
GET READY FOR DRAMATIC CHANGE:

For the World...

For the U.S...

For Your Life...

56th TREND/FORECASTING REPORT

JANUARY, 2018

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INTRODUCTION

Is your life different today from how you lived in 2000? In 1990?

Of course it is. And it is about to change even more dramatically.

2018 is underway—this will be an incredible and challenging year, which also marks our 28th year in business—so please receive with our compliments our 56th Trend/Forecasting Report. We are grateful for the responses to previous reports and the recognition that we have gotten so many issues right.

Indeed, what follows is based on hundreds of discussions and interviews with some of the smartest and best-connected people in the world.

Your life is going to change significantly in the period ahead as a result of the trends we foresee. It is best to start preparing now.

To start: In January 2018, the United States will experience one birth every 8 seconds and one death every 10 seconds. International migration will add one person to the U.S. population every 29 seconds. This combination increases the U.S. population by one person every 18 seconds, adding to our present complement of 327 million people.

Worldwide population on January 1, 2018 was 7,444,443,881, an increase of 78,521,283, or 1.07 percent, from one year ago. During 2018, 4.3 births and 1.8 deaths are expected worldwide every second.

The Department of Defense has more than 450,000 military service members and civilians stationed overseas, both afloat and ashore. They serve in every time zone and in every climate, some of them in the most difficult and dangerous parts of the world.

Life is different and more change is coming.

Now consider, should you be concerned...

- About North Korea? Yes! The leadership here is not America's friend and is not backing down. But life in North Korea is not at all good. Leaders, if not in support of the president, are regularly quashed. That said, people there are very unhappy and might just take issue with Kim Jong-Un. Action by his own people against him might cause consequences far greater than sanctions or other saber rattling by the West, China, Japan and other nations.
- About Venezuela? Yes! President Nicolás Maduro has succeeded in taking what was once one of the wealthiest countries of Latin America—they have the largest proven oil reserves in the world—to constant economic crisis. Inflation is predicted to exceed 2,300 percent in 2018. Only one party is permitted to participate in the December elections. Protestors are being killed or jailed. No one knows how to change what is happening.

- About Iran? Yes! This is a haven for terrorists and nothing is being done about it. Beyond that, leadership in Tehran has worked to lock in the power of Syrian President Bashar al-Assad, who supported and helped grow Hezbollah throughout the region and much more. Many Iranians remember better days and are quietly lobbying for change. But that will be hard in coming, and expect to see retaliation toward those who protest.
- About China? Yes! President Xi is in charge and is clearly the most powerful leader since Mao. He intends to move China forward in Asia through the “One Belt One Road” program in the South China Sea, and in a dozen places around the world where Chinese businesses and workers are having an impact. Are there problems in China? Of course. Tens of millions live in poverty. The media is controlled and much more. But President Xi is working to overcome all this and further build China into the strongest country on Earth.
- About Turkey? Yes! President Erdoğan has consolidated power and is either jailing or holding those who oppose him. This part of the world is sliding downhill quickly and there seems to be no plan to turn the country around. The people are very unhappy, but when voices are raised in protest, Erdoğan squashes them. Turkey, simply because of its location, is key to the West and the U.S. and there is no apparent plan to deal with it.

Should we have concern about democracy going forward? Yes. In the U.S. Democrats are voting as a bloc, and so are Republicans. There is little or no clarity of ideas and principles. Turkey is under authoritarian rule. There is no democracy in Russia or China. Across Europe parties are most often of two extremes.

We are a long way from moving away from democracy but there are signs that the idea that gave power to the people is under pressure.

All that said, much good occurred in 2017:

- Women’s rights have advanced dramatically around the world;
- Unemployment in most countries is at an all-time low;
- Child mortality has dropped more than 50 percent since 1990;
- Deaths from measles were about 90,000 last year, down more than 80 percent since 2000;
- The economy is booming in the U.S. and will likely continue above 3% for most of the year;
- Legal protections against discrimination based on sexual orientation are taking hold in every part of the world;
- While executive pay is still rampant, the number of people making \$1.90 or less a day has fallen from 35 percent of the world’s population to 8.4 percent last year;
- Medical and educational advances occurred on a massive scale in dozens of areas;
- The hole in the Earth’s ozone layer, thought to warm weather around the globe, is the smallest it has been since 1988 due to efforts that have reduced chemical emissions.

All this is just the front edge of a wave that is moving toward us as you read this Report.

Indeed, much of what is covered in the following pages will define the next generation and perhaps the generations after that for the next 50 to 60 years.

Do people around the world care about politics? Maybe. They are certainly focused on President Trump. But few can recall the important elections in France, Germany, the United Kingdom, Japan, Kenya and elsewhere.

The question is, what can people do about their elected leaders? The answer is, not very much.

Will the issue of men abusing women accelerate or slow down? Let's wait and see. Right now there is moral outrage over Harvey Weinstein, Charlie Rose, Matt Lauer and other high-profile individuals. But the fact is there are probably hundreds of thousands of examples that are not high profile. Those above need to be embarrassed by large parts of the population. Today there is shock over what has been going on, but unless a spotlight can be shown on this issue, and on a continuing basis, the anger and anguish many feel will not go away.

Will the AIDS issue—still an epidemic that affects tens of thousands and costs a large amount of money—be addressed? Right now this topic is not at all in public view, and there is still huge suffering.

While many still attack President Trump, people are slowly coming around to think he is doing some positive things for this country. He appeared on the cover of the *Economist* nine times in 2017—a record. Most do not know or appreciate what the Trump Administration has done.

The fast-approaching mid-term elections will make a huge statement about the President and his views. The Democrats are struggling to identify and launch a candidate to take President Trump on in 2020. No one has yet emerged.

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 2018 and beyond.

This Report, then, as it has for 28 years, focuses on critical thinking and on how you might apply it in your life, your business, or 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 effort.

Best regards,



Robert L. Dilenschneider

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“It doesn’t matter whether you get knocked over.

It matters whether you get up.”

*- Johnny Unitas
Former NFL Quarterback*

A LOOK AT THE ECONOMY

Global economic indicators haven't looked so positive for at least a decade. So look for solid global economic growth, only modestly rising inflation and positive monetary policy.

There's healthy, sustainable growth in both developed and developing countries and short of unforeseen political disruption or war there is no reason to think this outlook will change soon.

The U. S., the world's biggest economy, looks set for higher growth, more jobs and continued innovation, fueled by business and market optimism.

It's the perfect time to take advantage of the good times and plan for the worst. If there are problems, they could emerge from central banks and from unanticipated slowing in developing economies.

Goldman Sachs's respected Chief Economist Jan Hatzius says, "This global economic environment is really about as good as it gets." Morgan Stanley says, "Global economies are skating in sync." *The New York Times* reports that "a wave of optimism has swept over American business leaders" who are looking forward to less stifling regulation and lower taxes and are increasing spending on new plants and higher wages for employees. The International Monetary Fund says only six countries in the world are in recession—the fewest ever.

India and China have resumed robust growth. Japan is now growing nicely. Europe has overcome a wave of doubt—remember the Greek crisis?—and seems to be adjusting to implications of Britain's exit from the European Union. Russia's fragile economy is being buoyed by oil prices that have gradually risen to more than \$60 a barrel, almost double their low point of 2016. Mexico and Canada are both forecasting growth, though the U.S.-led negotiations over the North American Free Trade Agreement are casting a shadow.

While, as always, forecasts vary, U.S. growth may top 3% this year, with a strong first half, and world growth may approach 4%. U.S. unemployment should dip below 4%, the traditional measure of "full employment." Job shortages will drive up wages in a healthy way. That will keep consumer confidence high.

The Federal Reserve is out in front of inflation with three interest rate increases last year and is expected to spread out four more quarter-point increases this year. The bond markets have stayed calm and the stock markets have soared. Expect this to continue. Even after the rate increases, the benchmark 10-year Treasury note yields about 2.5%, a historically low and healthy level, and its counterparts in the U.K., Germany and even Italy are similarly low, meaning there is plenty of capital around to fund business expansion.

What could go wrong?

Central banks could be tightening too quickly, choking off growth unnecessarily and frightening stock and bond markets. While most companies' stock prices are high because of solid earnings growth, some sectors, such as technology, are clearly overvalued. Sometimes a needed correction turns into a crash, especially in an era dominated by automated trading.

The recent business-friendly tax reform in the U.S. might set off a political backlash, costing Republicans control of the House in November. The U.S. dollar, currently at relatively low, export-friendly levels, could rise if U.S. growth outpaces its trading partners.

