
2019 WILL BE A YEAR TO REMEMBER

58th TREND/FORECASTING REPORT

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INTRODUCTION

If you thought 2018 was a time of serious challenge, and it was, just wait for the months ahead as seeds sown last year are going to bear remarkable changes as we go forward.

Based on hundreds of discussions and interviews with some of the smartest and best-connected people in the world, we are pleased to present our 58th Trend/Forecasting Report.

We are grateful for the numerous responses to previous reports and your recognition that most of our views are on target.

Your life is going to change significantly in the period ahead as a result of the trends cited in this Report. It is best to prepare accordingly because the impact will be significant and long-lasting.

To start, the incredible breaches in citizens' privacy, meddling in election results, and increased dependence on technology has established a fear that has not largely been considered in the past. Concerns regarding a highly disruptive cyberattack on U.S. infrastructure, networks and more are real and profound.

Our trust in institutions has faded dramatically and where once we knew we were in control we are now apprehensive.

Consider:

Whether you like him or not, Donald Trump has changed the United States and our foreign policy dramatically. Expect much more.

The U.S. Congress is sharply divided and it is unlikely we will experience serious and positive change.

The U.S. electorate is divided and it does not appear there is any person or institution that can bring us together soon.

The Supreme Court is now leaning toward the right, and if Justice Ruth Bader Ginsburg leaves the bench, we can expect another lengthy combative confirmation process with conservatives prevailing. This will move the Court to the right for at least a decade.

The Yellow Vests in France are not going away. And simmering below the surface is an anti-elite movement throughout Europe, with the continent moving toward significant change.

The election of the European Parliament that will change that continent happens in a few short months.

Germany will soon have a new leader.

In Britain, Prime Minister Theresa May is in deep trouble after her first Brexit plan went down to a crushing defeat in Parliament. She did survive a no-confidence vote, but now has only a few weeks to develop a Plan B that wins approval both from the EU and her parliamentary colleagues, a seemingly impossible task of squaring the circle.

The African Union will soon be led by Egyptian President Abdel Fattah al-Sisi, who will take over from Rwanda's Paul Kagame as the rotational chairman of the continental body.

In Africa, a continent of remarkable treasures, graft and corruption are a way of life in several countries. China is very active in working to secure the many benefits the continent offers. The U.K.'s Theresa May has called for Britain to be the biggest investor in Africa by the end of the decade. One of the major questions in the immediate future is whether Zimbabwe and the Democratic Republic of the Congo will be able to rebuild their societies.

Saudi Arabian leadership, based on much more than the Khashoggi assassination, is under close scrutiny.

In the Middle East, long-troubled countries continue to reflect concerns about the way Yemen's humanitarian crisis is worsening, worry over confrontation between the United States and Iran is present due to sanction reinstatement, and Syria's violent re-imposition of government control has caused the Trump Administration to withdraw all U.S. troops from Syria. When U.S. troops exit, know that U.S.-backed Kurdish groups will be vulnerable to strikes from the Turkish military, further aggravating the existing dispute.

Iran and Pakistan have no checks and balances against terrorism.

China, who today accounts for 16 percent of the global economy, is slowing, but the Country is expanding its power around the world. A focus will soon be on the Country's views toward Taiwan, Africa, where the Chinese are establishing a solid base, India, where war has been under way for years, Mongolia and elsewhere. Technology is at the root of U.S. tensions with China, but significant trade tariffs and proven theft of intellectual property by China is heightening pressures and further straining relationships with many countries. Look for China to accelerate its work in science, especially with regard to dark matter.

North Korea has retreated on what many has hoped was a breakthrough toward normalcy.

Russia—anything can, and will, happen. Concerns regarding a potential arms race between Russia and the United States are on the radar. Both the 1987 Intermediate Range Nuclear Forces Treaty and the 2010 New Start Treaty, which expires in 2021, are unraveling. Should these agreements cease and tensions continue to rise, we may be led down an unfavorable road.

President Trump, a self-proclaimed “Tariff Man,” conducted the largest tariff increase since the 1930s with 10 percent or higher on \$300 billion of imports in 2018. As a rebuttal, foreign countries also have tariffs over \$150 billion of U.S. exports. The world is waiting to see if President Trump decides to place his threatened \$200 billion on imports of autos and auto parts.

In South America, political unrest continues to fuel havoc in Venezuela and Brazil. Under the rule of President Nicolás Maduro, the economic crisis and political instability is leading to violent civil strife. It is estimated that in 2019 there will be 5.3 million Venezuelan citizens seeking refuge in other countries—a number that will shock sanctuary countries and likely lead to conflict.

The Brazilian election of Jair Bolsonaro, the first far-right president elected since the return of democracy to Brazil in 1985, appears to pose a threat to not only his Country, but the world.

According to the United Nations Intergovernmental Panel on Climate Change we only have 12 years of environmental stability before we will have significantly damaged the environment and crossed the point of no return. Mr. Bolsonaro’s place in office will give him control over the fate of two of the world’s most vital environmental centers: the Amazon forest and the Cerrado savannah.

On the positive side, much good is under way. The challenge to business leadership is to keep the momentum going. The challenge to politicians is to clear the way for progress and stop unnecessary turf wars.

Just reflect on:

- Carbon emissions from U.S. power generation are down 4.6 percent from 2017 and the trend is likely to continue;
- Advances for women have been made, including the international recognition of #MeToo and a record number of women candidates in a number of countries worldwide;
- Ethiopia and Eritrea ended hostilities at their shared border and will re-open embassies in each other’s capitals, resume commercial flights and re-open major border crossings;
- Species including the humpback whale, the bald eagle and mountain gorillas are making comebacks after near extinction from hunting and deforestation;

- Signing of the landmark peace declaration between North and South Korea restores hope for peace on the Korean peninsula;
- AIDS-related deaths are down by one-third since 2010;
- Cancer-related deaths are down dramatically;
- It appears we are just months away from a product that will reduce heart disease—the leading cause of death in the world;
- A record amount of launches and missions to space were conducted.

This Report, then, as it has for 29 years, focuses on critical thinking and on how you might apply it in 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.

Our good friend and able correspondent Eugenia Anastassiou, who is based in London, sent along future predictions made by Isaac Asimov 35 years ago. They are appended this report and are worth a read.

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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Closing Quote

*“Even if you’re on the right track,
you’ll get run over if you just sit there.”*

- Will Rogers

THE ECONOMY SHOULD KEEP GROWING, BUT STORM CLOUDS ARE ON THE HORIZON

The world economy continues to bubble along, despite hurdles both inevitable and self-inflicted by governments, with an increasingly divergent short- and long-term outlook. While the number of mentions of the word “recession” in print and TV analyses has crept up, experts think there’s little chance of that happening in 2019.

As always there are opportunities and dangers, and the best way to exploit the opportunities and minimize the dangers is to operate from facts.

Some facts: U.S. GDP grew by about 3 percent in 2018, up from 2.3 percent. Goldman Sachs and other observers think growth is likely to slow to about 2.5 percent this year, with U.S. unemployment sinking even more, to a super-low 3 percent. The rate was 3.9 percent at year end, with a whopping 312,000 jobs added in December.

Much of the higher growth at the moment is because companies took advantage of the big 2017 tax cut to boost investments in new plants and on research and development. A recent study by S&P Dow Jones Indices showed that S&P 500 companies increased plant and equipment spending nearly 19 percent in the first nine months of 2018 and hiked R&D spending by 34 percent.

Trump adviser Stephen Moore said higher growth would be long-lasting and not a “sugar high” from the lower taxes and increased government spending that’s causing the big deficits. He said growth should keep increasing, despite forecasts of a slowdown this year.

But the continuing boom has a cost.

The 2017 tax cuts did boost growth, but they also ballooned the budget deficit, which is projected to hit \$1 trillion or more in the current fiscal year. This is after a deficit of \$779 billion in fiscal year 2018. And a big chunk of the corporate tax cut went to stock buybacks—great for shareholders but of no immediate stimulus to the economy. Buybacks are expected to be well over \$600 billion (\$64 billion by Apple alone) this year, a record.

The International Monetary Fund in October cut its forecasts for global GDP growth to 3.7 percent from 3.9 percent in both 2018 and 2019, (the same level as 2017) with emerging economies such as China growing more than twice as fast as the developed world. The IMF cited worries about trade wars and slowing U.S. growth.

Ford Motor Co. and Land Rover, big players in the European auto industry, both announced large job cuts because of slowing sales, in part caused by Britain’s planned exit from the European Union.

Trade measures, including tariffs, are among the greatest self-inflicted danger facing the world economy. Following President Trump's imposition of tariffs on steel and aluminum, Ford Motor Co. estimated it lost \$1 billion in profit from the measures, and General Motors has announced layoffs of more than 15,000 employees (although without specifically citing the tariffs). At the time of writing, U.S.-China trade negotiations continue with no resolution.

Adding to economic uncertainty is political uncertainty. President Trump and his administration already face multiple investigations, with more to come from the Democratic-led House of Representatives.

For better or worse, expect little consequential legislation until after the 2020 election.

The continuing uncertainty about whether, when and how the U.K. exits the European Union, as well as the impact of trade measures on German carmakers and other manufacturers, has cast a pall on European growth.

A recent survey of top economists found that nearly half felt a trade war with China was the greatest economic risk this year, with market disruptions caused by excessive interest rate increases by the Federal Reserve in second place. The Trump administration continues to seek trade concessions from China, and the Fed has steadily increased interest rates as the economy has grown. Only 10 percent of those surveyed see a recession in 2019, though that figure rises to half when looking at 2020.

