swept from power in a matter of months during last year’s “Arab Spring.” While the democratic governments of Europe are worlds removed from those despots, the same technologic advances that empowered Arab citizens to overthrow these regimes will change the nature of protest in Europe in coming months.

In 2012, the fight over Europe's future will move from the polished floors of office towers in Brussels to the streets of Athens, Rome, and even Paris. Although protests have begun in the traditional European fashion, over time they will evolve to look less like the union/student organized marches that have marked Europe since Lech Walesa's solidarity movement took hold in 1980s Poland. More likely, they will resemble the leaderless, amorphous movements that have recently materialized across America under the "Occupy" banner and, earlier, throughout the Middle East; and now also appear to be taking root in Russia. As demonstrated in the summer 2011 riots in England, these new protests—empowered by social media—may be less predictable, more infectious and, unfortunately, more violent.

IMPLICATIONS FOR BUSINESS: Any company with significant operations in Europe has undoubtedly spent considerable time over the past year attempting to manage risks associated with the sovereign debt crisis, including exposure to the euro and to the region's slowing economies. However, multi-national companies that have not already done so should now start putting into place emergency response plans for serious social unrest in both periphery and core E.U. countries. While such unrest is by no means a certainty, the risk grows every day the broader crisis persists. Companies should create and maintain detailed plans to protect and, if necessary, evacuate staff, secure locations and equipment, and avoid, minimize, or manage general business interruptions and disruptions to their supply chains or those of customers.

DID YOU KNOW?

Concentration in the nation's financial/banking sector is a fact of economic life in the 21st century. Thirty years ago, the ten largest financial institutions held approximately 10 percent of all U.S. financial assets. Today, that figure exceeds 75 percent. At the close of 1985, deposits in more than 18,000 member banks were insured by the Federal Deposit Insurance Corporation. Today, there are fewer than 8,000 savings banks operating in the U.S. while savings and loan associations have virtually disappeared.

IT'S BACK TO THE FUTURE FOR U.S. TRAVEL TO EUROPE

International travel/tourism to the U.S. from around the world is reaching new highs, estimated to have grown by 7 percent in 2011 to a record 64 million visitors. But equally noteworthy is the increasing number of American tourists now taking off for European destinations. No surprise here given the anxiety created in the Middle East. But look for this movement to accelerate.

Much has been written about high-end American travelers seeking alternatives to the classic European vacation, who are now exploring more remote venues in emerging destinations. Bragging rights are increasingly built around those more exotic locales.

Shifting American demographics also appear to be changing, quite literally, the face of American travel. Not surprisingly, and as the Hispanic proportion of the U.S. population grows, Europe's primary competition is now coming from increasingly accessible Central and South American destinations. (U.S. population shifts show a decrease in the white, non-Hispanic population from 75.7% in 1990, to 52.5% by the year 2050, according to U.S. Census projections.)

Rosy Picture

But it's not yet time to write off the popularity of travel to Europe. Just-released reports on U.S. travel from the World Tourism Organization (UNWTO), European Travel Commission (ETC), and European Tour Operators Association (ETOA) paint a rosier picture of recovery and rebound for Europe that defies the volatile global economic situation and changing demographics in the U.S.

More than 11 million Americans still visit Europe annually. Europe remains an aspirational "must-see" destination for Americans, fueled by the continent's diversity, history, culture, and gastronomy. The future looks bright as pent-up demand for European travel is helping to grow the numbers, with travel expected to return to 2008 levels by 2014. This is being helped by a strengthening of the U.S. dollar against the euro.

With U.S. tourists spending \$75 billion overall on overseas travel, there's a lot at stake for competing destinations. America represents high volume growth with a projected increase of nearly 47 percent in trips abroad and an increase in spending abroad of 66 percent between 2010 and 2020.

IMPLICATIONS FOR BUSINESS: Those European destinations and travel companies who win the day in appealing to American customers will be those who best identify and respond to the latest travel trends and emerging travel preferences. These include continued emphasis on value for money, personalized experiences that provide intrinsic satisfaction (“live like the Europeans”), discovery of new places (“hidden gems”), and being treated like “guests,” not as tourists. And while most continue to favor booking via travel agents (60 percent) over online sources (40 percent), American visitors are increasingly traveling with their iPads and other tablets to find what they seek within the travel experience.

WORLD RELIGIONS RETURNING TO COMPASSION

As the number of faithful has statistically decreased from the mid-20th and into the 21st century, religious institutions have undergone distinct changes in reaction to the tumultuous economic and political dislocations in society. Instead of emphasizing the differences in beliefs that have defined them as separate faiths, they have begun seeking a common ground and embraced a universal theme that underlies their different traditions—compassion.

Religious leaders are emphasizing the need for human compassion because it is at the core of the world's major faiths. Their ranks have included the Dalai Lama, author of several books about the need for compassion, and theologians like Karen Armstrong, author of “Twelve Steps to a Compassionate Life.” Ms. Armstrong gathered together religious leaders to create a “Charter for Compassion” and launch a worldwide movement whose goal is to champion the “Golden Rule”—treating others as you would have them treat you.

Common Theme

The importance of compassion, which is now a paramount tenet among major religions, has also become a common theme in the broad culture from organized protesters to studies that show such behavior is good for your health.