Income inequality in the U.S. may worsen, again with political implications, especially if moves to curtail spending on entitlements such as Social Security and Medicare gain traction this year. A Deutsche Bank report said a record 30 percent of U.S. households in 2016 had zero or negative net worth when house values were excluded. According to a 2016 GoBankingRates survey, nearly 70 percent of Americans have either zero or less than \$1,000 put away for retirement.

Governments might stumble into trade wars, upsetting the global applecart. Oil prices could soar above \$100 again on instability—or a disruptive war—in the Middle East. Russia might get too adventurous on its Western borders, threatening Eastern Europe. Nobody knows what North Korea will do.

While it's unlikely the world—or even any major economies—will fall into recession in 2018, at some point in our lifetimes they will.

Don't be too worried, but don't be too complacent, either.

This environment is the perfect opportunity to invest in growth. But it's also the right time to look at every aspect of your business or your portfolio and jettison poorly performing investments or business units. These are likely to find buyers able to provide a good price for you and a better home for them, and you will have more capacity to expand your winners and invest in faster-growing businesses.

Doing a full business and leadership audit now will pay dividends when things start to go wrong. Chart out worst cases for your business and plan not just what you'd do to react, but also what you can do now to prevent them from having too great an effect. Are you prepared for an oil price hike? Will you still need to borrow if interest rates go past 5%? Would a stock market correction of 20 percent hurt? Are your cash reserves healthy enough to withstand a sudden business downturn? Is your business global enough to take advantage of opportunities, but not so exposed as to risk the entire company? Do you have a plan for corporate leadership in five years? In 10?

Finally, a word about trendy trends. Cryptocurrencies such as bitcoin and business processes such as blockchain and concepts such as artificial intelligence are much in vogue. It's wise not to dismiss them out of hand, but it's also wise not to fall in love with ideas that you, your team, and virtually everyone else don't fully understand. Any one of these or all of them might be the next digital revolutions or they might be the next personal jetpacks. (Remember them? We were all supposed to be whooshing around in them above the traffic by now.) Read widely and consult experts you trust. Small bets on crazy new ideas are great. Betting the company can be a disaster.

IMPLICATIONS FOR BUSINESS:

- The current Goldilocks economy is the perfect time to examine all your business and investments. Feed your best performers and sell off your worst while prices are healthy.
- Bulletproof your business and investments now. Make the tough legal and personnel decisions while times are good, so you're not forced to make them too quickly if times get bad.
- Globalize smartly. Invest where you know you can make money and with trusted partners, without taking on too much leverage. Tread carefully in areas of political risk—which can flare up quickly.
- Keep alert for signs of trouble—faltering sectors, sudden price increases, unfair competition—and act sooner rather than later.
- Be open to thinking about new ideas like cryptocurrencies and artificial intelligence. But be wary. Tulip bulbs were once a great investment and those personal jetpacks were just around the corner.

DID YOU KNOW?

The phrase “American Dream” became popular in 1931 when James Truslow Adams defined it as “that dream of a land in which life should be better and richer and fuller for everyone.”

IF YOU LIKED 2017's TUMULT, YOU WILL LOVE 2018

Although Congress finally passed a tax cut bill, eliminating much of the uncertainty that surrounded tax-planning in 2017, there are numerous questions about the last-minute inserts and overall implementation, both for individuals and companies. Tax preparers and accountants are working overtime. The elimination of the deduction for state and local taxes over \$10,000 and new limits on mortgage interest deductions will be a shock to many middle-income homeowners and people looking to move to bigger houses, causing a major rethinking of the benefits of homeownership.

Lawmakers will have to make fixes in the new law because of unintended consequences caused by last-minute deals and the lack of full hearings.

The political landscape will be dominated by the mid-term elections, with one-third of the Senate and the entire House up for re-election. More races than usual will be competitive, with the number of well-funded Democrats running for Republican seats at a record high. Traditionally, an incumbent president's party loses seats in the first mid-term elections. And Democrats are made more confident by the fact that half the country opposed the GOP tax bill, which passed without a single Democrat voting for it.

In another development that could be ominous for Republicans, Steve Bannon has declared war on "establishment Republicans" and threatens to field primary candidates against them this spring. But ten months is a long time in politics, and with Bannon's power perhaps ebbing after his ouster from Breitbart News, there is no certainty the GOP will lose control of the Senate and/or the House.

The New Year started with record low approval ratings for President Trump. Forty-one percent approve of his work; 54 percent do not. Forty-five percent think the country is worse off with President Trump; 30 percent think the nation is better off. And 24 percent think the country is in about the same condition as it was before he took office.

Those last two figures added together do mean that 54 percent of the country is not particularly upset with Donald Trump as president. Also, 2018 started with a strong economy and a robust stock market. As workers see a slight uptick in their paychecks because of the tax bill, they may decide the state of the union is good, or at least acceptable. The facts that the bill will worsen income inequality over time and that, according to the *Washington Post*, President Trump has issued an average of 5.5 false or misleading claims every day since he took office, may not register all that strongly.

Another big question in the wake of the tax bill is whether corporations will invest in more jobs and higher wages or will buy back stock and increase dividends. Whichever way they go, the next question is how soon such developments will impact public perception.

House Speaker Paul Ryan says the loss of revenues the tax bill will cause will have to be offset with spending cuts. He's been talking about major changes in Social Security and Medicare, but those will be difficult to pass. Still, being poor in America is likely to get harder, not easier.

One of the big worries for the White House remains Special Prosecutor Robert Mueller's investigation into Russia's interference in the 2016 election and the bewildering array of unexplained contacts between Trump campaign operatives and Russian agents. Mueller, who remains admired by most members of Congress and the public, is pursuing the investigation with diligence. But the issues are complex, and Republican voters and most independents say they are not really interested.

Mueller's team expects to work throughout 2018. Even if they find evidence that President Trump knew and approved of questionable Russian contacts, there is no stomach among Republicans, who will control Congress through the year and perhaps beyond, for impeachment proceedings. There are also investigations underway in both the House and Senate, but the inquiries are losing steam, and bipartisanship cooperation has all but disappeared.

Nonetheless, many of President Trump's frequent fits of anger have been triggered by his frustration with the investigation, which he says must not cross into his business activities. If it does—and some of the people Mueller has hired specialize in that kind of inquiry—there is a strong possibility the attorney general and deputy attorney general and then Mueller will be fired. That could cause a constitutional crisis, although a strikingly large number of Republicans have hinted they would back Trump in such a situation. Trump has also hinted he might pardon Flynn, Manafort and others. Many in Washington think he will escape unscathed from the Russia probe.

Look for more departures from the Cabinet and White House. Many high-profile players, possibly including Secretary of State Rex Tillerson, have been waiting for the one-year mark to depart.

President Trump has indicated he wants to pass a major infrastructure bill, the one issue on which Democrats and Republicans seemed to agree at the beginning of 2017. The main stumbling block, however, is the Republican plan to outsource much of the work on bridges, roads, ports, airports, etc., to private investors. That could lead to unpopular fees and tolls. Democrats want the federal government to fund most of the work, but the only way to generate that kind of money would be to raise taxes. That presumably would be equally unpopular.

Despite setbacks in the courts, President Trump is determined to pursue his ban on Muslims from certain nations entering the U.S. He also wants to end the lottery system for admitting immigrants, saying it is too easy for terrorists to slip through, even though those in the lottery are heavily vetted. There will be a big battle in Congress over what to do with Dreamers, the young immigrants brought to America by their parents. Mr. Trump canceled President Obama's executive order to defer action on them while they work and study, though his order was recently set aside by the Ninth Circuit. Mr. Trump's Department of Justice is appealing to the Supreme Court. Reports on whether the president and Congress can agree on a solution change daily.

President Trump shows no willingness to end his stream of tweets, although they have caused the White House considerable grief. His designation of neo-Nazis after Charlottesville as "fine people" has not been forgotten. Despite horrific gun violence in the country, Congress is no closer to passing even minimal gun control measures. Trump has no interest in pursuing such legislation.

Abroad, the outlook is for more turmoil. Trump's friendship with Russian President Vladimir Putin remains unshaken. His penchant for giving foreign leaders derogatory nicknames has won him few friends abroad. His decision to recognize Jerusalem as Israel's capital was opposed 14 to 1 in the UN Security Council. His disparagement of the CIA, FBI, State Department and Justice Department has confounded U.S. allies. His rejection of the Paris climate accord has upset most other countries. Expect President Trump to advance options for dealing with North Korea's Kim Jong-Un. However much he may lean toward a pre-emptive strike, it would lead to retaliation, the deaths of hundreds of thousands in South Korea and cause a monumental international crisis.

In all this keep your eye on Nikki Haley, our ambassador to the United Nations. She will, from time to time, tip the public on what the Administration is advancing.