Fred Smith, chairman and CEO of FedEx, who has the perspective of a global executive who both thinks outside the box and thinks about the boxes, offered important reasons for optimism during a recent earnings report:

“The most important thing that is different about today than has ever been in the history of the world is billions of people, and more being added every day, who are equipped with a personal order entry device, mobile and telephone. You can now access the goods of the world and see them, compare and shop. And with the services we provide, you can get the landed costs of the items from FedEx cross-border and have it delivered in one to two business days to virtually any business or any person on the planet. That's never been the case before.

“So you have this tremendous bottom-up business ecosphere today that we are right in the middle of. And I think the profundity of that will in the end create demand on an ongoing basis just like it has been for time immemorial for human beings wanting to travel and trade. This type of bottom-up commerce is completely changing the politics, for instance, in Africa and in parts of Latin America, which often have been politically mismanaged. But now people are not as dependent on the patriarchal or the political class. This is very, very important.”

IMPLICATIONS FOR BUSINESS:

- Continue to take advantage of good economic conditions and relatively low (but rising) interest rates to prudently grow your business.
- Hire prudently in a tight labor market. Bad hires now can be extremely expensive in the future.
- Speak out on trade and other issues that affect your company. There are many new political faces on both sides of the aisle to get to know and interact with.

DID YOU KNOW?

More than 45 million Americans voted for Democratic Senate candidates vs. about 33 million for Republican contenders.

AMERICAN EXCEPTIONALISM: IS IT REAL?

The claim of American Exceptionalism has had many supporters and detractors over the past decade. And it is sure to be a focus in the months and years ahead as the U.S. continues to exercise its global leadership while other countries work to exert their own influence.

So is America exceptional? Yes.

Starting in the years after World War II, American culture, values, business practices and commerce successes have spread around the world. America continues to offer exceptional opportunities and to stimulate exceptional innovation. And now it is moving toward a diversity that will continue to increase and that will unlock incredible results that no other country can match. Indeed, on this last point, while the U.S. does struggle every day with the complexities of a diverse population, it is making progress on religious and ethical issues that amaze the rest of the world.

The average person in the U.S. can make real progress in his or her life; opportunity comes up at almost every turn and the Country is dramatically different from what it was 10-20 years ago. And Americans are free to operate and express themselves within a legal system that is admired around the world.

To be sure, the U.S. has problems—high prison rates; an education system that is struggling to find its way, and trillions in debt. But work on these and other issues is under way. Making progress is the American way.

IMPLICATIONS FOR BUSINESS: The possibilities for the future are tremendous if business leadership stays the course; gets more deeply involved in leadership, as it was in the 1920s and 1930s (several trends in this Report speak to this) and finds way to move the Country's political leadership into a mode of progress and not combativeness.

THE POLITICS OF 2019 WILL GET EVEN MORE COMPLICATED

The political turbulence of 2018 may seem completely benign in the rear view mirror compared with what is coming.

President Trump's legal troubles will escalate if special counsel Robert Mueller finds evidence that Trump as a presidential candidate knew of wrongdoing in the Russian efforts to manipulate the 2016 election. Another possible avenue for Mueller's investigation is whether Trump obstructed justice by such actions as firing FBI director James Comey.

The House, now controlled by Democrats who picked up 40 new seats—the largest gain since 1974—could well start impeachment proceedings. The two avenues to potential impeachment are Trump's possible violation of campaign finance laws by authorizing payment to two women who said they had extramarital affairs with him years ago and were paid not to talk about this before the 2016 election. The other, more serious issue is whether Trump had prior knowledge of Russia's efforts to help him win the 2016 election.

If the House votes to bring impeachment charges, the Senate, presided over by Supreme Court Chief Justice John Roberts, has to hold a trial to convict or dismiss the charges.

Because Republicans control the Senate, conviction is not thought likely unless new evidence of a more serious involvement by Trump in trying to win the White House through conspiracy with Russia comes to light. Trump's former personal lawyer Michael Cohen, who has been sentenced to three years in prison and who will soon testify publicly, is cooperating with the Mueller probe and has stated that nothing of consequence happened in the Trump Organization without Trump's knowledge and consent.

An unresolved issue is whether a sitting president can be indicted. Legal experts continue to wrangle about that, meaning the Supreme Court would have to decide if events warrant such a case being brought before the high court. With President Trump's addition of two members to the court, conservatives now have a potentially solid lock on close decisions of importance to them, 5 to 4.

Yet another issue confronting Trump is whether he has used the presidency to enrich himself and his family, violating the so-called emoluments clause. Democrats leading House investigations will continue to try to get access to Trump's long-hidden tax returns.

Against all this is a new backdrop of the 2020 presidential election.

There is no firm number on how many Democrats are likely to seek the party nomination, but it could easily be as high as two dozen. Some political experts see a scenario where Trump resigns rather than face months if not years of legal troubles; others are passionately convinced Trump will run again, never considering retirement. He has raised well over a hundred million dollars for his reelection campaign—unprecedented.

There are many other concerns in 2019. Some economists worry that despite ten years of a strengthening economy, low unemployment and a growing GDP, the economy may be softening. If true, there are a number of political factors to consider, including China's weakening economy, the uncertainty over Trump's tariffs and trade objectives, how Brexit is carried out and Russia's territorial ambitions.

President Trump's determination to quell immigration, both legal and illegal, is spawning consequences that are increasingly worrisome. Hundreds of children are still imprisoned in inadequate housing along the border. There is no agreement in Congress on how to reform the badly broken immigration system.

The President has promised to rebuild America's infrastructure, but so far nothing has been done. A vast array of projects, such as inadequate ports, crumbling roads and bridges, a vulnerable electric grid, poor cybersecurity and more will cost trillions of dollars and put thousands to work, but so far there has been no movement.

IMPLICATIONS FOR BUSINESS: Americans are becoming more aware of the huge pools of dark money that have tainted the political process. Congress is under pressure to restore limits on campaign spending. And citizens are banding together in grassroots efforts to raise money from small donations to try to make a difference at the local and state levels, born in some part by moral outrage. Democracy may be under assault in some of the major capitals of the world, but at the local level it seems more alive and well than ever and will thrive if Americans learn to direct their anger in positive, not destructive, ways. One key factor will be if Americans believe they will find justice in the legal system, through the rule of law, or if they use their anger to seek revenge for their grievances. Democracy may seem broken but by no means is it beyond repair.

NEW PARADIGM FOR MANAGING COMPANIES TAKING FIRM HOLD

A new paradigm for evaluating corporate performance has emerged and every C-suite executive and corporate board member needs to be aware of it.

CEOs used to fix their sights on financial performance as the sine qua non for how they and their companies were judged.

This is starting to change. The well-worn phrase “Corporate Social Responsibility” has been pushed aside by the new paradigm for corporate performance, advanced by such respected figures as Larry Fink, Chairman and Chief Executive Officer of Blackrock and legendary attorney Martin Lipton. It calls for a corporation to be judged not just by its bottom-line figures, but by its broader role in society.

Indeed, the new movement, which has acquired a head of steam, has acquired a catch-phrase: “Purpose before Profit.” In today’s world, maximizing financial performance is just one factor in how success is measured. Even investors have now bought into the concept of ESG (environment, social and governance) as a standard for owning companies’ stocks.

A recent study shows that two-thirds of institutional investors and almost half of companies globally have an ESG policy in place. Investors rated their reputational performance, financial returns and shareholder engagement as being better as a result of their ESG commitments. And, on average, investors said ESG investments had 2 percent higher returns than the rest of their portfolio.

Law firm Winchell, Lipton, Rosen & Katz in a recent message to its clients said the new paradigm “assumes that shareholders and other stakeholders have more shared objectives than differences—namely, they have the same basic interest in facilitating sustainable, long-term value creation”.

IMPLICATIONS FOR BUSINESS: It is important for management not only to adopt the new paradigm for managing their companies, but to actively communicate to their constituencies that they are doing so, since ESG standards have become the new yardstick for evaluating corporate performance.

DID YOU KNOW?

The New York Public Library now lends handbags, briefcases and ties to assist young job seekers in preparing for job interviews.

GUARDED OPTIMISM FOR THE 2019 GLOBAL ECONOMY

“Most of the issues that we’re dealing with today are induced by bad political choices. I mean, making a bad decision about a new tax, creating a tremendously difficult situation with Brexit, the immigration crisis in Germany, the mercantilism and state-owned enterprise initiatives in China, the tariffs that the United States put in unilaterally. So you just go down the list, and they’re all things that have created macroeconomic slowdowns.”

- Frederick Smith, FedEx CEO, during a Dec. 19, 2018, announcement that the company was reducing its full-year 2019 earnings guidance due to weakness in its international business

There is no shortage of signs that we are in the late stages of an economic cycle. In the United States, we’re already 10 years into this economic expansion, making it (depending on how you calculate it) the longest in the post-WWII era. The flattening U.S. yield curve indicates that the likelihood of recession is on the rise. Elsewhere, Europe’s anemic growth is expected to slow further in 2019. Growth is also decelerating in Asia—especially in China—and several major Asian stock markets fell into bear market territory in 2018. Growth in other emerging markets countries has slowed, triggering a sell-off by global investors, and will be pressured even further by continued strengthening in the U.S. dollar.

However, there are also reasons for at least guarded optimism. For starters, a flattening or even inverted yield curve is usually a long-range warning, as opposed to a sign of imminent danger. It’s possible that investors are jumping the gun, with the real recession risk looming for 2020, not 2019. In fact, most projections for U.S. growth actually align with this view. Across a range of indicators from GDP to consumer spending on through to employment, projections for 2019 are all coming in at healthy levels—albeit mostly lower than 2018.

While projections are decidedly less bullish for other economies around the world, the IMF is still predicting global GDP growth of 3.7 percent for 2019. That’s exactly how fast the global economy grew in 2018. Not to mention 2017. So the fundamentals actually point to relatively stable global economic performance over the next 12 months.

How then, can we explain the global market meltdown and growing sense of fear at the end of 2018?