The recent emphasis on the need for compassion in an increasingly hostile world can be traced, at least in part, to the global economic crisis and mounting poverty, unemployment, and political and social marginalization in the wake of the 2008 global financial crisis.

Armstrong's views have been echoed by ranking members of many religious institutions. The Dalai Lama's published "How to Be Compassionate" cites it as the guiding principle for happiness. The pre-eminence of compassion as a virtue also continues to be propounded by Jewish, Muslim, and Christian leaders.

The Pope's View

One of the most vigorous calls for compassion in the economic realm came from Pope Benedict XVI, leader of the world's Roman Catholics. In a call for global economic reform, Pope Benedict issued a papal encyclical in 2010 titled *Caritas in Veritate*, or "Charity in Truth," in which he called for compassion in the banking and financial sectors based on traditional Christian values.

Since then, Pope Benedict and Catholic leaders have continued to promulgate a message of compassion for inter-faith dialogue and political and economic institutions. On January 6, 2012, Pope Benedict elevated 22 Bishops from around the world to the rank of Cardinal, calling them to strengthen the Catholic faith and also to a mission evocative of compassion, "to be the source and foundation of the Church's unity and communion." Secular global protestors such as the "Occupy" movement, while articulating a sometimes fractured message in their calls for institutional reform, have also maintained that "compassion is our currency."

The continuing push by these groups has moved from general and abstract to engaging in direct efforts. Recent research revealed that those who follow a religion tend to be notably more active in community organizations and take part in community service and activism, while religious followers also had more confidence in their abilities to improve their communities. Another study showed that the number of religion-based lobbies in Washington, D.C. has increased five-fold since the 1970s and is expected to grow as the economy recovers from the Great Recession.

IMPLICATIONS FOR BUSINESS: The popular plea for social and corporate compassion will be a rallying cry in the workplace, and businesses can profit by making it a prominent theme in their strategic planning. “Capitalism with compassion” is a theme that will gain more adherents as high unemployment continues to plague the U.S.

Meanwhile, religious organizations will increasingly pressure legislators and businesses to emphasize more charitable goals than just profit margins and shareholder return.

DID YOU KNOW?

China accounts for 27 percent of the global luxury market, right behind Japan at 29 percent, and significantly ahead of the United States at 14 percent.

PERMANENT UNEMPLOYMENT—A LOOMING REALITY

It has been widely reported, and inarguable, that the nation’s high jobless rate remains an ongoing, very vexing issue despite the downward trend during the past two years as a modest economic recovery unfolds. Although the latest U.S. Department of Labor unemployment figure fell to 8.5 percent last month, and we have experienced job growth in the private sector for some 15 months, adding an estimated two million or so jobs, unemployment totals are still at an unacceptable 15.2 percent, factoring in the underemployed and the discouraged workers who have simply given up the search.

What follows is not a welcome or reassuring subject to discuss—and few, if any, on either side of the political spectrum or in the media have done so—but the looming possibility in the U.S. of a perpetual, substantial jobless class is a disturbing economic reality that cannot be ignored.

Rather than just another cyclical decline, the fact is we may be witnessing a critical structural shift that could make relatively high unemployment a permanent presence here. Economists call it “surplus or superfluous” labor. That specter can have increasingly serious implications as the available work force continues to rise thanks to a relatively stable birth rate, enhanced longevity, longer working lives and steady legal immigration (on average of more than a million people annually) not to mention the yearly addition to the work force of new graduates, ex-service personnel, and released prisoners.

Economists have argued it would require 250,000 new jobs a month for many years just to get back to the level of pre-Great Recession employment. More to the point, numerous 21st century developments, unrelated to any particular political ideology, have converged to escalate the pool of unemployed and will continue to do so in the future. New technology and globalization are the principal drivers.

Millions Displaced

Computerization and automation of both manufacturing and services have displaced millions of hands-on workers in this country during the past several decades. What used to take a thousand workers can now be done by less than a hundred. Meanwhile, globalization has allowed the outsourcing of uncounted millions of jobs to low-wage countries—first to Mexico and then to Asia—in a trend that produced the current de-industrialization of America. Not only have tens of thousands of U.S. factories been shut down since the 1970s, but legions of white-collar service jobs have also gone overseas.

According to the Department of Commerce, U.S.-based multi-national companies added some 1.3 million Asian and 447,500 Latin American workers alone to their payrolls during the past decade while cutting an estimated 864,000 workers here. Outsourcing will inevitably continue as long as huge wage differentials exist. At the same time, fear of future unemployment keeps employed Americans, overwhelmingly non-unionized, working harder and longer. All this has driven individual productivity to record levels, minimizing new hires.

Some observers claim that new technology will create new jobs in the coming decades. Probably so, but technology firms require much fewer workers than traditional manufacturing plants and even those jobs can eventually be outsourced. Typically, nearly all of Apple's smartphones and tablets are currently produced in Asia. Consider that during its heyday, a giant, old-line manufacturing company like GM provided jobs for well over 300,000 workers. Today, Google, one of the nation's largest, best-known, and successful technology-based companies, has 32,000 employees. It should also be noted that the longer people are out of work, the more their skills begin to erode from disuse.