IMPLICATIONS FOR BUSINESS: Of one thing we can be certain: With President Trump in the White House, the unexpected will continue to dominate our attention. He came to office determined to upset political norms. He is succeeding.

DID YOU KNOW?

*Britain's Windsor Castle, built more than 900 years ago,
is the oldest occupied castle in the world.*

IS DEMOCRACY IN RETREAT?

There was much bad news in 2017 regarding the future of democracy around the world.

Turkish President Recep Erdoğan declared himself the winner of a nationwide referendum that fundamentally brings Turkish democracy to an end. The vast new powers granted to Erdoğan—wide control over the judiciary, broad powers to make law by decree, the abolition of the office of the Prime Minister and of Turkey’s parliamentary system—effectively make him a dictator.

To the concern of many in the European Union, Poland, once a democratic role model, has been moving toward more authoritarian governance. Changes, such as a crackdown on judicial independence and controls over media, have been driven by the governing Law and Justice Party.

Scrutiny also has focused on how Hungary’s government has dismantled democratic checks and balances, creating what Prime Minister Viktor Orbán calls an “illiberal democracy” and embracing a hardline nationalist, anti-immigrant ideology.

In the Philippines, President Rodrigo Duterte has embraced authoritarianism with a vengeful and violent anti-drugs crusade since winning office in 2016. Unlike his predecessors, Duterte also has thrown in his lot with China, another authoritarian country.

Cambodian Prime Minister Hun Sen is also “all-in” on China and moving toward increased authoritarianism. In recent months, he has effectively shut down independent media outlets. In early September he had Kem Sokha, leader of the opposition Cambodian National Rescue Party, arrested on treason charges. By mid-November, the CNRP was dissolved by the Hun Sen-aligned Supreme Court, accused of a plot to overthrow the government.

Thailand is now being run by an authoritarian government that has constitutionally embedded the military’s role in politics.

And existing authoritarian regimes tightened their grips further.

In October, China’s Communist Party granted President Xi Jinping another five years in power as general secretary. The Communist Party, under Xi, has introduced new, draconian legislation tightening control over religion, foreign non-governmental organizations and the internet. He has repeatedly vowed to preside over a “national rejuvenation”—one that categorically rejects “Western values” such as democracy, rule of law and freedom of speech.

Vladimir Putin’s Russia has become increasingly more authoritarian and repressive, most recently banning Alexei Navalny, the only truly independent opposition leader, from running for president.

And of course, there is Venezuela, where democracy has all but been eliminated, with the country most recently stripping three of its most influential opposition parties of the right to participate in next year's presidential election.

Yet in spite of widespread concerns across the globe about the future of democracy, public support for it remains strong. And by one measure, the number of democratic nations around the world is at a post-war high.

Currently, 97 out of 167 countries (58 percent) with populations of at least 500,000 are democracies, and only 21 (13 percent) are autocracies, both post-World War II records. Broadly speaking, the share of democracies among the world's governments has been on an upward trend since the mid-1970s.

A Pew Research Center survey found that more than half of those in each of the nations it polled consider representative democracy a very or somewhat good way to govern their country. Yet, in all countries, pro-democracy attitudes coexist, to varying degrees, with openness to nondemocratic forms of governance, including rule by experts, a strong leader or the military.

IMPLICATIONS FOR BUSINESS: Democracy has proven good for business based on the rule of law, transparency and freedom to operate versus the political cronyism, corruption, nepotism and manipulation of the law and courts that characterize many authoritarian regimes. Democracy needs to be supported, for as the past year and research indicate, it is not a given.

A COLLISION COURSE FOR THE NEW CONGLOMERATES

When General Electric unveiled its radical re-set in November, downsizing its sprawling global portfolio to three and only three core units—each with a digital under-pinning—it seemed to push against to the whole idea of “conglomerate” as a business model. Indeed, the notion of parking disparate business lines under a common roof and presuming success in your core business will translate into success in anything else you buy—no matter how far afield—has long been in disrepute, dating all the way back to the ill-conceived “financial supermarkets” of the 1980s/1990s (in which even Sears tried its hand: “Buy your stocks where you buy your socks”).

Still, the conglomerate model has died before, only to rise anew in one form or another when markets got giddy again. This time, the wait wasn't a long one. Indeed, just as the requiems were being written for manufacturing conglomerates last year, the hosannas were being raised for another, unlikely group of diversifiers: the biggest technology companies in the U.S. and the world.

Enter the “Frightful Five,” as respected *New York Times* technology writer Farhad Manjoo has deemed them—Amazon, Alphabet (Google), Apple, Facebook and Microsoft. Wrote Mr. Manjoo on Oct. 18: “In addition to the many platforms (“the shiniest prizes in the tech business”) they own already, one or more of the Five are on their way to owning artificial intelligence, voice assistants, virtual and augmented reality, robotics, home automation, and every other cool and crazy thing that will rule tomorrow. ...They (also) run server clouds, app stores, ad networks and venture firms.”

Manjoo, for some reason, did not include IBM which, while not in Silicon Valley, is far ahead of the firms he writes about in virtually every area.

All this, significantly, doesn’t even take into account the stunning forays into unrelated areas such as Amazon’s purchase of upscale grocer Whole Foods, its move into the production and distribution of movie and television programming, its new Amazon bookstores and ownership of *The Washington Post*, etc.

Google, whose mantra used to be “do one thing really, really well,” is now into self-driving cars, YouTube, Waze, Nest Labs, and more. Apple in 2014 started “Project Titan” to build its own line of electric cars, and after many delays and difficulties has now—according to the rumor mill—quietly shifted gears to focus instead on building an autonomous driving system. Facebook, the granddaddy of social media apps, may now be the most dominant force in news today. And on and on.

With all this going on, it is always useful to step back and take in the view from 30,000 feet, so to speak. What does all this mean? And most importantly, where is it all going?

Start with this: If the past 30 years in financial markets have taught us anything, it is this: Nothing swings in one direction forever. The current situation for the Frightful Five is coming to be characterized by a fundamental dichotomy: People are still in love with their products and their utility in everyday life, but are also growing increasingly skeptical about their potential for misuse and even harm to the social fabric. Media coverage, too, is no longer so adulatory; each of the Frightful Five has come in for increasingly harsh criticism, both in the mainstream and social media, on any number of fronts. Perhaps Robert Cyran summed it up best in his Dec. 19 *Breaking Views* column: “Authorities worldwide are growing worried that Facebook, Google and Amazon are eroding privacy, using data to push rivals out of business and even affecting elections.”

At some point, the two elements of that dichotomy—the love and the skepticism—will collide.

IMPLICATIONS FOR BUSINESS: No one knows when that collision will occur. This past year may well have been “a turning point” for the Five. The year to come is likely to be more of the same—at least initially. But it may also evolve into a year of reckoning. At least three possibilities seem in the offing: increased media skepticism, a potential shift in public sentiment, and what could be a game-changer, new attention from the Justice Department on the scope and fundamental fairness of the practices of the most powerful group of businesses in the world today.

DID YOU KNOW?

*The oldest wooden coffin ever found
was unearthed under an Istanbul metro station.*

MOVING FEDERAL AGENCIES OUT OF D.C.

2018 could be the year that D.C. lawmakers try to make good on promises to “drain the swamp” with a move so radical and chaos-inducing that it can only be called “Trumpian”—moving much of the U.S. federal government out of Washington, D.C.

This idea has been percolating in conservative and libertarian circles for years. But in recent months it has emerged into something closer to a legitimate proposal. In February, Congressmen Warren Davidson (R-Ohio) and Ted Budd (R-N.C.) proposed the “Drain the Swamp Act of 2017,” which would require federal government agencies to move headquarters and at least 90 percent of employees outside of D.C. In March, Rep. Jason Chaffetz (R-Utah), proposed a similar resolution to the House Oversight and Government Reform Committee, which he chaired. That resolution, called “Divest D.C.,” passed mostly along party lines. Support for the idea has not been entirely limited to Republicans, however. Tim Ryan (D-Ohio) called for a congressional commission to identify possible destinations for federal agency relocation—assumedly including hard-pressed rust-belt cities like his own Youngstown.

The first real test of the relocation concept might come this year from the Department of the Interior, where controversial Secretary Ryan Zinke’s plan for a dramatic restructuring (and downsizing) of the agency includes a proposal to move its headquarters out of Washington to a city like Salt Lake City or Denver, closer to the Western lands managed by the agency.

Like other supporters of the concept, Zinke argues that modern communications and technology eliminate the need to consolidate government employees in one location, and points to the private sector as an example. Supporters say moving federal agencies would deliver a range of benefits including jobs and economic revitalization for struggling cities across America, lower costs in the long-term, and the security and continuity benefits of having top government officials and functions spread across the country, as opposed to concentrated in a single, vulnerable city. Critics, of which there are many, say the move would be implausibly expensive and disruptive, and that the proposals are really just another outlandish attempt by Republicans to slash the size and scope of the federal government.