Most of the major risks facing the global economy in 2019 are self-inflicted. In other words, they can be attributed not to “natural” macro-economic factors, but rather to unpredictable decisions, policies and actions by non-traditional actors. In this category put the Trump administration, Brexit voters, Yellow Vests, the League and Five Star movements in Italy and other “nationalist” or “populist” groups.

A Q2 2018 survey found that global CEOs see the rise of economic nationalism as the greatest threat to growth.

And that 3.7 percent global growth rate projected by the IMF? That number was actually the result of an October 2018 downgrade from 3.9 percent. The IMF's rationale for the cut: "Earlier projections now appear to be over-optimistic given that risks from further disruptions in trade policies have become more prominent."

The two biggest risks to global trade in 2019—the U.S.-China trade war and Brexit—are both the result of policy decisions. Both originated in populist or nationalistic politics in which a deeply alienated segment of the electorate voted for a candidate or a position that had less to do with a measured consideration of policy proposals and more to do with a general displeasure at the direction their society was taking—important—a perception that their own voices were being ignored.

That blowback is now one of the biggest risks to the global economy. It is also among the most pernicious, because, by its very nature, it is so difficult to mitigate or even analyze.

There are no models to predict what is coming.

The resulting uncertainty is sapping business leaders and investors of their confidence. While the stock market collapse dominated headlines in December, data also reveal a quieter but equally important loss of optimism among business executives in the U.S., Europe and Asia.

Barring any major disruptive events, the question for the global economy in 2019 then is whether still-solid fundamentals will support continued growth, or if volatility and uncertainty about these geo-political risks will undermine the confidence of companies and consumers, prompting them to curtail investment and spending, thereby triggering the very global recession they hope to avoid.

IMPLICATIONS FOR BUSINESS: Beneath all the chaos and noise in politics and financial markets is a surprisingly robust economic environment—at least in the United States. The fundamentals look very good.

Businesses setting out strategy for 2019 should be looking to capitalize on whatever favorable conditions persist—while also preparing for a disruption.

One of the big worries among economists today is excessive leverage among companies that have used the last decade of low rates to load up on debt. Those companies could find themselves in a precarious position as rates rise, or if some event were to trigger a crisis in credit markets. So as executives plan for growth, they should be working just as hard to ensure that their debt levels are sustainable and their balance sheets strong enough to withstand a sudden downturn.

DID YOU KNOW?

*44.6 percent of total mobile calls
in 2019 are projected to be “scam” calls.*

THE DOMESTIC LANDSCAPE LOOKS ROUGHER THAN EVER

It’s commonplace for journalists, authors, academics and other observers of American society to say the nation is deeply divided. The pundits usually zoom in on the political arena where the differences are easiest to identify—red states vs. blue states, partisan conflicts in Congress and so forth.

But the fissures show up in almost every other part of life. They often get tangled in politics, but the roots run deeper than that. Among the many areas where these divisions are found:

Race: We’ve come a long way from the Jim Crow era that lasted into the ‘60s. But racial barriers still exist. For example, supposedly arch-liberal New York is believed to have the most segregated public school system in the nation. Black-white tensions keep erupting, sometimes turning violent or even deadly. Differing opinions about Black Lives Matter can set off heated arguments. And it’s not just blacks who are concerned—members of other minority groups also resent the discrimination they encounter.

Religion: No so long ago, anti-Semitism seemed limited to the fringes of society. Now it is back with a vengeance as agencies like the ADL and NYPD that keep track of anti-Semitic incidents report rising numbers. And while the old tensions between Catholics and Protestants seem to have eased, there are deep differences within the established religions, like the evangelicals and fundamentalists who want nothing to do with mainstream churches. And vice versa.

Marriage and sexual identity: The fight over gay marriage may appear to be settled. In fact, there are large swathes of America where religiously based organizations are determined to reverse the Supreme Court decision that legitimized it. Abortion continues to roil America. And now transgender issues spark bitter debates.

Science: Do you believe the scientists who say climate change is for real? What about Darwin’s theory of evolution? No matter how you answer, many of your fellow citizens will disagree, vehemently.

Then there's the rural vs. urban split, the 99 percent against the 1 percent, the gulf over immigration policies, sharp differences about law and order, divergent views about #MeToo, even arguments over which papers to read and news shows to watch.

It's true that America has been badly divided before. The '60s exploded over civil rights, the Vietnam War and other issues. Even worse were the years before the Civil War and then the war itself with its 620,000 deaths, most of them boys in their teens. We came through those dark times, which suggests we should be able to survive this era too. But there are no guarantees. It will take a great effort, from the top levels of business and government down to millions of individuals, to restore the nation's tradition of mutual respect.

IMPLICATIONS FOR BUSINESS: Are the divisions in society bad for the bottom line? There's no easy way to measure it, but common sense says that in the long run whatever hurts the Country hurts business too. And experience shows that individual companies get in trouble if they are perceived as being on the wrong side of an inflammatory issue. As always, it's best to avoid such situations. But for those caught in one, it's better to stand up for what the organization thinks is right, however unpopular that may be, than to be seen as evasive and cowardly.

DID YOU KNOW?

*Miniature horses are now permitted
as service animals on Alaska Airlines.*

THE ONLY SURE THING ABOUT BREXIT IS UNCERTAINTY FOR BUSINESS

As the economic separation of Great Britain from the European Union lurches towards its March 29 deadline, considerable uncertainty looms for American business, especially for the financial sector.

The Brexit process has reached an impasse, with the House of Commons rejecting Prime Minister Theresa May's proposed deal by an overwhelming margin. She did survive a no-confidence vote the next day. But major uncertainties remain about whether the U.K. will be able to adopt a plan for a careful, non-disruptive exit from the EU.

While the impending Brexit is a huge issue for British business, it is also of significant concern to U.S. companies, which in 2017 provided \$503 billion in goods and services to the EU. For example, one U.S. pharmaceutical company has said it will spend \$100 million to revise its manufacturing and supply chain due to Brexit.

The many concerns Brexit holds for U.S. companies with operations in the U.K. may sound arcane and complicated, but they have far-reaching consequences. They include investment governance arrangements and how increased investment volatility could affect defined contribution plans.

The U.S. financial sector is most vulnerable to Brexit, and banks—even those without a presence in the UK or EU—are experiencing heightened anxiety over Brexit's onset.

U.S. bankers' worries are many and include the possibility that continuing political and economic uncertainty will hobble attempts to reassess returns on equity from U.K. and EU operations and that a general dip in business sentiment and potential weakening of global growth could cause domestic loan demand to falter.

Brexit-created uncertainty is likely to persist for some time, while the nature of the U.K.'s strained relationship with the EU and elsewhere is negotiated and employers decide whether and how they must alter their business objectives.

IMPLICATIONS FOR BUSINESS: The impact of Brexit on U.S. corporations is largely unknown, but it may be substantial. To the extent they are not already doing so, companies should map out the most likely effects of Brexit and prepare plans for managing them.

GROWING CORPORATE DEBT MAY BECOME AN ECONOMIC THREAT

Markets are rightly concerned about current levels of U.S. corporate debt. Excessive leverage is a classic danger signal for markets and the global economy. But leverage could pose an especially potent risk in 2019, and investors and business leaders alike should take a close look under the hood of global credit markets to understand how some recent changes could turn a sharp downturn into a full-blown crisis.

U.S. corporate debt has been growing for a decade. It's now at about \$9 trillion—up two-thirds since 2008. Important measures like U.S. corporate debt-to-GDP and corporate debt-to-cash ratios are raising red flags. More than half the outstanding amount is debt rated BBB or below, and investors are keeping a wary eye on mammoth issuers like General Electric, whose bonds—although solidly investment-grade at the moment—are trading like junk. Add into that mix the U.S. Fed's recent pronouncement that it sees two more rate hikes on the horizon for next year and it's clear that leverage levels do indeed represent a significant risk factor to financial markets and the global economy in 2019.

What makes that risk tough to quantify is the fact that the credit market that functions today is much different from the one that existed in the last crisis. In fact, today's credit market contains a host of new structures that have never really been tested at all under extreme volatility.

Among them:

The Shadow Banking System: Regulations passed in the wake of the global financial crisis cracked down on the banking industry, increasing the amount of capital banks were required to hold in reserve and restricting their activities in areas deemed risky. While those efforts have succeeded in creating a global banking system that is better capitalized and more stable, they also had the sadly predictable unintended consequence of pushing lending business out of the heavily regulated bank industry and into the hands of a host of ambitious “nonbanks.” Many of these nonbanks have been highly aggressive, extending credit to companies that might not be able to get loans from banks, and doing so without much in the way of protective “covenants.” According to the Financial Stability Board, nonbanks held about a quarter of the world’s financial assets in 2008. Today, they hold almost half. More than \$32 trillion of that amount is held in instruments “with features that make them susceptible to runs,” the FSB says. The risks here are obvious: in a crisis, that spigot will close, leaving borrowers reliant on that credit in the lurch. But here’s the real scary part: Those customers include the banks themselves, who sell their own loans to the shadow banks.

ETFs: Bond ETFs work smoothly—in smooth markets. The truth is that no one really knows how they will perform in a severe credit crisis. At the heart of this question is a fundamental mismatch: ETFs are highly liquid and trade seamlessly on exchanges; the corporate bonds that make up ETFs are much less liquid (sometimes highly illiquid) and trade over-the-counter. ETF providers tell the market not to worry, that the structure is robust enough to withstand even the worst conditions. But with fixed-income ETFs now making up an estimated 10 percent of the value of the U.S. corporate bond market, this premise remains very much unproven.