A number of possible strategies—including adoption of a genuine industrial policy by both private enterprise and government—have been proposed to promote more labor-intensive jobs and spur innovation. In addition to greater educational options for training workers in advanced, high-tech manufacturing, arguments have been made on the left to replace free trade with so-called fair trade; to launch a major national infrastructure building project; to introduce job-sharing models and reduce individual work hours; and to expand government subsidies, including unemployment benefits to workers and tax benefits to U.S. companies that hire more workers at home. Conservatives, on the other hand, hold that fewer taxes, less regulation, less government, and innovation can materially mitigate the nation's unemployment problem. Suffice to say, a surplus workforce remains a looming danger that should be at least recognized.

IMPLICATIONS FOR BUSINESS: Long-term, widespread, perhaps permanent unemployment has historically triggered great social unrest and upheaval, which cannot be a plus for business.

DID YOU KNOW?

The nation's 90-and-older population nearly tripled over the past three decades, reaching 1.9 million in 2010. Over the next four decades, this population is projected to more than quadruple. The majority of people 90 and older have one or more disabilities and live alone or in a nursing home.

IS SMALL BUSINESS IMPORTANT?

The United States has approximately 7,500,000 businesses—large and small.

Of that number, approximately 95 percent have fewer than 50 employees, 2.5 percent have from 50-99 employees, and 2.5 percent have 100 or more employees.

The meaning of these statistics is inescapable for policymakers, legislators, innovators, entrepreneurs, and people looking for work. What is significant is that, while “small business” makes up the fabric of America, it has nowhere near the megaphone (in terms of political and economic clout) or image of “big business.”

IMPLICATIONS FOR BUSINESS: The unrest that is now afoot in the U.S. may one day before too long be reflected in the anger and resentment of “small business.” Look for efforts to organize these people and for a totally new and different dynamic about its political role and loyalties to emerge.

THE QUESTION THAT ROILS THE NATION: HOW FAR SHOULD GOVERNMENT GO?

One of the most heated debates of 2012 will be about the role of government in relation to individual liberties. The debate will have many facets and take place in many forums—political campaigns, the halls of Congress, talk shows, editorial pages, diners, bars. But at its roots will be a single defining question: How far can government go in the exercise of its power before it improperly impinges on personal freedom?

Ron Paul’s strong showing in the Republican primaries is both a symptom and cause of the issue’s prominence. His Libertarian arguments in favor of a smaller, less powerful federal government resonate with many Americans, boosting his candidacy. But even without Paul’s views, people would be arguing about the role of government because several controversial issues are bound to put it on the nation’s front-burner.

One will be the arguments before the Supreme Court in March over President Obama's healthcare act, which requires most Americans to buy health insurance or face financial penalties. Opponents see the mandate as a vast over-reaching by Congress. Supporters say it is both constitutionally permissible and crucial to the legislation's success. Whichever way the Court decides, expect some furious back-and-forthing, unless the judges punt by ruling that the mandate cannot be challenged until it takes effect in 2014.

A particular sore point when it comes to government's role is gay rights—from the end of the military's "Don't Ask, Don't Tell" policy to the state-by-state fight over gay marriage. Many Americans say government treads on their values when it takes these actions. Supporters say it's an issue of fairness and upholding equal protections under the law. It's a quarrel that's likely to loom large in the 2012 presidential election.

Many other issues will keep the pot boiling, too, like the efforts in Congress to let people from states that permit concealed handguns carry their weapons into states like New York that have strict gun-control laws.

IMPLICATIONS FOR BUSINESS: The debate over government's limits is as old as the Republic. But with America more deeply divided politically than at any time since at least the Great Depression, the fight has taken on a new urgency, and conflicts over government regulation of business, banking, and industry could become especially intense. As always, business leaders will want to protect their interests, but in this case that may mean supporting a balanced approach rather than letting one extreme or the other prevail.

THE CLASH OF CIVILIZATIONS

It is uncomfortable, and no one wants to talk about it, but the "clash of civilizations" written about by the late Samuel Huntington in 1993 may be coming to pass in many areas of the world.

The most obvious manifestations took place in Nigeria just after the Christmas vacation when Islamist individuals from a sect named Boko Haram killed more than 25 Christians in several days of street violence and, earlier in December, in Egypt when Coptic Christians were persecuted. But there is more.

We know that al-Qaeda, which many thought had been humbled following the death of Osama bin Laden, is training radicals in Nigeria, Yemen, Egypt, and elsewhere. The trainees come from the Mediterranean to Saudi Arabia. Additionally, much is being driven by those determined to put Sharia law into place. Sharia law, very different from what is practiced in other parts of the world, has been defined in previous Trend Reports, and if you would like a reference point, please let us know.

Daily Violence

Daily violence in Afghanistan, Darfur, Pakistan, a half-dozen other countries, and now Iraq with the U.S. gone, adds to an incredibly changed world and future than we have known.

Keys to addressing all this are education and job creation, but both of those necessities are somewhat distant in the Arab world of today. One must ask: Will radicals overcome the moderates and instill fear in Muslims, who just want to get through the day? Intelligence suggests the Muslim world is in for decades of strife and that the West, in order to keep matters from getting worse, is going to have to stay involved, with the inevitable loss of life and billions of dollars in costs.

IMPLICATIONS FOR BUSINESS: There is, today, real opportunity in the Arab world where moderates want to establish links with the standards employed by the rest of the world. But there is also real danger at every turn.