IMPLICATIONS FOR BUSINESS: Although the entire notion of relocating a large part of the vast federal government infrastructure is almost completely improbable any time in the near future, given the current zeitgeist in Washington and the predilections of President Trump, it is entirely possible that this proposal will gain real political traction in 2018. And if such a bill ever did appear before a Republican Congress it just might pass. If it did, the implications would reach far beyond companies doing business in either Washington D.C., or in one of the U.S. cities that would be in the running to land the headquarters of a federal agency. They would ultimately touch any company that is overseen by the federal government or that lobbies a federal agency. More importantly, the relocation of federal agencies to cities scattered around the United States would inevitably change the way government operates. The question is: For better, or for worse?

TERRORISM

Today we hear about only ISIS.

But al-Qaeda is quietly rebuilding, presenting itself as a “modern extremist” organization. Syria, where they have at least 20,000 fighters, is a focus for al-Qaeda, but the organization is active throughout North Africa, where there have been more than 250 attacks in the past year. Al-Qaeda has at least 4,000 fighters in Yemen and 7,000 in Somalia.

Taken together, ISIS and al-Qaeda represent a threat every bit as dangerous as the world has seen since 9/11.

True, the ISIS has lost the caliphate and more than 90 percent of its territory held in the Middle East. Led by the United States, coalition forces have pushed ISIS out of Der'aa, Deir al-Zour and Raqqa in Syria and out of Mosul and Hawija in Iraq.

What that means is ISIS will not have access to the critical oil-producing revenue that has fueled the organization for several years.

So, is ISIS gone and finished? No way.

The Islamist movement is active in Libya, Nigeria, Egypt, Pakistan and Afghanistan. Indeed, the U.S. is in its 16th year in Afghanistan and has just committed 3,000 more troops there. Kabul is probably the most dangerous city in the world. Extremist groups in Somalia, Kenya, the Philippines, Indonesia, Bangladesh and elsewhere have pledged support of terrorism.

There is a center to ISIS, but there are also individuals who take it on themselves to create problems. This has happened with deadly results in Nice, London and elsewhere. So far New York has blocked most of these attacks.

Look for the Islamic State to work to grow in Southeast Asia and in Africa.

Look for more and more terrorist actions.

IMPLICATIONS FOR BUSINESS: Nothing is safe anywhere in the world. Keep your security at high levels.

DID YOU KNOW?

*In advance of next year's presidential election,
Vladimir Putin has replaced 11 of his
85 regional governors.*

LOOK FOR MORE NATURAL DISASTERS

In 2017 the world experienced ten Atlantic storms, the most powerful being Maria. Earthquakes in Central America, Mexico and elsewhere, flooding, typhoons, wildfires, mudslides and a dozen other natural disasters occurred.

Why?

Hard to tell. Many suggest global warming, but the reasons are still inconclusive.

Last year natural disasters cost about \$327 billion in asset losses. Expect these natural disasters to continue.

IMPLICATIONS FOR BUSINESS: Expect these disasters to continue, for many to die and look for huge property losses. Santa Barbara is an early example in 2018. Recognize the pressure on insurance companies, as today less than a third of natural disaster-related economic losses are insured.

THE RISE OF THE SINCLAIR MEDIA EMPIRE MAY SKEW FUTURE ELECTION COVERAGE

The Sinclair Broadcasting Group, Inc. appears to be on the verge of acquiring Tribune Media, with federal regulators expected to approve the \$3.9 billion purchase in the next few weeks. It is a development that worries not only liberals, but people from across the social spectrum who believe the nation is better off when print and broadcast outlets strive to go down the middle in their political coverage.

“Down the middle” is not how any objective observer would describe Sinclair’s approach to politics. The group is so arch-conservative, in fact, that it is considered well to the right of Rupert Murdoch’s FOX News. Some analysts think Sinclair’s intensely partisan coverage may lure away large portions of the FOX audience. With FOX still in disarray from the recent Roger Ailes and Bill O’Reilly ousters, and with serious questions about the network’s leadership after Murdoch relinquishes control, the challenge posed by Sinclair’s growth should be of concern.

That growth has been both little noticed—Sinclair has flown under the radar for most of its 47-year existence—and impressive. If its acquisition of Tribune Media is approved, Sinclair will own 233 local TV stations across the nation (up from its current 173) and reach 72 percent of American households that have a TV set. CBS, by comparison, reaches 38 percent, and NBC 35 percent.

Assuming Sinclair continues to pursue its right-leaning policies—in 2004, for example, it actually ordered all its news divisions to carry pieces supporting George W. Bush’s re-election—it could tip the nation’s political scales. That possibility is reinforced by the fact that the acquisition of Tribune Media will give Sinclair control of a second TV station in Des Moines, providing it with an enormous megaphone in the first state to vote in the presidential sweepstakes. And after Iowa, when primaries are held in New Hampshire and South Carolina, Sinclair would continue to wield considerable influence through stations that cover major markets in both states.

Sinclair is within its rights in tilting coverage the way it does. But if its treatment of the nation’s politics is going to be little more than propaganda, it could cast a long shadow over American elections.

IMPLICATIONS FOR BUSINESS: Executives who believe it’s in the national interest for the media to remain (or at least try to remain) nonpartisan in their political coverage do have one pressure point: Their advertising dollars. When several advertisers boycotted Bill O’Reilly’s program, it had a big impact on FOX’s handling of his case. That’s an example to bear in mind in assessing how to respond to Sinclair going forward.

DID YOU KNOW?

More people were killed in 2015 from injuries caused by taking a selfie than by shark attacks.

EXPECT NEW REGULATIONS ON THE INTERNET

The Internet has changed the lives of people around the world, most often for the better. But there is a view developing that the companies driving the Internet have too much power and have too often gone in wrong directions.

The criticism that Facebook, Twitter and other social media received during the 2016 presidential election suggests to many observers that some changes are needed. Adding to the pressure is the fact that in the name of openness these unregulated organizations have sometimes allowed terrorists to tell their story, permitted hate speech, posted pornography and much more.

Some self-regulation appears to be taking place. At Facebook, for example, CEO Mark Zuckerberg has undertaken a revamp of the newsfeed to give more space to content from family and friends and far less to “fake news, Russian propaganda and mindless or mentally damaging memes,” as the *Financial Times* expressed it.

U.S. lawmakers and regulators believe something must be done, although they remain at a loss as to what that might be. We do know that Section 230 of the Communications Decency Act that was passed in 1996 exempts Internet firms from all types of liability. That is sure to get some attention.

In Europe, look for Margrethe Vestager, the continent’s Commissioner for Competition, to be especially active in trying to regulate the giant Internet firms, since many Europeans are convinced that they are behaving like anti-competitive monopolies, or are headed in that direction.

That said, the zeal of legislators to do *something* might lead to negative results. One of the great insights about the Internet is that it wants to be free. Poorly drawn or overly restrictive regulations might smother that freedom and badly damage this invaluable innovation.

IMPLICATIONS FOR BUSINESS: The freewheeling approach taken by Internet firms will come under challenge, so it’s important to keep a close eye on the process, assess the impact on business and let lawmakers know if they are wading into dangerous waters.

DID YOU KNOW?

Only 32 percent of Americans would allow packages to be delivered inside of their home, even with a security camera.

THE SUPREME COURT'S CELLPHONE DECISION COULD BE A SERIOUS BLOW FOR JOURNALISM

One of the biggest decisions the Supreme Court will hand down this year involves cellphone location data. The question before the court is whether law enforcement agencies need to obtain a warrant before they seek such data, or whether current law enables them to go directly to carriers like Verizon and T-Mobile to collect it. It's a case that touches on several highly sensitive issues, including individual privacy rights, police powers and—surprisingly—freedom of the press.

Location data is something we all generate every time we walk out the front door with a cellphone. As we travel around, the phone automatically pings nearby cell towers, creating a record of our movements that goes into the carriers' permanent files.

This makes the data enormously useful to the police when they want to track a suspect's movement over a period of time, whether it's days, weeks or even months. In the case before the high court, prosecutors won a conviction against a defendant suspected of masterminding a crime ring by using his location data to prove he was close to the sites of several armed robberies.

Law enforcement agencies, including the Justice Department, say a 1979 Supreme Court decision gives them the right to obtain the data without seeking a warrant. The ACLU lawyers who represent the defendant argued that this nearly 40-year-old decision needs to be drastically revised in light of the far-reaching changes brought about by modern technology like cellphones. Their argument is supported by friend-of-the-court briefs from several tech giants, including Apple, Facebook and Google.