Reduced Liquidity: After the global crisis, regulators passed the Basel III accords, which increased capital reserve requirements for banks. The new rules made it more expensive for banks to hold bonds on their books. This in turn made it prohibitively costly for banks to maintain the huge inventories of corporate bonds that in the past enabled them to serve as the primary providers of liquidity to corporate bond market participants. Their reaction was predictable: they sold off inventories and stopped providing as much liquidity. Until now, the results have been muted. Institutional investors do report that it’s harder to trade bonds and that it takes longer to execute trades. But again, the post-Basel III corporate bond market has yet to be tested under fire, and many on the buy side and sell side are worried about a possible breakdown in liquidity when times get tough.

IMPLICATIONS FOR BUSINESS: It’s important to remember that at the heart of the 2008 crisis was a breakdown in global credit markets and a severe liquidity crisis. While the banking system might be stronger today, no one really knows whether credit markets as a whole are any more—or less—resilient.

As 2019 unfolds, the credit cycle is turning, volatility has returned with a vengeance, and there are signs that the global economy could be sputtering. In these conditions, corporate executives should be stress-testing their own balance sheets and funding mechanisms to make sure they won’t get caught out by sudden shutdowns in lending. For their part, investors looking to position their portfolios for the year ahead should be paying special attention to fixed-income “tail risk.”

THE HOT TOPIC OF HOT-DESKING

Forget the corner office. The latest aspirational goal of many an urban office worker is 10 minutes of privacy.

More and more companies, particularly in expensive urban areas, are doing away with cube farms and adopting some variation of the techie-inspired concept of “hot-desking.” In plain English, that means employees have no fixed-work space whatsoever, situate themselves each morning at whatever desk is available in a completely open office, conduct their daily affairs literally cheek-to-jowl with other workers who may or may not be strangers (and who have ringside seats to their every business and personal conversation throughout the day, no matter how sensitive), and stow their belongings in a locker at the end of the day.

Indeed, a recent survey of 400 multinationals found that two-thirds plan to implement some form of shared-desk workspaces by 2020.

For starters, workers are becoming more mobile—and more remote—with each passing year, as the cost of housing them continues to rise. Indeed, office space is typically the second-biggest cost for many organizations, and some research has shown that up to 40 percent of all office space is vacant at any given time, given travel, vacations, etc.

Hot-desking neatly addresses all those issues head-on.

Proponents such as Citigroup, which adopted hot-desking in 2016 at its new headquarters in New York City (capacity: 12,500 workers), and UBS, which did the same for its new building in central London (capacity 6,000-plus workers) the same year, admit that money is an issue, but far from the only one.

It is clear that opening up and allowing people to work in different ways on whatever project, whatever activity they’re working on, is positive. Being chained to a desk in a singular environment is restrictive.

At Citigroup, where even CEO Michael Corbat lacks a door in his glass-walled office, the Bank maintains that the setup will connect people face-to-face, raise energy levels and save money by fitting more people into one space.

All that is well and good, but how do the actual workers feel about it, and how will it affect their productivity?

A recent study found that when two Fortune 500 companies changed their office layouts from cubicles to open-plan desks, face-to-face interactions among employees dropped by about 70 percent.

According to a summary of the study results published by the World Economic Forum, “Employees became more reluctant to give negative feedback or address sensitive issues in front of colleagues, which drove them to find more private ways to interact. Instead of talking to each other in person, the study participants turned to their phones and computers. After the redesign, employees sent 56 percent more emails and increased their use of instant messaging by two-thirds.

Another study based on interviews with 1,000 Australian employees postulated that shared-desk environments created a number of problems, including “increased distrust, distractions, uncooperative behavior and negative relationships. On top of that, there is a perception of less support from supervisors.”

As the authors of the Harvard study concluded: “While it is possible to bring chemical substances together under specific conditions of temperature and pressure to form the desired compound, more factors seem to be at work in achieving a similar effect with humans.”

In short, the new arrangements may be trendy and practical, but they come with many downsides. Indeed, the desire for a little privacy is so great in the open-air, shared-workspace environment that a new trend is starting to catch fire: glass-walled, sound-proofed phoneless phone-booths with a seat and table in the middle of the open space—available on a first-come, first-served basis.

How popular are they? In 2015, only one privacy booth manufacturer showed up at the Neocon design show in Chicago. This past year, there were more than a dozen.

IMPLICATIONS FOR BUSINESS: Welcome to the new world of the workplace. In many respects, hot-desking is a laboratory experiment still in progress, and its efficacy and effect on productivity is still being determined. But some early adopters are not at all dissuaded by the downsides; for them, it is the way of the future. For example, UBS as of 2016 had 25,000 to 30,000 workers in Switzerland using “thin desks,” its term for hot-desking, and planned to extend the concept to Nashville and India, bringing the total of “thin desks” at the Bank to 72,000 globally.

Hot-desking is not going away, but it may be more suitable for some industries than others. Design firm Gensler, a pioneer in shared-workspace environments, believes it especially suitable for professional service firms—accountants, architects, engineers, lawyers and consultants. Gensler designed just such a layout, with an emphasis on “collaborative” work spaces (featuring quiet focus rooms, communal tables, and a hotel-inspired lobby and café for bringing clients to lunch.)

DID YOU KNOW?

This year Netflix will spend up to \$13 billion on new shows, changing entertainment in the U.S.A. and the world.

THE IMMIGRATION CHALLENGE GROWS WORSE WHILE CONGRESS REMAINS PARALYZED

When it comes to immigration, there are two certainties:

One is that there is no possibility Congress will take action for at least the next two years. Despite the universal consensus that the current immigration system is broken, the chances that legislation can be worked out that will pass in the House, get 60 votes in the Senate and win President's Trump approval are nonexistent. There are too many points of irreconcilable difference for it to happen. Example: What one side sees as a necessary path to citizenship for law-abiding, taxpaying but undocumented immigrants is an unacceptable scheme to provide amnesty for lawbreakers to the other. And President Trump's personal commitment to strict family-separation and deportation policies leaves no middle ground on which to meet.

The second certainty is that the immigration problem is going to get very much worse in the coming years. That's true here in the U.S., and it's true around the world. The changes in the globe's climate that are coming in the next 25 or so years will guarantee that. To quote from a recent study, "Research confirms that massive migration, into the millions, will be an inevitable consequence of global warming."

Among the impending disasters, the study said, are glacier melts that affect water flows and impact food production, heat levels that make some regions virtually uninhabitable and untillable, droughts, floods, storm surges, shoreline erosion from sea level rises and saltwater intrusions into farmlands. The Ganges, Mekong and Nile Delta are places where a sea level rise of 1 meter could affect 235 million people, turning most if not all of them into what are known as climate refugees. And that would be on top of the hundreds of thousands of refugees who are already fleeing wars, poverty, Central American gangs, and lives that are made unendurable by corrupt, governments (think Venezuela).

Unless climate change can be moderated or halted, Europe is going to be flooded with people pouring out of Africa and the Middle East, the U.S. with refugees coming up from Latin America. Some historians argue that the great, enduring conflicts in human history are not between East and West (a model the Cold War seemed to confirm), but between North and South. The coming decades are likely to confirm that theory on a scale never before imagined.

IMPLICATIONS FOR BUSINESS: For executives who see immigrants, whether documented or undocumented, as necessary human resources, the paralysis in Washington is a serious concern. Still, the history of the past decade when legislation did come close to passing suggests a compromise could be possible after the 2020 elections. Any messages that can be delivered to Congress through whatever channels possible about the need for action may help pave the way for a solution.

MEDIAN HOUSEHOLD INCOME UP AGAIN IN LATEST CENSUS BUREAU SURVEY

This past September, the U.S. Census Bureau released its annual report on income and poverty in America. Median household income in 2017 stood at \$61,372, which is approximately equivalent to pre-recession level

So far (in 2018), the median income in the U.S. rose from \$61,858 in May 2018 to \$62,175 in June 2018.

Substantial racial income gaps persist. For white and Hispanic households, median income increased in 2017 by 2.5 percent and 3.7 percent, respectively. But, income was flat for black and Asian households. According to the Economic Policy Institute, median household incomes in 2017 were about 1.5 percent higher for white households and 6.7 percent higher for Hispanic households than they were in 2007. The median income for black households was still almost 3 percent lower than in 2007.

Real median earnings for women working full-time in 2017 were only 0.9 percent higher than they were in 2007. Median earnings for men working full-time were 2.5 percent lower in 2017 than in 2007. The gains in income were driven by employment, rather than increased pay. While middle-class incomes are trading water, the rich have prospered and the poor have fallen behind. Poverty rates declined slightly in 2017 to 12.3 percent from 12.7 percent in 2016. Black Americans continue to experience the highest poverty rates—21.2 percent in 2017. 12.8 million Americans under the age of 18 were living in poverty in 2017, constituting 32.3 percent of Americans in poverty.

The number of people without health insurance was 28.5 million or 8.8 percent in 2017, and did not change to any real degree from 2016, according to the Census Bureau. Texas and Oklahoma had the highest proportion of uninsured residents.

Mississippi had the lowest median household income at \$40,593, and Maryland had the highest with \$75,847.

IMPLICATIONS FOR BUSINESS: The latest data boosts an already positive outlook for the U.S. middle class, with the number of job openings reaching a record high of almost 7 million in July, providing more workers for the business pool. Higher incomes also results in more purchasing by households from local businesses.

DID YOU KNOW?

There are currently 20 million refugees globally.

THE FOUR-DAY WORKWEEK: SEVERAL PROS, BUT ALSO LOTS OF CONS

The standard workweek for Americans is eight hours per day, five days a week. Usually when you switch to a four-day week, you still work 40 hours, but it's 10 hours per day.

Recently, however, a New Zealand firm experimented to see what would happen if everybody worked fewer than 40 hours. For eight weeks, about 250 employees of Perpetual Guardian worked a four-day week with eight-hour days and regular full-time salaries.

Data collected on the experiment showed employees were happier: 74 percent said they were satisfied with their work-life balance, compared with 54 percent before. And commitment to the company rose from 68 percent before the trial to 88 percent after.