IRAQ—MANY COSTS, FEW BENEFITS

What began on March 19, 2003—America sending troops into Iraq—ended a few weeks ago. Thousands of American men and women have left. Now, scores are being settled and hundreds of Iraqis are being killed and maimed. It is happening because those Iraqis opposed to U.S. occupation hope to get even with those who supported America. Moqtada al-Sadr, a violent anti-American Shiite leader supported by the extremist Kataib Hizbullah and Asaib Ahl al-Haq groups, is active every day and night and there is nothing to stop his organization.

Concerning the human toll for the U.S., what was accomplished by the invasion? 4,486 U.S. military died. 32,226 were wounded. At the end, the U.S. had 13,000 troops in Iraq. Fifty-four percent of casualties were under 25 years old. It is estimated that 30 percent of U.S. troops deployed in Iraq will develop serious mental health problems within three to four months of returning home.

Progress? Maybe. In 2006 alone, an estimated 34,000 Iraqis were killed in the street. Today, the number is under 2,000. Also, consider these statistics: About \$1 trillion was spent through 2011 in Iraq. Currently, \$9 billion in cash and \$549.7 million in spare parts and 190,000 guns, including 110,000 AK-47 rifles are unaccounted for. Moreover, \$6.6 billion earmarked for Iraq reconstruction has been "lost," and \$1 billion is "missing" in tractor trailers, tank recovery vehicles, machine guns, rocket-propelled grenades, and other equipment.

Meanwhile, al-Qaeda continues to recruit in Iraq. It now carries out an estimated 30 actions every week and one large-scale attack every four-to-six weeks.

IMPLICATIONS FOR BUSINESS: Iraq remains a dangerous and corrupt place that has plenty of oil and will use that card to advance its and other rogue state interests.

THE UNCERTAIN "ARAB SPRING"

Hopes ran high in the West when the "Arab Spring" first exploded in Tunisia back in December of 2010. The subsequent downfall of autocratic, lifetime leaders like Ben Ali in Tunisia, Mubarak in Egypt, and Qadhafi in Libya cheered the democratic world. Today, even in Syria, where an estimated 5,000 anti-government protesters have been killed at President Bashar al-Assad's order, the demise of this ruthless Middle East tyrant may be approaching. Syria is, however, a jumble of ethnic, sectarian, and tribal groups often at odds, meaning the opposition is fragmented and divided. What will emerge after al-Assad is very problematic, to say the least.

Some recent events have raised serious concerns that the Arab Awakening will fall far short of what the West had hoped for. Since the successful uprising that ousted Hosni Mubarak, unrest has continued to roil Egypt. Despite another pending parliamentary election and the planned adoption of a new constitution, the ruling military appears reluctant to relinquish control. Instead, it has been making arrests and ruthlessly attacking demonstrators in the same Tahrir Square where the revolution was born.

Tunisia An Exception

Concurrently, changes in Libya seem to be cloaked in secrecy. Developments in Tunisia, however, with a smaller, educated, largely middle class population, have been encouraging. National elections in October saw the vote split almost evenly between moderate Islamic parties and secular liberals.

Undoubtedly, Islamic organizations like the Muslim Brotherhood will continue to play a central political role in transitional Arab nations. They have enjoyed considerable success at the polls to date—notably, in Egypt, winning 70 percent of the vote in the first two of three parliamentary elections. Undeniably, the emerging new Arab states have a theocracy problem.

Islamists such as the Brotherhood can generally count on strong support from the Arab streets because, under the old regimes, they often provided welfare services when the government failed to do so. They were also well-organized, in the vanguard of the opposition, and totally committed to expressing Arab and Muslim identity free from foreign cultural influences and political instruction.

Western-style liberal democracy, rooted in the rule of law and a broad range of individual freedoms, is probably not in the cards. But neither is a return to yesterday's authoritarian dictatorships. Shiite-Sunni rivalry continues unabated. Anti-Christian and anti-Israel sentiment is very real.

IMPLICATIONS FOR BUSINESS: Uncertainty is never good for any business. Certainly, the economies of the turbulent Arab nations have suffered significantly and all will be eager for renewed investment. In a reasonable world, the Turkish or Indonesian governance model would prevail—essentially an Islamic state operating within a secular, basically democratic framework. But we do not live in an even modestly rational world so the road ahead looks bumpy and unpredictable. The ultimate outcome will rely on the strength and capabilities of the indigenous democratic forces and their ability to triumph in the electoral process. Elections, unhappily, can empower tyrants as well as democrats.

THE AFGHANISTAN DILEMMA GOES ON

Polling surveys from numerous sources confirm that a majority of Americans favor an earlier withdrawal from Afghanistan than the 2014 deadline proposed by President Obama. Some of this sentiment is reflected in the considerable support Libertarian Ron Paul has been receiving during the Republican presidential nominating sweepstakes—especially from younger voters.

The costs of the operation, exceeding \$450 billion and 1,700 American lives since October of 2001, have produced a war-weary public in a nation still facing a stagnant domestic economy. That public believes our mission in Afghanistan has been accomplished and favors a withdrawal sooner rather than later.

We do know two realities: Some level of sub-rosa, very confidential talks have been going on with representatives of the more moderate Taliban and Taliban leaders have stated publicly that they are not interested in "global jihad" against the West. Ending what they see as a foreign occupation, which has defined this troubled land for much of its modern history, is their key objective.