It's easy to see why legal experts see this case as a precedent-setting conflict between our Fourth Amendment right to be protected from unreasonable searches and the need for law enforcement agencies to operate effectively in today's high-tech world.

But where does freedom of the press come into it? As a number of news-gathering organizations have come to realize, if the Supreme Court decides that law enforcement agencies can get their hands on location data without first obtaining a warrant—that is, if they are free to track the movements of anyone they choose without a judge’s permission or supervision—it might not be just criminal suspects they go after. They could also pinpoint a journalist’s movements in an effort to identify his or her anonymous source.

If that should happen, then the guarantee of confidentiality that reporters give to sources who need to remain anonymous would be seriously jeopardized. And it is this guarantee that the sources rely on to protect themselves from exposure and retribution when they share sensitive information with a reporter.

As media columnist Margaret Sullivan has pointed out, imagine what the Nixon Administration would have done to identify the source known as Deep Throat if it had had the power to track the movements of *Washington Post* reporter Bob Woodward during the Watergate investigation. Knowing of the danger, Deep Throat (who turned out to be FBI official Mark Felt) wouldn’t have even shown up for the middle-of-the-night parking garage meetings that changed the course of American history.

Would it be such a terrible thing if journalists lost access to confidential sources and anonymous whistleblowers? Some will argue that it would be a healthy development—that reporters shouldn’t be able to run stories from unnamed sources and that organizations in both the private and public sectors shouldn’t have to live under the threat of allegations leveled by unidentified accusers.

But against that is the foundational value of a free, active and inquiring press. After all, professional journalists don’t pay for information the way a private business might. And they can’t issue warrants or subpoenas the way government does. A chief tool they have to acquire highly sensitive information is the promise of confidentiality.

If the effect of the Supreme Court’s decision is to take that power away, or at least seriously weaken it, then an institution the Framers of the Constitution thought was so important that they guaranteed its independence in the First Amendment may wind up a toothless tiger.

IMPLICATIONS FOR BUSINESS: The data location ruling is one to keep an eye on, not only because of its potential impact on law enforcement and journalism, but private business, too. The overwhelming majority of police and prosecutors follow the rulebook. But rogue officers and district attorneys do come along, and if they have the unrestricted power to dig into a business executive’s movements by tracking cell phone records, no matter what the reason is, free enterprise may also be in jeopardy.

THE CONTINUED RISE OF LUXURY TRAVEL

A robust stock market, strong dollar and growing desire to have transformative experiences have all contributed to the rise of luxury travel. And it's not just baby boomers who will pay more for a memorable vacation. Millennials also seek out high-end adventure travel they can share on social media to boost their online profile or experience with multiple generations of their family.

While perfectly capable of booking their own vacation online, luxury travelers are increasingly using travel agents for their expertise in creating personalized, once-in-a-lifetime trips. Travel Experts, a premier company for travel agents, saw luxury travel grow by 32 percent in 2016 and predicts that when all the numbers are in, 2017 will break records as well.

The three largest growth areas in luxury travel are river cruising, multi-generational vacations and adventures. Consumers are looking for unusual experiences that translate into lasting memories—a great food truck in Barcelona instead of a top restaurant, a chance to meet locals, or an experience all members of a family can share, like an easy hike in the mountains or a whale watching expedition. Travelers are willing to pay top dollar for access to off-the-beaten-path adventures.

While Europe continues to be a top destination, travelers are open to new experiences in places like Iceland or the Galapagos Islands. The desire to taste locally sourced foods is a by-product of popular TV shows like *Anthony Bourdain: Parts Unknown*. Even Airbnb has branched into the luxury market, offering villas with a staff and opportunities to be part of a local culture.

Consumers are also looking to book trips that align with their bucket lists. Someone who wants to experience hot air ballooning might go anywhere from Albuquerque, New Mexico to the Cappadocia region of Turkey. And a genetic profile from Ancestry.com compels some travelers to visit countries they hadn't considered in the past to explore the culture of their ancestors.

Competing for the luxury market, iconic hotels like The Pierre in New York look to engage travelers with new offerings such as a Chef's Table, a cabaret series called "Broadway at the Pierre," and champagne sabering (opening the bottle with a saber). Hotels are often an important part of the luxury experience.

Access to the Internet has opened up the world for travelers. However, it is social media that frequently influence their itineraries. Bloggers that they follow, online groups they belong to and celebrities they admire may all have a say in their travel plans. In addition, they will post their daily experiences to Twitter, Facebook or Instagram with the goal of attracting more followers and allowing their friends and family to share the journey. This is true for older as well as younger travelers.

IMPLICATIONS FOR BUSINESS: The luxury travel market will continue to grow at a rapid rate, so businesses that depend on travelers should seek out new ways to set themselves apart from other hotels, restaurants or attractions. They need to engage with travel agents, who will become increasingly important as travelers recognize their ability to create one-of-a-kind vacations. All travel businesses need to have a strong, evolving social media presence.

DID YOU KNOW?

31 percent of Americans have broken their cellphones in the last year, but 65 percent do not carry the necessary insurance for repairs.

M&A BOOM CONTINUES THIS YEAR

The new U.S. tax law, a robust economy, strong stock prices, and cash in the coffers of private equity firms look to make 2018 another big year for mergers and acquisitions. M&A deal volume reached \$3.7 trillion globally in 2017, with a surge in the fourth quarter as the tax bill moved through Congress and the global economic outlook improved. The availability of attractively-priced credit also spurred last year's M&A activity with low corporate debt yields and the gross issuance of syndicated loans and investment grade bonds each hitting new records.

Deal watchers now predict 2018 M&A activity will again top \$3 trillion.

The deal pace of last year rose in the consumer, energy and basic materials sectors. Given the potential for stronger global consumer spending, increased deal making in that sector is expected this year, along with finance.

M&A activity in pharmaceuticals and other healthcare is also expected to ramp up this year, enhanced by the aging population. And while technology and telecommunications slowed in 2017, deal consultants now advise that the ongoing expansion of emerging technologies across industries like foodtech, fintech, and automotive will spur more cross-sector technology deals in the next two years.

Watchers of China's 19th Communist Party Congress last month concluded that the government will continue to encourage overseas expansion, with outbound investments from Chinese companies expected to increase this year. China's M&A appetite is also fed by the macro fundamentals of its economy, its push to take a more central role in global affairs, and a financially well-resourced private sector and state-owned companies.

M&A activity elsewhere in the world—including North America and Europe, Asia Pacific, Latin America, and the Middle East and Africa—is forecast to increase but to reach cyclical peaks this year or next.

In fact, deal advisors say several factors will cool deal activity from 2019 onwards, particularly in developed markets. These include higher interest rates, a cyclical easing in global trade and investment growth, and a correction in equity prices back toward fundamentals. That leads advisors to predict that M&A values will drop to \$2.9 trillion in 2019 and to \$2.4 trillion in 2020.

IMPLICATIONS FOR BUSINESS: Improved economic conditions, while great news for business, bring with them another factor management must consider—mergers and acquisitions. Prospective acquisitions that haven't looked good to date may now be worth pursuing. Conversely, attempts to acquire companies seeking to stay independent—sometimes fomented by shareholder activists—are a serious concern for C-Suite executives and boards.

In the latter case, litigation is a near-certainty, and management and boards must proceed with utmost care to assure they are following the principles of proper corporate governance.

THE MARKET MOVES EAST: ASIAN MONEY AND THE GLOBAL COLLECTIBLES MARKET

Bidders at the world's biggest and most prestigious art auctions increasingly come from Asia, notably China, the world's largest growth market for art and collectibles.

Consider the November sale of *Salvator Mundi*, one of fewer than 20 known works by Leonardo da Vinci, the Renaissance master, and apparently his only work to remain in private hands. Its sale for \$450.3 million—a new record—highlighted the surge of global interest in hyper-expensive art.

The painting, which dates from 1500, was sold to Saudi Arabia's Prince Badr bin Abdullah bin Mohammed Al Farhan on behalf of the Abu Dhabi Department of Culture & Tourism. It will be displayed at the Louvre in Abu Dhabi in the United Arab Emirates.

That astonishing event aside, the larger trend is that wealthy Chinese investors are becoming increasingly influential in the high-end art market. Liu Yiqian, chairman of Sunline Group and his wife Wang Wei, paid what was at time the second highest auction price ever when they bought Amadeo Modigliani's *Nu Couché* for \$170.4 million in late 2015. (The highest price was \$179 million for a Picasso.)

Financiers understandably are following the money. The Fine Art Group of London, which specializes in using art as collateral for loans, has told the *Financial Times* that it plans to deploy more than \$1 billion in lending this year to Asian collectors. And those collectors are now as likely to invest in Western art as they are to invest in Asian art.