But even if it's 10 not 8 hours a day, the four-day week doesn't work for every business, or for every employee. If your customers expect people to be available five days a week, then a short staff on Friday could cause a problem. People may feel refreshed by three-day weekends, but they may also experience a drop in productivity after so many hours at work in a single day. There could also be issues in an employer calculating overtime and vacation pay.

Flexibility is attractive to many employees, and this option appeals to a lot of job seekers. But if you choose to change to a four-day week, try to make sure your business will be just as productive, if not more so.

Countries that currently have a four-day workweek are the Netherlands, Denmark, Norway, Ireland and Germany. Interestingly, Australians work longer hours than Brits and Americans, despite a laid-back reputation. Even so, productivity down under is well ahead of most other OECD nations. Turkish employees worked the most hours in 2017, with close to 50-hour weeks. The U.K. ranks sixth and United States seventh. Denmark, the Netherlands, France, Sweden, Italy, Germany, Spain and Ireland all have less than 40-hour workweeks.

IMPLICATIONS FOR BUSINESS: Four-day schedules do not work for every business. Before making a switch, a company should do plenty of research into the pros and cons. It could mean less job productivity. On the other hand, satisfied workers may be more productive and there are a variety of other positive benefits.

DID YOU KNOW?

For the first time in its 146-year history, an African-American woman is leading The Harvard Crimson.

WHEN EUROPEANS VOTE THIS YEAR, BANNON MAY TIP THE RESULTS RIGHTWARD

One of the major political events of 2019 will be the elections to be held in May for the European Parliament, the European Union's legislative body. The EU is under considerable stress now, with Great Britain's vote to exit it as the most extreme manifestation of the popular discontent. Adding to the many uncertainties about the outcome is something called the Movement, an effort by Steve Bannon, the one-time political adviser to President Trump, to swing the Parliament into the hands of Euro-skeptics who would use the newfound power either to weaken the EU or even dismantle it.

Bannon established the Movement in January 2017 in, of all places, Brussels, the EU's capital city. His plan is to get the populists and nationalists who have risen to prominence in recent years to join forces with the Movement. He has traveled the continent establishing contacts with several of these leaders, including Hungary's Viktor Orban, Italy's Matteo Salvini, Holland's Geerts Wilders, France's Marine Le Pen and in Belgium the leaders of a Flemish separatist party.

Financing the Movement with his own money at a cost so far of more than \$1 million, Bannon envisions his organization as an American-style political consultancy that will advise candidates on how to use social media to reach potential voters. It will also employ the latest polling techniques and provide the analytics free of charge to sympathetic parties in seven European countries. The final cost, by Bannon's own estimate, could be \$15 million, a sum that has news reporters asking whether he has other sources of money lined up, including from Russia. Bannon has said only that any additional contributors "will be Europeans," which could of course include Russians.

But this gets to the first of two stumbling blocks that could thwart Bannon's plans. According to EU election officials, the kind of election assistance he is talking about would be defined as in-kind donations from a foreign source, which are banned in France, Spain, Poland, the Czech Republic, Hungary, Finland and possibly Belgium. Even in Germany and Austria where in-kind services are allowed, there is a ceiling on how much can be accepted. In other words, the Movement may get all dressed up, but have nowhere—or almost nowhere—to go.

The second stumbling block is that while Bannon got a sympathetic hearing from nationalist leaders, only one, Italy's Salvini, has officially joined the Movement. The others have been unwilling to sign on with someone who is not only an outsider, but one closely associated with the very-unpopular-in-Europe Donald Trump. France's Marine Le Pen, who has appeared on public platforms with Bannon but has refused to join the Movement, explained it this way: "Mr. Bannon is not from any European country, he is American. . . . The political force behind the EU elections is only us and us alone."

Bannon promises to continue his effort to tilt the elections. It may be an uphill battle, but no one who's familiar with the way he helped get Trump elected will discount either his determination or his potential for getting results.

IMPLICATIONS FOR BUSINESS: The EU parliamentary elections could be as important a turning point as America's midterm elections. If Bannon skews the results in favor of Euro-skeptics—or if that happens even though he fails to make an impact—the future coherence of the European Union will be in doubt. That would have far-reaching consequences for business conditions in Europe, the second largest economy in the world and a mainstay of the post-WW II order the U.S. has created.

DID YOU KNOW?

Women accounted for 53 percent of the 78,778 doctoral degrees that were awarded in the U.S. in 2017, a record high.

A SHADOW FALLS OVER U.S. RELATIONS WITH SAUDI ARABIA

Last year may have been the rockiest in the three-quarters of a century-old friendship between the U.S. and Saudi Arabia. The shocking murder of journalist and U.S. resident Jamal Khashoggi inside the Saudi consulate in Istanbul provoked widespread anger, and President Trump's attempt to shrug it off only added to the outrage. The Saudis' bombing campaign in Yemen and their contributions to the humanitarian crisis there further fueled the vitriol.

And the ongoing condemnation of the Saudis' human rights abuses at home as well as abroad was only slightly mitigated by the Kingdom's token gesture of allowing women to drive.

All these events are likely to crystallize this year into a rolling debate over whether the U.S. should maintain its historic ties with Saudi Arabia or let them cool off. The cool-it voices will argue that the relationship was always a devil's bargain with an autocratic regime dominated by reactionary religious forces and that America's need for the Saudis' one great resource, its vast oil reserves, has disappeared now that the U.S. has achieved what amounts to energy independence.

The status-quo side will counter that *realpolitik* requires policymakers to look beyond the Saudis' offenses because they are staunch opponents of Iran, they have developed strong new ties with our chief ally in the Mideast, Israel, and their ability to influence both the global oil supply and oil prices makes them too important to dismiss.

This debate will be carried out in a number of forums, like op-ed pages and think tank conferences. But the reality is that President Trump is committed to the relationship, which is why he punted on the Khashoggi scandal. Critics say the President has vastly overestimated the value of the kingdom's arms purchases and that he is swayed by personal financial interests (among other things, the Saudis are big spenders in his Washington hotel). But Presidents have most of the decision-making power when it comes to foreign policy, so as long as he is in the Oval Office, Mr. Trump gets the final word.

The pivotal figure in this drama is Prince Muhammad Bin Salman, Saudi Arabia's de facto ruler. MBS, as he is known to friends and foes alike, remains a perplexing figure. For example, the CIA is convinced he ordered Khashoggi's murder. Why would he want to kill someone who found fault with the regime but was in no way a threat to it? Apparently because MBS cannot tolerate criticism, never a good sign in someone with so much power.

On the other hand, MBS has a vision for Saudi Arabia that even opponents agree makes sense. Realizing that the Kingdom's almost total dependence on oil for its revenues is unhealthy, he wants to modernize the society and diversify the economy, and he is prepared to spend tens of billions over many years to make it happen.

Just how successful he will be remains to be seen. For example, one of his goals is to make Saudi Arabia a magnet for tourists, and he has already forged a partnership with French cultural officials to turn a World Heritage Site in the Kingdom's northwest corner into a draw. According to a recent report in *The Economist*, however, the two-year-old project is a "bureaucratic muddle" with the French experts frozen out. And beyond that, a much larger question overshadows MBS's ambitions: Can a country where Muslim rules are strictly enforced—e.g. no alcohol can be served, women must be fully covered—attract the huge number of visitors necessary to make the investment pay off?

MBS may have billions at his disposal to attempt it. But turning a desert kingdom into an economic success story will be a monumental challenge.

IMPLICATIONS FOR BUSINESS: MBS's ambitious spending plans for the Saudi economy offer a wealth of business opportunities in everything from banking to construction work. But working with an autocratic regime led by an unpredictable prince can be problematic. And given recent events, there could be reputational dangers in dealing with the Saudis.

SMALL WARS

When we think of war today we recall the conflict in Vietnam and perhaps some of what happened in World War II, the Battle of the Bulge, the evacuation from Dunkirk, Iwo Jima, and the allied troops marching up the Champs-Élysées to mark the end of the conflict in Europe.

But did you know that there are “small wars” raging today around the world?

Here is a list of twelve where casualties have been less than 10,000 in each. There are many more.

Do you know about these conflicts?

- Iraqi insurgency
 - The Insurgency is a direct continuation of the Iraqi Civil War (2014-2017) with mostly Sunni groups continuing armed opposition against the Shia-led Iraqi Government.
- Myanmar
 - Starting in 1948 and continuing as you read this, a series of ethnic conflicts began shortly after the Country (then Burma) became independent from the U.K. This conflict has been labeled as the world’s longest running civil war.
- Moro Conflict (Philippines)
 - 1969 to Present
 - The Moro Insurgency against the Philippine government is rooted in a long history of resistance by the Bangsamoro people against foreign rule, dating back to the American annexation of the Philippines in 1898.
- Somali Civil War
 - 1980s – Present
 - The ongoing civil war taking place in Somalia grew out of resistance to the military junta led by Siad Barre during the 1980s.
- Communal Conflict in Nigeria
 - 1998 – Present
 - This ethnic conflict is attributed to actors divided by cultural, ethnic, or religious differences and includes religious violence between Christian and Muslim communities.
- Libyan Civil War
 - 2014 – Present
 - The Second Libyan Civil War is an ongoing conflict among rival factions seeking control of the territory and oil of Libya.

- Darfur (Sudan)
 - 2003 – Present
 - This is a major armed conflict that began when the Sudan Liberation Movement (SLM) and the Justice and Equality Movement (JEM) rebel groups began fighting the government of Sudan, which they accused of oppressing Darfur's non-Arab population.