Bi-Partisan Support

An accelerated pullout has become something of a bi-partisan issue with proponents among both Republicans and Democrats as well as Tea Party members. The original anti-terrorist Afghani mission to eliminate al-Qaeda has been achieved, they point out, with less than 100 low-level operatives now believed to be located there. Skepticism also abounds about open-ended nation-building and the current anti-insurgency strategy while terrorist forces may have a greater presence in many other Muslim nations. So, the argument goes, staying in Afghanistan for three more years may make little permanent difference other than expending more American blood and treasure.

Opponents, on the other hand, argue that even a 2014 withdrawal is good news for the Taliban, which will simply wait us out as will al-Qaeda forces now in Pakistan. In rebuttal, the growing coalition for an earlier withdrawal holds that, in the event of such a development, U.S. Special Forces could move in quickly along with drones and a naval flotilla that now patrols the Gulf.

Whatever, Afghanistan's future stability will continue to be threatened if neighboring Pakistan continues to harbor and support the Taliban. Unfortunately, the powerful Pakistani military leadership still regards the Taliban as a force that guarantees its influence in Afghanistan. Meanwhile, the American raid that took out bin Laden and a recent airstrike that killed 24 Pakistani soldiers have pushed relations between Washington and Islamabad to a new low—for the time being at least. A way must be found to restart a working relationship and alter the mind-set of many Pakistani leaders.

Today, despite a major U.S. commitment to train Afghani security forces, they remain unreliable. The Karzai government has yet to convincingly demonstrate it can provide basic services and minimal security for its people. Afghanistan is awash in corruption and still largely ruled by tribes distrustful of one another and essentially unwilling to join a weak national government. Still, many more Afghans now have access to healthcare; millions more Afghani children are in school; and half of all Afghani families have cell phones.

The harsh status and treatment of women in many parts of Afghanistan—principally, the Pashtun border areas—also remains a concern of the Americans and their allies and must be part of any negotiations with moderate Taliban groups before a major pullout is completed.

IMPLICATIONS FOR BUSINESS: Whatever the final resolution of the more-than-a-decade engagement in Afghanistan, the results can be somewhat mixed for business. War and conflict, no matter where, are good for the nation's very large and important national defense industry. On the other hand, the ability to use the billions expended every week in Afghanistan to trim the deficit and finance the essential task of re-building the U.S.'s crumbling infrastructure—i.e., nation-building here at home—could give a significant boost to a flagging economy.

DID YOU KNOW?

The percentage of people who changed residences between 2010 and 2011—11.6 percent—was the lowest rate recorded by the U.S. Census Bureau since the Current Population Survey began collecting statistics on the movement of people in the U.S. in 1948. The rate was 20.2 percent in 1985. It declined to 11.9 percent in 2008 before rising to 12.5 percent in 2009. (The 2010 rate was not statistically different than the 2009 rate.)

THE DEAR LEADER IS DEAD—WHAT NEXT?

The North Korean dictator Kim Jong-Il is gone and his son, Kim Jong-Un, appears to have been accepted by the military as his successor.

Kim Jong-Un clearly lacks the authority and credibility of his father, not to mention that of his grandfather and founder of North Korea, Kim Il-Sung. He is also young and inexperienced, with a questionable military record and little experience in public life. Nevertheless, the state apparatus in Pyongyang appears to be enthusiastically backing Kim Jong-Un, including the million-plus man military which has come out in full support of the 28 or 29 year-old heir.

Kim Jong-Un's public appearances with senior General and Kim Jong-Il ally Ri Yong Ho and his designation as Supreme Commander by the national press indicate little potential for public attempts to seize power by rival factions. The extent to which Kim Jong-Un will rule North Korea day-to-day, as opposed to his council of senior advisors made up of military and party leadership, will remain unclear for some time.

Power Struggle

A behind-the-scenes power struggle may emerge, but that remains to be seen. What does it mean? More repression, more strife, more poverty in North Korea, a country that bullies and threatens and which will continue to be a wild card for everyone in this region and around the world.

Fortunately, the rest of the world recognizes that reality and intelligence services continue to be on the alert for mischievous acts. Despite the impending uncertainty, global financial markets barely reacted to Kim Jong-Il's death, a sign there is little or no concern about any immediate instability.

South Korea, though often expressing a will to be accommodating, continues to be strong. It remains unfazed by what happened in the North in the face of the bold threats regularly issued by the government in Pyongyang. Although the economy in South Korea is currently far from robust, the potential exists for a positive bump.

Elections there of a new National Assembly in April and a new head of state in December will be critical in determining future North/South relations.

IMPLICATIONS FOR BUSINESS: There is relatively little to be concerned about at the moment unless North Korean leadership attempts to destabilize a specific industry sector in the South. And, of course, new leadership anywhere also creates new uncertainty.

CHINA—ITS TIME IS NOW, BUT EXPECT THE UNEXPECTED

China, a place of enormous transition on every front, is a country to be reckoned with. Over the past 12 years, the Chinese economy has grown at more than 8 percent a year.

In 2011, Chinese GDP was 40 percent higher than in 2007. The money supply in China has grown 15 percent and the country has created millions of jobs as it builds its infrastructure, including highways, bridges, railways, airports, ports, electric grids, and a great deal more, including the largest military in the world.

Like the U.S., China does have an Achilles Heel in that fully 30-plus percent of its oil comes from Africa—specifically, from the Sudan, which is anything but safe. As a result, you can expect to see considerable attention paid by the Chinese to this part of the world.