Asia is home to at least 40 families that hold a collective \$8 billion to \$12 billion in Western artwork. Borrowing against these holdings looks ready to become a growing business.

Art Basel in Hong Kong—an art fair now going into its sixth year—has grown to more than 250 dealers from almost 40 countries, with an increasingly international clientele and a marked increase in its sophisticated Asian buyers.

IMPLICATIONS FOR BUSINESS: This new trend creates an increasing need for insurance, financing, legal counsel and related services in Asia, providing opportunities for global providers as well as auction houses and art experts.

SOUTH ASIA OFFERS OPPORTUNITIES FOR U.S. BUSINESS INVESTMENTS

South Asia's eight countries, recognizing the need to accelerate infrastructure development in order to alleviate poverty and better compete in an age of galloping globalization, are clamoring for more foreign direct investment (FDI).

That offers fresh possibilities for U.S. businesses seeking to expand their markets in this strategically critical region. As it is, China has been busy for some time widening its economic and military ambitions there. Its recent initiatives include the \$50 billion China-Pakistan Economic Corridor, and a particular favorite of President Xi Jinping, the Belt and Road Initiative (aka One Belt, One Road), which is intended to enhance connectivity across Eurasia.

China's investments may take on added importance in the wake of the Trump Administration's threat to suspend \$2 billion in aid to Pakistan on the grounds that it isn't doing enough to discourage regional extremism. The decision, if sustained, would hurt military sales by American companies and could weaken U.S. influence in the region.

The population of the eight South Asian countries—India, Pakistan, Bangladesh, Sri Lanka, Nepal, Afghanistan, Bhutan and the Maldives Islands—is around 1.8 billion, about one fourth of the world's population, making it the most densely populated region in the world. The eight countries banded together in the South Asian Association for Regional Cooperation in 1985.

Current U.S. investments in SAARC countries total more than \$500 billion, determined by market size, labor force growth, infrastructure index and trade openness. India continues to attract sizable foreign investments, but China receives \$135 billion annually, making it the world's biggest FDI recipient. China's own foreign investments, although rising, are still below \$400 billion annually, according to the United Nations.

(In case you're wondering, FDI in the U.S. is about \$100 billion a year, a total President Trump is trying to increase. On the other hand, Mr. Trump wants to decrease the nearly \$400 billion the U.S. invests annually overseas on the grounds the money should be spent on projects within America.)

To attract more foreign investments, South Asia countries “need to maintain or increase economic growth, frame policies to make better use of their large labor forces, improve infrastructure facilities, and follow far more open trade policies,” says Rajpal Chowdhury, a veteran political analyst based in New Delhi. He adds, “Some of these countries could do with better governance.”

The quality of governance is sometimes influenced by suspicions that FDI is an attempt by big givers like the U.S. to sabotage developing-country economies. Even though such fears are untrue, local politicians often play on them to gain personal popularity, particularly in constituencies where literacy levels remain low.

Officially, India welcomes U.S. investments. Prime Minister Narendra Modi has asserted repeatedly that his government views Washington as perhaps its most important strategic partner.

Mr. Modi is pleased with the 500 percent growth in U.S. foreign direct investment in India since he was elected, up from \$806 million in fiscal year 2014 to \$4.12 billion in FY 2016. He and his colleagues welcome the prospect of the total growing even more.

IMPLICATIONS FOR BUSINESS: Given the size of South Asia's population, which outstrips even that of China, the relative stability of the region and the impressive GDP growth rates of some of the economies (the World Bank expects India's to be above 7% this year), the investment opportunities do look promising. But caution is necessary. Everything from corrupt local officials to crumbling infrastructure (e.g., roads that are impassable in bad weather) has to be weighed.

DID YOU KNOW?

*Your fingerprint is not protected under the 5th amendment,
so police in the U.S. can force you to unlock
a phone with a fingerprint, but not a password.*

CRYPTOCURRENCIES: WHAT CAN THEY DO FOR BUSINESS?

What if there were a universal currency that could be used to carry out transactions among the world's 180 or so different forms of legal tender and at the same time automate all the steps that must take place before a contract is fulfilled?

Would that be a good thing? Or would it become a tool for speculators, sparking a frenzy so volatile that it threatened to wipe out the life savings of naïve investors seeking quick riches?

Yes, we're talking about cryptocurrencies, the best known being Bitcoin, which has created a bubble some compare with the 17th century tulip mania in the Netherlands.

Bitcoin closed 2017 at \$13,850.40, up more than 1,400 percent from \$960.06 at the end of 2016. That was after it hit a high of \$19,843,109 on December 17.

But recently, respected voices have been raised against Bitcoin. Billionaire Warren Buffet said, "I can say almost with certainty that cryptocurrencies will come to a bad end."

Nobel laureate Joseph Stiglitz said Bitcoin is successful "only because of its potential for circumvention. It doesn't serve any socially useful function. . . It ought to be outlawed."

So it's no surprise that there have been calls for more stringent regulation of Bitcoin—opposed, of course, by the Bitcoin Foundation, which supports its use. A bill before the Senate would include digital currency in an update of money-laundering laws, requiring more entities to police potentially illicit transactions. Meanwhile, a bill in the House would exempt cryptocurrency transactions of up to \$600 from capital-gains reporting.

But the right cryptocurrencies, used in the right ways, can produce real benefits for business.

Exactly what is a cryptocurrency? According to Merriam-Webster, it is “any form of currency that only exists digitally ... a secure digital payment outside of conventional financial institutions.”

An underlying system called blockchain makes it work. Blockchain is like an Internet unto itself. Everyone who can access it is welcome to all the information that’s available and can add to it—but not change what’s there.

Bitcoin’s volatility makes it less useful as a medium of exchange. Merchants do not like to accept a payment that could be radically different when they deposit it than the price of the goods.

Competition among cryptocurrencies was heating up as this was written. The newest entrant to seize the spotlight was Ripple, whose market valuation had edged into second place behind Bitcoin. Ripple is based on a blockchain-like technology called XRP, which proponents say is faster than competing cryptocurrencies for facilitating global transactions. Companies that use Ripple include Santander, Bank of America and UBS.

Ripple displaced Ethereum, created by 23 year-old Russian-Canadian Vitalik Buterin, for the second spot in the cryptocurrency ranking. It strikes a blow for cybersecurity, since the blockchain system it operates on is essentially impervious to hacking. It is also useful for automatically tracking the progress of a smart contract that involves a series of conditions, approving payment only when all have been satisfied.

JPMorgan Chase and Microsoft favor Ethereum and championed development of the currency’s support group, the Enterprise Ethereum Alliance. It now has 190 members, including BP, Deloitte, Intel, Santander Bank, and Credit Suisse.

Another cryptocurrency that is turning the heads of corporations is Litecoin, created by Charlie Lee, a former Google employee. Litecoin’s big competitive advantage is speed: it can create a new block in its blockchain in just 2.5 minutes.

IMPLICATIONS FOR BUSINESS: While most of the attention to Bitcoin and other cryptocurrencies focuses on their purported investment appeal, companies that handle a multitude of transactions may gain a leg up in using a cryptocurrency to boost efficiency and reduce costs. These blockchain-based systems began finding their most frequent application in financial and insurance companies, but their use has now spread to companies in many lines of business.

DID YOU KNOW?

When its three-year renovation is complete The Waldorf Astoria will have just 350 hotel rooms, down from the 1,413 it previously had.

ARTIFICIAL INTELLIGENCE: JUST BEGINNING TO TAKE OVER THE WORLD

Artificial intelligence—the technology that makes it possible for machines to learn from experience, adjust to new inputs and perform human-like tasks—made substantial advancements last year. But the popularity of intelligent machines will really break out this year as more and more computer systems are equipped to perform tasks that normally require human intelligence, such as speech recognition, translating between languages and even decision-making.

According to Forrester, a market research firm that reports on technology, “CIOs will move away from the lift-and-shift approach to AI tech implementations, and new applications of blended AI will increasingly be used to improve customer service and sales processes in [2018].”

In addition, predictions are that AI will make decisions and provide real-time instructions at 20 percent of firms and will increasingly be used for visual experiences.

Artificial Intelligence will take on an increasingly important role in digital personal assistants. According to the Consumer Technology Association, the nation’s largest tech trade organization, sales of smart speakers such as Amazon Echo increased 279 percent in 2017 and will reach 43.6 million units (a 60 percent increase) in 2018. That will generate \$3.8 billion in sales revenues.

AI is also going to play a growing role in the development of self-driving vehicles, thanks to continuing improvements in such features as sensory perception (identifying objects in the vehicle's path) and data processing.

What’s in the future for AI systems?