- Boko Haram insurgency (Nigeria, Cameroon, Niger, Chad)
 - 2009 – Present
 - The conflict began when the jihadist rebel group Boko Haram started an armed rebellion against the government of Nigeria

- War in Donbass (Ukraine)
 - 2014 – Present
 - Protests by pro-Russian and anti-government groups were part of a wider group of concurrent pro-Russian actions across southern and eastern Ukraine, which escalated into an armed conflict between the separatist forces of the self-declared Donetsk and Luhansk People's Republics (DPR and LPR respectively), and the Ukrainian government.

- Philippine Drug War (Philippines)
 - 2016 – Present
 - Media and human rights groups report that police routinely execute unarmed drug suspects and then plant guns and drugs as evidence. Philippine authorities have denied misconduct by police.

- Colombian Conflict (Colombia, Venezuela)
 - 1964 – Present
 - The conflict is a low-intensity asymmetric war between the Colombian government, paramilitary groups, crime syndicates, and far-left guerrillas fighting each other to increase their influence.

- West Papua Conflict (Indonesia)
 - 1962 – Present
 - This is an ongoing conflict between the Indonesian government and portions of the indigenous populations of Western New Guinea (Papua.) Indonesia continues to restrict foreign access to the region due to sensitivities regarding its suppression of Papuan nationalism

IMPLICATIONS FOR BUSINESS: Operating in these areas is risky at best. Any one of these wars could easily accelerate and become an even more serious conflict, causing difficult moments for business.

TERRORISM: IS THIS PROGRESS?

There were 8,584 terrorist attacks around the world in 2017, a 23 percent decline from 2016. More than 18,700 people were killed, about a quarter of whom were the perpetrators themselves. More than half of the terrorist attacks took place in Afghanistan, India, Iraq, Pakistan and the Philippines.

Despite the decline, terrorism is still a factor in our lives and it is not going away. Law enforcement officials in seven countries in North America and Europe have told us that while they are much more sophisticated in stopping terrorist attacks than ever before, there is no lessening of the terrorists' efforts. Consistent with that analysis, there were 65 terror-related attacks in the U.S. last year and dozens of others were thwarted. And the terrorists have become much more sophisticated, using encrypted communications, social media and other advanced methods to pursue their destructive goals.

It is estimated that the global economic impact of terrorism exceeds \$5 billion. The attacks are overwhelmingly driven by racist, anti-Muslim, homophobic, anti-Semitic, fascist, anti-government, or xenophobic motivations. The number of Sunni terrorists is believed to be four times great than any other group. Iran is seen as the central baker for terrorism in the world.

IMPLICATIONS FOR BUSINESS: Terrorism is not going away and every company should step up its security efforts.

RUSSIA KEEPS PUSHING BOUNDARIES, BUT A BACKLASH MAY BE SETTING IN

The world's view of Russia and its President, Vladimir Putin, is increasingly negative. Yet at the same time Russia's influence around the globe is growing.

What explains the apparent discrepancy? The answer is that Putin has pursued a variety of strategies to project Russian power globally, so public awareness of Moscow's spreading influence has risen. At the same time, several recent events have both exposed Putin's ruthlessness and hampered his effectiveness. Even more significantly, the Russian president has started overplaying his hand with schemes and maneuvers that are backfiring on him.

The perception that Moscow's influence is on the upswing is driven in large part by events in the Middle East where the U.S. was once the dominant outside power but where Russia's role is now as great as it was at the height of Soviet power. In Syria, Putin backed President Bashar Assad, who appears to have won the bloody civil war. That, in turn, has put Russia and Iran on the same side, further increasing the scope of Moscow's influence.

But the list of Putin's successes is not nearly as long as the catalog of his blunders. The Russian economy is hampered by Western sanctions imposed after Moscow snatched Crimea away from Ukraine. The unacknowledged but deadly warfare Russia is conducting in Eastern Ukraine has provoked more sanctions and further damaged Putin's reputation. And the anger in Europe reached a new high after the Russian navy seized three Ukrainian ships operating in the international waters of the Sea of Azov and then perversely charged the crews with criminal acts.

Add to that the attempted poisoning of a former Russian spy living in Great Britain, a fiasco that infuriated the British and further blackened Putin's name in Europe. Then there was Putin's interference in America's 2016 presidential race—something all U.S. intelligence agencies agree on. And last year he repeated himself by playing favorites in German parliamentary elections. Specifically, he supported a populist anti-immigrant party, the AfD, whose electoral successes destabilized the German government and forced Chancellor Angela Merkel to set a retirement date for herself.

That may have been the biggest blunder of all. Merkel and her party were staunch supporters of a project known as Nord Stream 2, a \$10 billion pipeline under the Baltic Sea to deliver Russian natural gas directly to Germany. That would redirect great quantities of gas away from Eastern and Central Europe and eventually eliminate gas deliveries through Ukraine, badly harming the Ukrainian economy.

NS2, as the project is known, was widely recognized as a Putin initiative to divide Western Europe, increase Moscow's energy leverage and punish Ukraine for its efforts to get out from under Russian domination. That's why it has been almost universally condemned, including by Washington.

And now, thanks to the Russian president's mischief-making in German politics on top of all his other aggressions, the future of NS2 is in doubt. Merkel, his strongest ally, has been weakened and her designated successor, Annegret Kramp-Karrenbauer, has specified that it was because of Russia's behavior in the Sea of Azov incident that the project is being re-examined.

IMPLICATIONS FOR BUSINESS: Putin is going to keep trying to expand Russian influence and punish those he perceives as enemies, both nations and individuals. His determination must be factored into any decisions about business ventures and investments in places where Russia may play a role. At the same time, Putin's secretive, often murderous and frequently illegal activities finally have aroused international opposition that is equally determined. Keep an eye on that, too.

DID YOU KNOW?

Russia is the second-largest arms producer in the world after the United States, selling nearly 10 percent of arms in the world.

THE FUTURE OF NEWSPAPERS AND NEWS

Most everyone is familiar with the grim statistics of newspaper readership and the industry. As recently as 2000, weekday subscriptions to newspapers totaled 55.8 million. In 2017, that figure stood at 31 million. Print advertising revenue has dropped precipitously, falling from \$65 billion in 2000 to less than \$19 billion in 2016. Newsroom employment fell nearly 40 percent between 1994 and 2014 and dropped another 15 percent drop in the past three years.

The *Los Angeles Times*, for instance, at one point had 1,200 journalists and more than 25 foreign bureaus. Today it has 400 journalists, a Sacramento and Washington, D.C., bureau and a handful of foreign and national outposts.

The possibility that the Gannett chain of newspapers might be acquired by a hedge-fund-backed media group could dramatically change local news in dozens of cities, since it would almost certainly lead to major newsroom layoffs. This should be watched carefully.

At the same time, social media has now replaced print newspapers as a news source for Americans, with one-in-five adults saying they often get news via social media versus 16 percent from print newspapers.

Yet despite the serious challenges confronting printed newspapers, there are some reasons for optimism, if perhaps not specifically about printed newspapers, at least about the news.

- People are not abandoning the news, simply viewing it on different platforms. In the U.S. roughly nine-in-ten adults get at least some news online, whether desktop or mobile.
- While there is no specific news-only data on digital advertising, digital advertising grew to an estimated \$90 billion in 2017, an increase from \$72 billion in 2016 and was estimated to comprise 44 percent of all advertising revenue.
- Two of the country's leading newspapers, *The Wall Street Journal* and *New York Times*, have seen online readership surge. The *Journal* added 266,000 digital subscribers in the past year alone and now has a total of 1.6 million. Nearly 65 percent of all *Journal* subscribers are digital. *The New York Times* said it added 143,000 digital-only news subscribers in the last quarter alone.
- Given the low valuations of newspapers and magazines, a number of billionaires have come to the rescue:
 - Jeff Bezos, founder, chairman and CEO of Amazon, bought *The Washington Post*
 - Chatchaval Jiaravanon, whose family controls Charoen Pokphand, one of Thailand's largest companies, acquired *Fortune*;

- Patrick Soon-Shiong, billionaire biotech investor, bought *The Los Angeles Times*
- Marc Benioff, founder of Salesforce, now owns *Time Magazine*.
- Steve Jobs' widow, Laurene, acquired a majority stake in *The Atlantic*.
- A group of Asian investors known as Integrated Whale Media purchased a majority stake in *Forbes*;
- Michael Bloomberg owns *Bloomberg Businessweek*.

IMPLICATIONS FOR BUSINESS: The journalism business model will continue to evolve and move to digital. But as online becomes dominant and more diverse, including online-only news sites and social media, the traditional curating role of newspapers, particularly given their staff cutbacks, will be curtailed. Business will need to be increasingly vigilant across a variety of platforms to combat any falsehoods and fake news that technology is increasingly facilitating.

DID YOU KNOW?

*With respect to brand value,
honesty is the most important value to millennials,
followed by reliability, helping family, compassion and commitment.*

THE CONTINUING GENDER GAP IN BUSINESS

Despite the business community's professed commitment to diversity, the gap in female promotions and earnings continues.

Consider:

- According to *Fortune Magazine*, after reaching an all-time high of 32 in 2017, the number of female Fortune 500 chiefs has slid back down to 24. That's a one-year decline of 25 percent.
- Executive search firm Heidrick & Struggles found that women hold only 4.9 percent of chief executive positions in the U.S. and 12 European countries.

- And executive search firm Egon Zehnder found in a study of 44 countries that more than seven of ten board seats were still going to men. According to a recent study by McKinsey & Company and Leanin.org, “Companies have reported they are highly committed to gender diversity. But that commitment has not translated into meaningful progress.”

The study notes that “the two biggest drivers of the pipeline (for women) are hiring and promotions, and companies are disadvantaging women in these areas from the beginning.”

Ironically, women comprise 56 percent of students on U.S. campuses and have earned more college degrees over the last three decades than men. They also are a majority in law and medical schools. Yet at each rung of the corporate ladder, representation of women declines further.