China is also flexing its military muscle throughout Asia, making aggressive territorial and offshore claims in the South China Sea region that the bordering nations and the United States are vigorously contesting.

Since 2008, the Chinese economy has been responsible for 40 percent of global growth. Relative to the size of its economy, China's fiscal response to the financial crisis was roughly double the size of America's stimulus.

While some continue to argue that the federal government did not provide enough stimulus in the U.S., there is ample evidence to suggest that the Chinese did too much. The construction and infrastructure spending boom that has taken place in China since 2009 has left the country with a bad case of indigestion.

Property prices from overbuilding are falling and a real estate crisis is taking hold. Consumer demand is weak. Inflationary pressures are mounting. So-called "mass incidents"—protests against local and national authorities—have become an almost daily occurrence.

In November, the Chinese government responded to signs of a weakening economy by announcing a reduction in key bank lending rates. At this juncture, it remains to be seen how much benefit this will provide to an economy that was showing classic signs of overheating.

Growth Decline

China's economic growth rate is widely expected to drop below 8 percent in the coming year, down from a blazing 9.3 percent in 2011. It is very hard to be precise about what a sharp deceleration in China's growth rate would mean for the global economy. But it is fairly easy to predict that it would not be good. A slowing China would adversely impact other emerging Asian economies as well as Japan. Brazil, particularly, now a major supplier of raw materials for China, would be affected.

Tracking developments in the Chinese economy has never been easy. But, as long as business conditions were positive, the lack of transparency in government statistics was relatively unimportant. For the first time in the last two decades, getting a full and accurate reading of what is—and is not—happening in China will be of significant, perhaps paramount, importance to the other key players in the global economy.

Indeed, China has serious domestic problems. Its emerging economies may be more interested in exploiting natural resources than promoting development. Worker strikes are sprouting in the South.

Riots and unrest are part of everyday life. In 2010, China had 180,000 protests, riots, and other incidents—more than four times the number a decade earlier. Riots and unrest are part of daily life. A day does not pass without a demonstration or some unrest in China. Xinjiang and its neighboring Tibet are special hotbeds of problems.

Oppressive rule by the Han, the dominant ethnic group in China is one reason. In Guangdong Province, leadership in the fishing village of Wukan evicted all of its Communist Party officials and until this is sorted out—and it may take decades—expect China to have constant turmoil.

IMPLICATIONS FOR BUSINESS: China continues to be a place to do business, but it remains very corrupt and conditions can turn overnight on an outsider.

RUSSIA: A GIANT IN TRANSITION

The breakup of the Soviet Union, which Russia dominated, took place just over 20 years ago. In the last decade, Vladimir Putin has worked overtime to make Russia a world power like the old Soviet colossus. He is close to succeeding.

But, balanced against this man are ordinary Russians, largely middle class, in the street. The protests triggered by what many viewed as rigged parliamentary elections in early December, are occurring because people are fed up with oppression and corruption as well as the poverty and poor life that are the product of their government.

Expect these protests to continue and perhaps go underground as they are met with force. Expect other social and political conflicts, too. Nationalists blame migrants and non-ethnic Russians for crime. Liberal activists want social reforms to improve Russia's struggling educational system, help indigent Russians, and try to integrate Russia with the West. Even the normally non-political Russian Orthodox Church has expressed opposition.

While Russia does not manufacture much these days, the country has major oil and gas grids, diamonds and timber, and potentially some of the world's biggest sites for basic industries—for example, a two-mile-long aluminum smelter, the largest in the world, in Irkutsk. Potential is there.

Eager for foreign investment, Russia has put incentives in place for business. It has lowered taxes and has joined the World Trade Organization.

And eight of the 11 former Soviet countries that make up the Commonwealth of Independent States (CIS) have signed a free-trade agreement with Russia. The CIS was formed in 1991 after the breakup of the Soviet Union and includes, in addition to Russia, Belarus, Ukraine, Moldova, Armenia, Azerbaijan, Turkmenistan, Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan. Additionally, Russia is using its considerable cash to become more deeply involved with energy firms, banks, credit unions, airports, ports—anything that gives it a strategic foothold in Central Europe.

Russia is also flexing its muscle in Central Europe where President Dmitri Medvedev asked Russia's army commanders to deploy short-range ballistic missiles in an area bordering Lithuania and Poland.

The protests notwithstanding, Putin will probably emerge victorious in the next election. Much will depend on the oil boom continuing with its attendant high prices.

IMPLICATIONS FOR BUSINESS: Russia remains a risky place to do business riddled with corruption. Big money can be made and lost in an instant.

CYBERTERRORISM

Every country and every business should be alert to what is happening every day now—cyberattacks.

Organized crime, rogue states, China, and others are active in efforts to destabilize institutions and organizations in the West with financial and political gain as the principal objectives.

The U.S., U.K., Germany, France, and many other nations have made huge efforts and spent tens of millions to counter cyberterrorism. This is a shadow world and no individual or business is immune.

Tens of billions of dollars of trade secrets, technology, and intellectual property are being siphoned each year from the computer systems of U.S. government agencies, corporations, and research institutions.

This goes far beyond Wikileaks and Facebook infringement, touching on areas such as financial manipulation, access to medical records, and creation of distorted nomenclatures. Most victims of attacks do not know when it starts or who started it. And once you are a victim it is very hard to emerge from this web of entanglement.