- They will develop the ability to conduct conversations with context—that is, the ability to converse with humans the way we speak to each other.
- They will be able to explain why they are making certain recommendations, which will help build trust with users.

IMPLICATIONS FOR BUSINESS: There is fierce competition in this space and, when this phenomenon occurs, it can spell problems. As AI advances, organizations will want to keep careful watch on the different ways it can be deployed to enhance data analysis and customer services. Understanding what AI is capable of and how best to deploy it will be essential in remaining competitive.

RARE EARTHS: STRATEGIC ISSUE FOR TECHNOLOGY, NATIONAL DEFENSE

Rare earths are not as rare as their name suggests. But they are relatively scarce, they do play a key role in much of today's technology and they are strategically important to national defense.

The 17 rare earths are chemical elements with names like Neodymium, Lanthanum, Cerium and Praseodymium. They are used in television sets, mobile phones, automobiles, cancer treatment drugs, aircraft shielding and weapons.

Since the United States relies entirely on foreign sources for these materials and China has a near-monopoly, there are serious questions as to what U.S. policy concerning rare earths should be.

China has dominated rare earth mining since the 1990s and provides 85 to 95 percent of the world's supply. A key question is what other sources for rare earths can the U.S. develop—including a domestic supply?

In 2012, a U.S.-based company named Molycorp sought to establish a U.S. presence in rare earths at the Mountain Pass Mine, 50 miles south of Las Vegas. The project never got off the ground and many believe it was because China flooded the U.S. market with its own rare earths, depressing prices and knocking off Molycorp.

Its demise brought domestic rare earths production to zero, and by 2016 the U.S. relied totally on imports. What's more, few of these elements are known to exist in U.S. soil. The U.S. Geological Survey has reported that America's reserves of rare earths stand at 1.4 million tons—just 1% of the world total.

Last year, a second attempt was mounted to build a rare earths mine at Mountain Pass. But this one was led by Chinese state-owned company Sinopec, together with a former nursing home operator and a Switzerland-based private equity fund. Those who oppose the deal are calling on the Committee on Foreign Investment in the United States, an inter-agency committee that reviews the national security implications of foreign investments in U.S. companies or operations, to block it.

Other recent moves are also aimed at limiting China's role in our strategic materials supply. In November, Sens. John Cornyn, (R-Tex.), Dianne Feinstein (D-Calif.) and Senate Select Committee on Intelligence Chairman Richard Burr (R-N.C.), sponsored a bill strengthening the way in which CFIUS reviews acquisitions, mergers and other foreign investments that could pose national security risks. The legislation is supported by the Trump Administration.

The latest chapter in the rare earths story came on December 20 when President Trump signed an executive order to reduce U.S. dependence on critical minerals, including rare earths, cobalt, lithium, and graphite. He said the order “will prioritize reducing the nation’s vulnerability to disruptions in our supply of critical minerals safely and responsibly for the benefit of the American people.”

IMPLICATIONS FOR BUSINESS: The lack of an assured supply of rare earths and other strategic materials will loom much larger should the U.S. become involved in armed hostilities in any of the world’s trouble spots. It is also an issue of great concern for companies that depend on an uninterrupted stream of these materials. Those companies may wish to become more proactively involved in policy efforts to assure an unbroken supply.

ELECTRIC CARS THE NEXT BIG THING? PROBABLY, BUT WITH BIG COSTS

The governments of the U.K., France, China, India and other countries have sounded the death knell for fossil-fueled automobiles on their streets and highways, with the end coming somewhere between 2025 and 2040. The State of California may soon do the same.

Electrification is all the rage, though some auto makers are working with more exotic and less-proven technologies such as hydrogen fuel cells to power their cars and trucks.

The goal is the holy grail of zero emissions, thus significantly reducing air pollution and its corollary effects. There are, however, many potholes on the way to achieving this noble milestone, and implications that have yet to be fully measured. Here are a few:

- **Infrastructure:** There are more than a billion motor vehicles in the world, and over 99 percent of them are powered by gasoline, natural gas or diesel. In England alone, the rise of electric cars to a projected 9 million in 2030 from 132,000 at the end of 2017 will require an extra 18 gigawatts of power to charge the batteries, plus new power lines, transformers and other infrastructure to deliver the electricity to charging stations. Multiply that times all the cars in the world that will be replaced by electric vehicles, and there’s enormous work to do and astronomic costs involved.
- **Jobs:** Garage mechanics will be less in demand because electric vehicles require fewer repairs and less maintenance. Oilfield, refinery and transportation jobs will dwindle as demand falls. Skilled manufacturing workers who machine complex internal combustion engines will be unnecessary for making simpler electric motors. Retraining and re-employment will be a challenge. As *The New York Times* reported on January 10:

“At a factory near the base of Mount Fuji, workers painstakingly assemble transmissions for some of the world's top-selling cars. The expensive, complex components, and the workers' jobs, could be obsolete in a couple of decades.

“The threat: battery-powered electric vehicles.

“Their designs do away with the belts and gears of a transmission, as well as thousands of other parts used in conventional cars.

“Established suppliers are nervous, especially in Japan, where auto making is a pillar of the economy—and where industrial giants have been previously left behind by technological change.”

- **Taxes:** Governments will still have to build and maintain roads, and those roads will cost more because of the high-tech controls and sensors required as cars become increasingly autonomous. But where will they get the money? Attempts in the U.S. to tax automobiles by miles driven rather than gallons burned run into heavy opposition whenever they come up. Yet some version of this tax formula will be necessary.

The U.S. will be slower to adopt full electrification than many countries. We have enough fossil-fuel energy in the ground to supply relatively cheaply our needs for decades, if not centuries, thanks to hydraulic fracturing. But cities such as New York and San Francisco will be under pressure to make the change, and global auto companies—including our own Ford, GM and Tesla—will be there to supply the vehicles.

IMPLICATIONS FOR BUSINESS: Transportation is going to be disrupted, and everyone is trying to crystal-ball what it will look like by the mid-21st century. We may not be flying in personal saucers like the Jetsons, but the gas guzzlers of today will be few and far between.

SMART CITIES WILL REQUIRE PUBLIC-PRIVATE COLLABORATION

One of the hottest topics at the Consumer Electronics Show in Las Vegas this month was the Smart Cities/Internet of Things (IOT) duopoly. The consensus was that technological collaborations between the public and private sectors in creating the smart cities of the future will become increasingly important.

A Smart City is an urban area that uses different types of electronic data collection to manage urban assets and resources more efficiently. According to McKinsey Global Institute, the world's fastest-growing cities are going to account for 60 percent of global economic growth in the period between 2010 and 2025. As these urban areas grow, so too will their appetite for the data needed to sustain that growth.

Understanding traffic flows, energy demands, infrastructure needs and similar urban phenomena will depend increasingly on sensors that gather data from new information grids. The challenge for civic and private sector leaders is to develop methods to put the data to the best use possible.

Three Areas for Collaboration

Data Sharing

Enterprise data-sharing projects like those already in place in Illinois, Ohio and elsewhere are helping to improve services in everything from public health to juvenile justice. Companies like Amazon Web Services, Cisco and Siemens are working with municipalities in such data sharing.

Financing

The debate over how to fund the nation's desperate need for infrastructure improvements may be resolved if vast new revenue streams can be generated by smart innovations in telecom, transport, waste management and other urban services.

Jobs

Some reports indicate total spending on smart city technology will reach \$775 billion by 2021, creating thousands of jobs. A Columbus, Ohio, project adds academia to the mix by creating jobs for educators who train people to become data scientists, cyber-analysts, cloud architects, etc.

IMPLICATIONS FOR BUSINESS: The business opportunities in smart cities include developing innovative ways to improve public services through enterprise data-sharing. Everyone collects data—the secret sauce is coming up with ways to use that data effectively. The goal will be to generate new revenue streams and link them in a virtuous cycle to global economic growth.

REMOTE WORKERS, IT MAY BE TIME TO HEAD BACK TO YOUR CUBICLE

#WFH. That's the hash tag for "working from home," and fewer and fewer Americans are doing it. That's because researchers have found that workers are more creative when they collaborate, are typically happier when they have face-to-face interactions with co-workers and are more productive when they can share ideas in person. With that research in mind, many companies are reversing course, reconsidering their remote work programs and asking workers to come back to their cubicles.

IBM made that decision this past spring. For decades the company had been at the forefront of the telecommuting trend, allowing it, according to CNN, to reduce its office footprint by 78 million square feet between 1995 and 2008 and selling 58 million square feet for \$1.9 billion. But what IBM discovered was the money it saved in brick and mortar costs was offset by a loss of innovative thinking.