And even when women reach the top spot, when they leave their jobs they are frequently replaced by men, as was the case recently with Avon, Campbell Soup, Mondelēz, Mattel and PepsiCo, among others.

On the positive side, women are a growing presence at top MBA programs globally, aided by scholarships, mentoring and other support, although most business schools remain well short of gender parity, according to a new survey released this week.

In a survey of its 52 business school members—mostly in the United States but also from Canada and Europe—19 schools reported they had cracked the all-important marker of 40 percent female enrollment, up from only three schools in 2014, according to the Forté Foundation, a Texas-based non-profit organization that works with industry, education institutions and others to encourage women to pursue leadership positions in business.

As for solutions, given the glacial pace of progress, a number of European countries have passed legislation mandating quotas for board seats for women of between 30 and 40 percent. The European Union as a whole is currently considering a quota of 40 percent.

While quotas are controversial, there is general agreement that for more women to gain the top ranks of businesses, there needs to be more of a critical mass for women versus being “onlys.”

And despite the #MeToo movement, harassment, including unwanted touching, sexist jokes, demeaning comments and other conduct continue to be far too common in corporate America.

IMPLICATIONS FOR BUSINESS: Given the pace of gender equality in the workplace, business should look for ways to do more. This ranges from maintaining a safe and welcoming workplace to actually achieving greater gender balance, both in the management pipeline and board seats, to ensure meaningful diversity.

FACE TIME VS. SCREEN TIME

A 2018 survey found that more than two-thirds of teenagers prefer online over face-to-face communication with their friends. Likely derived from their digital upbringing, teens rely heavily on online platforms to hold conversations. A minimal amount of pressure on delivering immediate responses in addition to more freedom in drafting a response makes the online sphere an easier and more comfortable place to converse.

With the number of teens who say face-to-face communication is their favorite form of communication down 17 percent from six years ago, this trend raises questions about the way people connect. A fundamental shift in communication is already in effect, and it's changing the way people perceive in-person conversations.

Almost half of today's teens say that they are frustrated with their friends for being on their phone while they are together. Ironically, more than half of teens also admit to their phone as a distraction during time spent with friends. The nonstop connection to society draws teens away from the present moment, thus making the experience of interacting with friends online more enjoyable and convenient.

Screen time and social media is a growing issue affecting teens' ability to focus for long periods of time. The majority of students are checking social media multiple times each day, which leaves them struggling to concentrate on tasks like homework. A continuous stream of Snapchat messages and Instagram updates leaves teens with a fear of missing out, or "FOMO," that encourages them to spend unreasonable amounts of time on behind the screen.

Not needing to physically go anywhere for social interaction, Generation Z's social skills are declining rapidly. Popular hangout areas for Millennials such as the movie theater or bowling alley have been replaced by virtual places where teens connect. Due to this individualistic, screen-obsessed phenomenon, teens' happiness levels and mental health are decreasing at record rates.

IMPLICATIONS FOR BUSINESS: Pay attention to this generation's habits. While they may be young, they are still old enough to decide and analyze their own choices. Everything will inevitably be online, so stay updated with popular apps and websites. Other trends that are growing include "Unsick Days," or personal days dedicated to mental health, as well as a Montessori-style workplace environment where employees work when/how they want so long as the work is completed.

DID YOU KNOW?

*80 journalists were killed in 2018,
348 are in prison and 60 are held hostage.*

HERE COMES GEN Z, THE DEMOGRAPHIC THAT'S GROWN UP WITH CELL PHONES

Making up more than one fifth of the population, Gen Z—the demographic born between 1996 and 2010—is going to shake up a lot of traditional industries. This post-Millennial group is the most racially and ethnically diverse in history, as well as the first to be truly digital. With more than 70 percent of Gen Zers influencing their families' spending, it is crucial for businesses and industries to get to know their tastes and preferences.

Growing up during the Great Recession may have shaped their relationship with money; experts say Gen Zers tend to be realistic rather than optimistic, particularly regarding subjects like economic opportunity and student debt. Compared with Millennials, they have much more cautious spending habits.

The demographic does, however, possess an impressive combination of economic power and social media influence. In the case of Kylie Jenner, one Tweet could erase \$1.3 billion of Snapchat's market value.

Generation Z has already reinvented the shopping experience, with online the preferred method. It's a major reason why more than two-thirds of the malls in America have lost national retailers. Retailers are also trying to keep up with wildly popular e-commerce stores—brick-and-mortar locations that are announced as publicity stunts and offer personalized, digitally augmented shopping experiences. And Gen Zers are more likely to purchase from an online clothing store endorsed by one of their favorite influencers.

Recent closures or cutbacks by magazines such as Teen Vogue and Seventeen show that print media are struggling too. But while young girls aren't buying from the newsstand, they are still very interested in current events. Reproductive rights and gun reform were among the topics with the highest digital responses for Teen Vogue last year.

Cash and maybe even credit cards also appear to be on the way out, thanks to Generation Z. Apps like Venmo and Apple Pay allow users to pay directly from their phone, no cash or card needed.

Having grown up with cell phones, Gen Z will keep accelerating the digital economy. A higher demand for cardless payment options has already begun to change the way many retailers and restaurants operate; some even accommodate Gen Z by replacing staff with digital menus and self-checkout.

IMPLICATIONS FOR BUSINESS: Gen Z is very different from its predecessors. Businesses, marketers and universities will need to shift their strategies to accommodate its wants and needs. The oldest of the demographic are now entering the workforce and will likely bring along a different set of expectations. Be prepared to encounter individualists with an “if you want it done, do it yourself” mentality, and there will be more “ghosting”—employees who stop showing up and cut off communication without warning.

THE U.S. LABOR MARKET IS STRONG, BUT FOR HOW LONG?

By many indications, the U.S. labor market is as strong as it has been in many years. Consider that the current unemployment rate of 3.9 percent is near a 50-year low. The number of Americans filing for unemployment benefits in a recent week was near a 49-year low.

The Bureau of Labor Statistics reported in early January that 312,000 jobs were added to the U.S. economy in December, far surpassing expectations.

And according to a leading workforce company, ManpowerGroup, “Employers across the U.S. are reporting their strongest hiring intentions in 12 years” for skilled talent. Job openings have increased to some seven million.

The Federal Reserve Bank of San Francisco has noted that data indicate “the U.S. labor market is operating at or beyond its full potential.”

Yet, like most good news, there are clouds on the horizon:

- According to the same San Francisco Federal Reserve Bank study, the U.S. labor market doesn’t have much more room to tighten;
- A slowdown in hiring already appears to have begun, which many blame on the inability of businesses to find qualified workers;
- There is a view by some that like the inverted U.S. Treasury yield curve, full employment is frequently a precursor to a recession;
- The partial government shutdown, placing 800,000 federal workers in financial limbo, has added a layer of uncertainty;
- Wild swings in the stock market, recent and potential future interest rate hikes, the waning effects of the tax cuts and tariff wars with China and an economic slowdown there are dampening business enthusiasm.

At the same time, for those with the right skills, the future is bright. A recent analysis by LinkedIn found that among the fastest growing jobs since 2014 are blockchain developer, machine learning engineer and specialists and data science experts. Six of LinkedIn’s top 15 emerging jobs in some way involve Artificial Intelligence.

Preparing workers for these jobs will be paramount, Ginni Rometty, Chairman and Chief Executive Officer of IBM, recently stated: “If we don't do more now to equip workers with skills to fill more of those jobs, one study estimates that the United States could miss out on \$162 billion in annual revenues from the tech sector alone.”

However, more traditional jobs such as sales and marketing, accounting, customer relations, operations and yes, even all-important administrative assistant jobs are expected to see significant growth, barring a recession.

Leading job site Glassdoor notes that as technology businesses have been a job creation engine in recent decades, as tech companies grow, they inevitably need more non-technical job skills. In fact, 43 percent of job hires by tech employers on its web site were for non-technical roles. And roughly half of Amazon's planned new hires for the two new headquarters in New York and Virginia will reportedly be for non-tech positions.

Glassdoor also notes that traditional industries like banking, retail, healthcare and more have been increasingly hiring tech talent leading to a "workforce convergence" of both technology and traditional industries.

IMPLICATIONS FOR BUSINESS: Businesses will continue to have trouble finding qualified workers, particularly in areas such as data science, blockchain, machine learning, Artificial Intelligence and other technology-related skills. However, despite the growing importance of technology, non-technical jobs will continue to be in demand.

However, a slowing global economy, uncertainty over interest rates combined with a volatile stock market, the partial government shutdown and trade disputes may well dampen what has been a strong growth in hiring and jobs.

DID YOU KNOW?

Reggae has made the UNESCO list of humanity's cultural treasures.

ARE YOU READY TO CUT THE CORD?

Cable and satellite TV subscribers peaked in 2012. Increasingly Americans are moving away from traditional bundled cable and satellite services to Internet streaming.

Data from S&P Global Market Intelligence show that during a recent three-month period, major TV players lost 1.2 million subscribers and for all of 2018 were set to lose more than 2.8 million.

In its annual earnings report, Disney said that ESPN lost 2 million subscribers in the past 12 months alone. However, its ESPN+ streaming service gained one million subscribers.

Nielsen reports that two-thirds of U.S. homes have subscription video services such as Amazon Prime and Hulu.

There also is an increasing and some would say dizzying variety of broadband TV boxes and services to choose from, including Roku, YouTube TV, Hulu, Sling TV, DirecTV Now, Apple TV, Amazon Fire TV and Chromecast. They generally provide smaller bundles of channels and lower pricing, which makes them increasingly attractive to consumers.

And according to Roku, the average TV viewer doesn't use most of their bundle, watching just 0.09 percent of all linear TV content accessible to them. Focus groups with cord-cutters make it clear that they value the feeling of beating the system and enjoying TV "without the cable-industrial complex."