IMPLICATIONS FOR BUSINESS: Be very careful and do not get involved. Redouble your security efforts and tap into some outside organization with expertise in dealing with this phenomenon. It is not going away, and unless addressed it could cause major dislocations.

THE NEW THREAT: HACKTIVISM

Still another key tactic of cyberterrorism is hacking into private files, which has been much in the news recently. Consider the global, politically-motivated efforts of Wikileaks, which set off alarm bells in foreign ministries around the world.

This new and disturbing trend of online activism has been labeled by some commentators as “hacktivism.” It began in chatrooms and message boards commenting on political, social, and economic concerns. The largest and best-known of the online activist groups is Anonymous, a virtual cohort that makes it easy for people with little technological aptitude to participate in protests, many of them illegal.

Another powerful cyberactivist group is LulzSec. Both are recruiting teenagers, anarchists, and new technology geeks on chatrooms and forums around the world to download their softwares and pursue hacktivism against businesses, governments, and important institutions.

Electronic Attacks

These electronic attacks are no different than attacks on physical infrastructure. They are designed to inconvenience and to disrupt; to impose financial losses on victims and anyone relying on a victim’s service. In the real world, we would call such attacks terrorism. In the digital world, unfortunately, these terrorism attacks are far easier to launch than they are to defend against.

The state of technology security overall is so weak that intelligence officials see hacking as a major threat to Western powers. Often, differences among protesters, criminals, and spies can be hard to discern. Cybercollectives have terrorized law enforcement and leading companies on five continents. The Net is, today, democratizing both legitimate political expression and hacking in the same way it once democratized media, allowing anyone to blog, publish an electronic book, or otherwise disseminate their views.

IMPLICATIONS FOR BUSINESS: There has been activism online since the Internet was created. Currently, however, it is not just making a point, it is undermining commerce, slowing down businesses, and harming people. Hacktivism is a wake-up call for online users—especially in business—to reinforce the privacy and security of information.

TECHNOLOGY: WHAT'S AHEAD

We can't do any better than starting with IBM's five predictions for what the world can expect on the technological front in the not-too-distant future. So here they are plus a few others on what to expect:

1. Small amounts of energy created by actions like people walking or water moving through pipes will be captured, stored in batteries, and used to power phones, cars, and homes.
2. There will be no more passwords as increasingly powerful phones and sensors will store personal biometric information, enabling machines to automatically recognize who you are.
3. Better sensors, on and inside the human brain, will allow for mental control of objects and processors so we better understand strokes and other disorders.

Mobile Explosion

4. Powerful mobile devices, capable of precise language translation, will belong to 80 percent of the world's population. Phones will become available to large populations that are now illiterate.
5. Biometric and personal filters will bring you only the information you want. Phones will be your advocate, recognizing what is near to you and getting it. Instead of companies speaking to you, you will reach out to companies.

Some other authoritative forecasts:

Banks will begin integrating the technologies used to build e-banking solutions. We will see banks continue to develop solutions for multiple channels, but using a single technology to do so. A cohesive set of technologies will make mobile apps and online development easier for banks to manage.

It could be that energy will be widely distributed in much the same way information is sent through the Internet. The system would be intelligent, sending power where it needs to go. If it is designed efficiently, it will lower the cost of electricity for everyone. Anyone could produce energy through solar, wind, geothermal, or biomass and that energy could be distributed widely along a collaborative Internet—like a super-grid.

South Africans, Ugandans and many more will receive free HIV/AIDS counseling and guidance on testing and prevention, via text messaging on their handsets. Healthcare workers in Rwanda are now saving mothers' lives by monitoring pregnant villagers using free, government-provided cell phones. Dozens of similar outreach programs are opening a new front in the war on diseases in poor, rural areas not currently served by land-line, Internet, or telephones.

The 2012 International Consumer Electronics Show (CES) will introduce enhanced energy management systems in homes, using gadgets like thermostats that can be controlled remotely via browsers and smartphones. There will also be doorknobs that can be unlocked with a smartphone.

Near Field Communication (NFC) will allow you to replace your credit cards with your phone. Wave an NFC-enabled phone near the credit card reader in a store (or taxi cab) and the money will be deducted from your account. By 2013, one in five cell phones are expected to be NFC-equipped. Early players in the market include Google Wallet, Visa Wallet, Serve (by American Express), and ISIS.

IMPLICATIONS FOR BUSINESS: The pace of technological innovation is increasing at a dazzling speed, and only the organizations that stay on the cutting-edge will flourish in the high-tech economy of the future.

AFRICAN WOMEN'S NEW ROLE IN BUSINESS, GOVERNMENT

Women are on the rise in Africa, and their expanding role means traditionally male-dominated businesses on the continent will have to become increasingly gender-wise.

African women have historically been influential in homes, politics, and public life. However, the last few years have seen them gain new prominence, playing highly visible roles, particularly in the most developed economies such as South Africa, Kenya, and North Africa. Even the dynamic in the African boardroom is changing.

Dambisa Moyo, from Zambia and the author of *Dead Aid*, sits on the board of Barclays. Khanyi Ndhloho of South Africa is among Africa's most influential media figures. Phuti Malabie is the CEO of one of South Africa's largest investment holding companies. Isis Nyongo of Kenya heads the world's largest independent mobile advertising network.