After 20 consecutive quarterly losses IBM knew it had to change the way it operated. Company leaders decided to take a page from the competition, especially agile tech start-ups. Their secret to success is an environment where workers collaborate in small teams, share and refine ideas, and create new strategies and products. After seeing what these new competitors were doing, IBM decided to call thousands of its workers back to its hub locations. As Chief Marketing Officer Michelle Peluso put it, “Bringing people together creates its own X factor.”

Yahoo’s former CEO Melissa Mayer explained her shift away from remote working in 2013 this way: “People are more productive when they’re alone, but they’re more collaborative and innovative when they’re together.” Mayer wasn’t able to turn Yahoo around, but her thinking was based on solid research.

The most forward-thinking business minds fully embrace employee-to-employee interactions. Quartz reports that when Steve Jobs was at Pixar he was so obsessed with creating unplanned meetings that he suggested putting all the bathrooms in just one part of the building to stimulate more chance encounters. That idea was vetoed, but in Silicon Valley office complexes are designed to keep workers on site to maximize employee interactions.

When CFO Patrick Pichette was asked how many workers telecommute at Google, he answered, “As few as possible.”

So is #WFH gone for good? Most HR execs will tell you no. The decision is often based on the kind of industry or type of job and made on a case-by-case basis. But to keep top talent, especially parents with young children, Millennials and Gen Z workers, flexible work arrangements must stay on the table. Telecommuting can be more important to younger workers than their salary. And HR execs know that when Millennials and Gen Zers aren’t happy, they tend to pack up and head for #quittingjob.

IMPLICATIONS FOR BUSINESS: Businesses are only as good as their people. To keep quality talent, corporate leaders need to adapt to the changing expectations of their employees. This may occasionally require letting them work from home. However, executives can’t lose sight of long term goals and what needs to be done to remain competitive. For most that will mean innovation through collaboration, a sharing of ideas and good old brainstorming in the office.

DID YOU KNOW?

By some estimates, the American energy industry lets enough natural gas escape each year to meet the heating and cooking needs of about seven million homes.

THE GLOBAL REFUGEE CRISIS

The world is experiencing an unprecedented crisis: 65.6 million people around the world have been displaced. Among them are 22.5 million refugees and 10 million stateless people who have no nationality and lack access to basic rights such as education, healthcare, and employment.

According to the United Nations Refugee Agency, more than half of the world's refugees are under 18, and 9.4 million come from just three countries—Syria (5.5 million), Afghanistan (2.5 million) and South Sudan (1.4 million).

A sampler of the global problems:

- Since late August, an estimated 650,000 Rohingyas have fled Myanmar for Bangladesh. At present, a steady but smaller stream of refugees—about 100 a day—continues to arrive.
- In the Democratic Republic of the Congo, the number of people displaced internally since 2015 has more than doubled and now stands at 3.9 million. Some 428,000 were displaced in a three-month period alone. Another 622,000 DRC refugees are scattered in more than 11 African countries. With violence fueled by ethnic and political conflicts affecting many areas, the risk of further displacement is high.
- Turkey hosts more than 3.2 million Syrian refugees. Jordan has 1.3 million.
- Some 162,000 people risked their lives to reach Europe by sea in 2017 with more than 3,000 feared drowned.

Despite the human suffering, the refugee crisis has sparked a strong anti-immigration backlash in many countries. For example, The Czech Republic, Hungary and Poland are being sued by the European Union for refusing to take their share of refugees. The Trump administration has withdrawn from the UN's Declaration for Refugees and Migrants, saying it undermines America's sovereignty. And anti-immigrant parties in a number of countries, including Germany and Austria, have made significant electoral gains.

IMPLICATIONS FOR BUSINESS: Given increased globalization and the large number of political, military and economic tensions around the world, the refugee crisis is not going away. In fact, it will only grow as an increase in nationalism globally makes resettlement of refugees politically more difficult.

WILL SOCCER REPLACE FOOTBALL IN AMERICA? THE JURY IS OUT.

The phenomenon of suburban “soccer moms” who ferry their children back and forth from soccer games in SUVs has been part of America life for at least 35 years.

But if soccer has become such a popular sport, why have the young players grown up to become devotees of football like their parents? And is that likely to change?

Recent events have taken a toll on football’s popularity, in particular protests by pro football players who refuse to stand for the National Anthem. It’s impossible to say, however, whether that will be a continuing issue.

A more likely setback is the CTE (chronic traumatic encephalopathy) issue. A study published last year in the Journal of the American Medical Association found CTE in 99 percent of deceased NFL players. The disease is associated with severe mood and behavioral symptoms, depression, anxiety, suicidal thoughts and explosive anger. In 2015 the NFL agreed to a \$1 billion settlement to compensate former players who had accused the league of hiding CTE’s risks.

That probably contributed to the findings of a Gallup study released last fall that showed the percentage of Americans who identify as pro football fans had dropped to 57 percent from 67 percent over five years. The JAMA study also found that 56 percent of college players had CTE symptoms similar to those of the NFL players.

Football is also losing ground at the high school level, where participation declined by 3.5 percent over the past five years, according to the National Association of State High School Federations. Some parents who once would have let their sons play are making different decisions now. Some high schools have even stopped fielding football teams because not enough players have shown up.

Do those findings mean football is in decline as a spectator sport, soon to be replaced by soccer? Most evidence suggests that shift will take quite a while, if it ever happens. NFL games still average 16.5 million viewers. And while ESPN pays \$1.9 billion annually for the rights to NFL broadcasts, it spends just \$45 million a year for Major League Soccer.

IMPLICATIONS FOR BUSINESS: Supporting athletics can be a significant activity for businesses. Continuing evidence linking football with CTE and the growing interest in soccer are factors for companies to consider in planning their pro-bono activities at the local level.

DID YOU KNOW?

One percent of the world's population is ambidextrous.

NFL RATINGS TAKE A KNEE

For the second year in a row, television ratings for the National Football League have tumbled. According to Nielsen, the average audience for games was down 9.7 percent from last season. Analysts see more than one reason for the drop.

The Trump Effect

President Trump's criticism of players who kneel during the National Anthem has prompted some fans to suspend watching.

Overexposure

Critics suggest too many televised games in the course of the week are leading to fan complacency. Watching a pro football game no longer feels special. Missed the game on Sunday afternoon? No problem. There's always Sunday evening, Monday night and even Thursday.

When Good Teams Have Bad Seasons

The New York Giants, the marquee team in the nation's largest TV market, had a historically bad season. In addition, one of the league's most popular players, Aaron Rogers, missed most of the season with a broken collar bone.

Cord Cutters

Five years ago, barely a million people had cut the cord by opting out of cable television. Now, seven million viewers have quit traditional TV.

IMPLICATIONS FOR BUSINESS: The NFL's experience with kneeling players is a reminder that political protests can alienate a segment of the customer base. Keep your product separate from social causes. Another lesson is, don't over-saturate the market. Leave your customer wanting more. Cord-cutting in television is a symptom of changing demographics and different tastes driven by new technology. You need to know if your younger customers are heading elsewhere to get what you offer.

GEN Z AS CONSUMERS & EMPLOYEES

Generation Z, those born between 1996 and 2010, comprise about 61 million young people. They are the next wave of both consumers and employees that businesses and companies need to understand in order to attract their business and channel their talents.

By 2020, Fast Company estimates, Gen Z will represent 40 percent of U.S. consumers. Businesses have lots to learn about this group. One thing to know is that they are really into buying online. The second thing to know is that they want products that are consistent with social responsibility—products that are environmentally safe and benefit the overall community.

According to a Euclid Analytics retail-behavior survey, Gen Z uses mobile apps and other features on mobile phones more than any other demographic segment for shopping information. And Gen Z cares about authenticity. They are not easily influenced by marketing campaigns and have the digital expertise to differentiate between real and false claims.

As employees, Gen Z gives much thought to career goals. They are eager to get to work and prove their own merit. They seek a variety of different stimuli in the workplace. Gen Zers are especially interested in careers in tech. Failure to provide access to new technologies will send this generation racing toward the exit. A Goldman Sachs study showed that 42 percent of Gen Zers expect to work for themselves one day.

Businesses that employ Gen Zers should be building cultures of giving back. Volunteering and working for social causes and/or community programs are important to these future leaders.

IMPLICATIONS FOR BUSINESS: As consumers, the members of Gen Z share many characteristics with Millennials, but have distinct preferences that retailers must understand and address. As employees, they represent a critical part of the business future. The more retailers and employers can prepare for their arrival, the more Gen Z will contribute to their success. Voters should pay close attention as this group could well decide the 2020 election and many elections after that.

“There are risks and costs to action.

*But they are far less than
the long-range risks of comfortable inaction.”*

- President John F. Kennedy

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