At the same time, there clearly is plenty of room for further streaming growth. Broadband-delivered live TV services such as DirecTV Now, fuboTV, Hulu, Sling TV, PlayStation Vue and YouTube TV are in 3.4 percent of homes, up from 1.4 percent year ago, according to Nielsen.

Yet, while cord cutting is happening, a majority of households still have traditional cable—77 percent, down from 81 percent a year ago. It will not be going away soon.

IMPLICATIONS FOR BUSINESS: For marketers in particular, the further fragmentation of consumer viewing habits and variety of streaming products and services will present new challenges.

Also look for a convergence of cable services as traditional players offer their own streaming options.

APPENDIX:
THE ASIMOV PREDICTIONS

THE ASIMOV PREDICTIONS

35 years ago, Isaac Asimov predicted the world of 2019. Here is what he had to say.

Originally published Dec. 31, 1983

If we look into the world as it may be at the end of another generation, let's say 2019—that's 35 years from now, the same number of years since 1949 when George Orwell's *1984* was first published—three considerations must dominate our thoughts:

1. Nuclear war.
2. Computerization.
3. Space utilization.

If the United States and the Soviet Union flail away at each other at any time between now and 2019, there is absolutely no use to discussing what life will be like in that year. Too few of us, or of our children and grandchildren, will be alive then for there to be any point in describing the precise condition of global misery at that time.

Let us, therefore, assume there will be no nuclear war—not necessarily a safe assumption—and carry on from there.

Computerization will undoubtedly continue onward inevitably. Computers have already made themselves essential to the governments of the industrial nations, and to world industry: and it is now beginning to make itself comfortable in the home.

An essential side product, the mobile computerized object, or robot, is already flooding into industry and will, in the course of the next generation, penetrate the home.

There is bound to be resistance to the march of the computers, but barring a successful Luddite revolution, which does not seem in the cards, the march will continue.

The growing complexity of society will make it impossible to do without them, except by courting chaos; and those parts of the world that fall behind in this respect will suffer so obviously as a result that their ruling bodies will clamour for computerization as they now clamour for weapons.

The immediate effect of intensifying computerization will be, of course, to change utterly our work habits. This has happened before.

Before the Industrial Revolution, the vast majority of humanity was engaged in agriculture and indirectly allied professions. After industrialization, the shift from the farm to the factory was rapid and painful. With computerization the new shift from the factory to something new will be still more rapid and in consequence, still more painful.

It is not that computerization is going to mean fewer jobs as a whole, for technological advance has always, in the past, created more jobs than it has destroyed, and there is no reason to think that won't be true now, too.

However, the jobs created are not identical with the jobs that have been destroyed, and in similar cases in the past the change has never been so radical.

Destroying our Minds

The jobs that will disappear will tend to be just those routine clerical and assembly-line jobs that are simple enough, repetitive enough, and stultifying enough to destroy the finely balanced minds of those human beings unfortunate enough to have been forced to spend years doing them in order to earn a living, and yet complicated enough to rest above the capacity of any machine that is neither a computer nor computerized.

It is these that computers and robots for which they are perfectly designed will take over.

The jobs that will appear will, inevitably, involve the design, the manufacture, the installation, the maintenance and repair of computers and robots, and an understanding of whole new industries that these "intelligent" machines will make possible.

This means that a vast change in the nature of education must take place, and entire populations must be made "computer-literate" and must be taught to deal with a "high-tech" world.

Again, this sort of thing has happened before. An industrialized workforce must, of necessity, be more educated than an agricultural one. Field hands can get along without knowing how to read and write. Factory employees cannot.

Consequently, public education on a mass scale had to be introduced in industrializing nations in the course of the 19th century.

The change, however, is much faster this time and society must work much faster; perhaps faster than they can. It means that the next generation will be one of difficult transition as untrained millions find themselves helpless to do the jobs that most need doing.

By the year 2019, however, we should find that the transition is about over. Those who can be retrained and re-educated will have been: those who can't be will have been put to work at something useful, or where ruling groups are less wise, will have been supported by some sort of grudging welfare arrangement.

In any case, the generation of the transition will be dying out, and there will be a new generation growing up who will have been educated into the new world. It is quite

likely that society, then, will have entered a phase that may be more or less permanently improved over the situation as it now exists for a variety of reasons.

First: Population will be continuing to increase for some years after the present and this will make the pangs of transition even more painful. Governments will be unable to hide from themselves the fact that no problem can possibly be solved as long as those problems continue to be intensified by the addition of greater numbers more rapidly than they can be dealt with.

Efforts to prevent this from happening by encouraging a lower birthrate will become steadily more strenuous and it is to be hoped that by 2019, the world as a whole will be striving toward a population plateau.

Second: The consequences of human irresponsibility in terms of waste and pollution will become more apparent and unbearable with time and again, attempts to deal with this will become more strenuous. It is to be hoped that by 2019, advances in technology will place tools in our hands that will help accelerate the process whereby the deterioration of the environment will be reversed.

Third: The world effort that must be invested in this and in generally easing the pains of the transition may, assuming the presence of a minimum level of sanity among the peoples of the world, again not a safe assumption, weaken in comparison the causes that have fed the time-honoured quarrels between and within nations over petty hatred and suspicions.

In short, there will be increasing co-operation among nations and among groups within nations, not out of any sudden growth of idealism or decency but out of a cold-blooded realization that anything less than that will mean destruction for all.

By 2019, then, it may well be that the nations will be getting along well enough to allow the planet to live under the faint semblance of a world government by co-operation, even though no one may admit its existence.

Aside from these negative advances—the approaching defeat of overpopulation, pollution and militarism—there will be positive advances, too.

Education, which must be revolutionized in the new world, will be revolutionized by the very agency that requires the revolution—the computer.

Schools will undoubtedly still exist, but a good schoolteacher can do no better than to inspire curiosity which an interested student can then satisfy at home at the console of his computer outlet.

There will be an opportunity finally for every youngster, and indeed, every person, to learn what he or she wants to learn, in his or her own time, at his or her own speed, in his or her own way.

Education will become fun because it will bubble up from within and not be forced in from without.

At the dawn of 1984, Isaac Asimov predicted that robots would be common by the year 2019. They are, in many forms, although silicone-covered sex companions may have been one step beyond his imagination

While computers and robots are doing the scut-work of society so that the world, in 2019, will seem more and more to be “running itself,” more and more human beings will find themselves living a life rich in leisure.

This does not mean leisure to do nothing, but leisure to do something one wants to do; to be free to engage in scientific research, in literature and the arts, to pursue out-of-the-way interests and fascinating hobbies of all kinds.

And if it seems impossibly optimistic to suppose that the world could be changing in this direction in a mere 35 years (only changing, of course, and not necessarily having achieved the change totally), then add the final item to the mix. Add my third phrase: space utilization.

It is not likely that we will abandon space, having come this far. And if militarism fades, we will do more with it than make it another arena for war. Nor will we simply make trips through it.

We will enter space to stay. With the shuttle rocket as the vehicle, we will build a space station and lay the foundation for making space a permanent home for increasing numbers of human beings.

Mining the Moon

By 2019, we will be back on the moon in force. There will be on it not Americans only, but an international force of some size; and not to collect moon rocks only, but to establish a mining station that will process moon soil and take it to places in space where it can be smelted into metals, ceramics, glass and concrete—construction materials for the large structures that will be put in orbit about the Earth.

One such structure which very conceivably might be completed by 2019 would be the prototype of a solar power station, outfitted to collect solar energy, convert it to microwaves and beam it to Earth.

It would be the first of a girdle of such devices fitted about Earth's equatorial plane. It would be the beginning of the time when a major part of Earth's energy will come from the sun under conditions that will make it not the property of any one nation, but of the globe generally.

Such structures will be, in themselves guarantees of world peace and continued cooperation among nations. The energy will be so necessary to all and so clearly deliverable only if the nations remain at peace and work together, that war would become simply unthinkable—by popular demand.

In addition, observatories will be built in space to increase our knowledge of the universe immeasurably; as will laboratories, where experiments can be conducted that might be unsafe, or impossible, on Earth's surface.

Most important, in a practical sense, would be the construction of factories that could make use of the special properties of space—high and low temperatures, hard radiation. Unlimited vacuum, zero gravity—to manufacture objects that could be difficult or impossible to manufacture on Earth, so that the world’s technology might be totally transformed.

In fact, projects might even be on the planning boards in 2019 to shift industries into orbit in a wholesale manner. Space, you see, is far more voluminous than Earth’s surface is and it is therefore a far more useful repository for the waste that is inseparable from industry.

Nor are there living things in space to suffer from the influx of waste. And the waste would not even remain in Earth’s vicinity, but would be swept outward far beyond the asteroid belt by the solar wind.

Earth will then be in a position to rid itself of the side-effects of industrialization, and yet without actually getting rid of its needed advantages. The factories will be gone, but not far, only a few thousand miles straight up.

And humanity, not its structures only, will eventually be in space. By 2019, the first space settlement should be on the drawing boards; and may perhaps be under actual construction.

It would be the first of many in which human beings could live by the tens of thousands, and in which they could build small societies of all kinds, lending humanity a further twist of variety.

In fact, although the world of 2019 will be far changed from the present world of 1984, that will only be a barometer of far greater changes planned for the years still to come.

EDITOR’S NOTE

How and why did the Star get Asimov to write for us back in 1983?

Vian Ewart, who was Insight editor then, says the idea for an Orwell series came naturally, and he recalls the project fondly to this day. He put together a team including a writer (Ellie Teshler), an illustrator and layout designer.

“Asimov was popular at the time” for his science fiction, Ewart says, “so I simply phoned him at his New York home and asked him. He loved the idea of a 1984 series and was pleased to be ‘the lead-off writer.’ He was a very gracious man and charged \$1 a word.”

If you are going through hell, keep going.

- Winston Churchill

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