In the public sector, Elsie Kanza is a ranking advisor to the Tanzanian president. The President of Rwanda has women in the key posts of his cabinet, including the Ministry of Foreign Affairs. Stella Kilonzo heads Kenya's capital markets authority.

Companies like Google are ahead of the curve, responding to the trend. Juliet Ehimuan is Google's country manager for Nigeria. Olga Kimani-Arara heads operations in Kenya. Ory Okolloh, a Kenyan, who founded the revolutionary, crowd-sourcing utility, Ushahidi, and is one of the world's most influential women in technology, is a leader on Google's Africa policy team.

The presence of women in African parliaments has also grown due to the establishment of gender quotas, but also because of active women's movements and the effects of democratization. Countries where women enjoy greater rights and access to education have shown a greater propensity for economic growth and progress. Tunisia, which ignited the "Arab Spring," is a case in point.

IMPLICATIONS FOR BUSINESS: Businesses (not only on the African continent) that have operated for decades in strictly male environments, are now confronting the need to become more diverse and sensitive in their hiring approaches. Old boys clubs are fading fast, and a work culture based on equality and mutual respect across genders is slowly becoming the norm. Other businesses should take note, and alter their practices to avoid losing out to more progressive competition and a proven talent pool.

DID YOU KNOW?

In 2012, women will make up the majority of the U.S. workforce.

**BOOMERS VS. MILLENNIALS:
A GENERATIONAL CONFLICT**

The Millennials—the estimated 80 million young people born between 1982 and 2000—now outnumber the Baby Boomers, the 76 million men and women born between 1946 and 1964, who defined American life and culture for more than half a century.

The numbers are significant because the Millennials are coming of age just as the Boomers are entering senior citizenship, creating a potential generational clash that could have major implications for the nation for the rest of this century.

Aware that political and business decisions being made now will have a lasting impact on their futures, the Millennials are feverishly attempting to empower themselves. By tapping Facebook, Twitter, Linked-In, YouTube, and other social networks, they are using the tools of the Internet to create large online communities and wield influence on policies and events.

Simultaneously, many Baby Boomers have become technologically proficient enough to use modern communications to their own advantage. That, coupled with older people remaining in the workforce longer, may hinder the advancement of the country's younger leaders. This conflict, added to a weak dollar, recessionary forces, a growing national debt, and intense global competition will affect almost every area of American life—most notably, the workplace and healthcare.

A recent summit convened by Mobilize.org and the Peterson Foundation gathered 150 accomplished Millennials to “explore the barriers preventing young Americans from achieving financial health.” The group was tasked with “taking immediate and collaborative action to put the Millennial Generation’s economic future on a sustainable and improving path.”

Summit Solutions

Among the solutions proposed at the summit was the creation of a network of Millennial organizations dedicated to produce a better, more sustainable society. As a result, top young talent may be harder to recruit as Millennials choose to start their own businesses rather than join the corporate sector.

At the other end of the spectrum, because Baby Boomers are keeping their positions in the workforce longer than previous generations, the needs of older workers will become a primary concern for companies. A workplace populated by senior citizens will place new demands on employers, such as better lighting for aging eyes to more flexible work schedules that can accommodate more frequent medical appointments.

By 2025, the senior population, which was 35 million in 2000, will have more than doubled to 72 million. Healthcare costs will soar. Elements of the crisis are already upon us: Unfunded Social Security and Medicare liabilities hit \$102 trillion in 2008, and only \$52 trillion of that amount was vested.

As demand for healthcare services increases, there will be competition for resources as the nation suffers from a serious shortage of doctors and nurses. Over the next decade, more than two million additional caregivers will be needed to accommodate the growth in the elderly population. The increased longevity of Americans is leading to an epidemic of “diseases of aging” such as Alzheimer’s, which were not common at the beginning of the 20th century when average life expectancy was 47. According to the Alzheimer’s Association, “the cumulative costs of care for people with Alzheimer’s from 2010 to 2050 will exceed \$20 trillion in today’s dollars.”

The frustration of young people as their careers are blocked and their influence stifled by won’t-go-away Boomers—as well as the financial burdens of supporting a large elderly population—could eventually lead to ’60s-style social upheaval.

IMPLICATIONS FOR BUSINESS: The Millennial perspective will become increasingly important to long-term business strategy as young people start to fill leadership positions in the political and business community. Movements in policy will be affected by the Millennial lobby. Make sure you know where your organization stands based on this shift.

Healthcare reform, combined with the aging of the Baby Boomers, will also mean higher contributions by employers. Caring for aging parents will put enormous stress on younger employees. In much the same way that caring for children affected working arrangements during the 1980s and ’90s, caring for parents will necessitate creative solutions by companies.

The cost for senior care will affect individuals, families, and businesses and continue to increase as a percentage of gross domestic product. There will be a shortage of senior caregivers and new opportunities for careers in healthcare. Companies focused on the needs of the elderly will see greater business opportunities for much of the century.

*“Most of our assumptions have outlived
their uselessness.”*

– Marshall McLuhan

The Dilenschneider Group, Inc.
Helping Corporations Plan Ahead and Communicate Globally

MetLife Building • 200 Park Avenue • New York, NY 10166
Phone: 212/922-0900 • Fax: 212/922-0971

Three First National Plaza • 70 West Madison Street
Chicago, IL 60602 • Phone: 312/553-0700 • Fax: 312/553-0695

thedilenschneidergroup.com