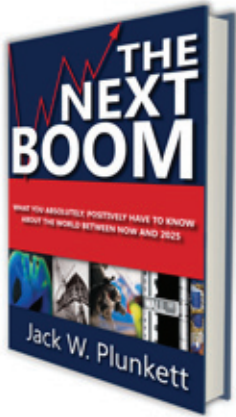


A Conversation with Jack Plunkett

author of

THE NEXT BOOM

The Next Boom: What You Absolutely, Positively Have to Know About the World Between Now and 2025



When will the Next Boom begin and what indicators tell us it will last roughly 15 years?

The Next Boom was already well under way by late 2010 in many nations, including Brazil, China, India and Turkey. These emerging nations bounced back very quickly from a slowdown during the Great Recession. Other booming economies are centered around Southeast Asia, including Indonesia, Malaysia and Vietnam. This growth in emerging nations will have a positive effect on the rest of the world. In Singapore, a mature economy centered on Asian trade, the growth rate hit 14% for 2010.

Growing exports to the emerging world will boost the economies of the U.S., Germany and other mature nations, but that's only part of the story. The big question looming in the minds of people worldwide is "when will serious growth begin in the United States," since by itself it represents roughly 20% of global GDP, or one out of every five dollars of economic activity worldwide. The group of nations in the EU represent about another 20% of the world's economy. The EU will be struggling for some time to straighten out problems in nations like Spain, Ireland, Portugal and Greece, but Germany has already seen great improvement in its economy. America, on the other hand, already has many positive signs, from the deleveraging of consumer debts and the massive amount of cash sitting in corporate bank accounts to a new call for accountability and efficiency in government. The U.S. could be seeing significant growth again as early as 2012 to 2013. What's holding America back to a large extent is a lack of confidence that is deterring business investment. That confidence will eventually return and build steam, and business will begin to invest, which will create jobs.

My focus on the next 15 years, that is, the period between now and 2025, isn't a definitive statement about how long the Next Boom will last—it's a timeline that I suggest the reader focus on. There have been a few good books that talk about developments between now and 2050 or even 2100. That's fine, but I don't think it's a practical horizon for most readers. What I'm attempting to do with this book is provide practical, actionable insights for today's investors, managers, job seekers and government leaders who need to understand and plan for the impact of global changes that will occur over what I call the "near future." The same is true for readers who are simply concerned about current affairs and trying to understand what is happening around them.

You say there are three building blocks to the Next Boom? What are they and how are they beginning to emerge now?

First, there are very positive demographic trends underway. Markets are growing in size quickly. By 2012, you're going to see headlines that the global population hit seven billion. America has a real advantage in this regard—it is one of few developed nations with a positive birth rate. When you add the effect of immigration to the new births, America will soar to a population of 350 million by 2025,

up from 310 million today. We're talking about a 13% increase in the size of the consumer base and significant new household formation. We're also talking about a plentiful, young workforce. The importance of this young, expanding segment to America becomes obvious when you read my book's comparisons to other nations. For example, Japan's workforce is shrinking dramatically, and most of Europe is facing a shrinking population. Looking a little further out, we're seeing an increase in the U.S. population of 43% by 2050, while Japan will shrink by 12% and Europe will barely grow. Yes, America faces the burden of providing health care and other support to aging Baby Boomers, but the growth in the young, working segment will help to offset this dramatically. Meanwhile, the growth in the elderly ratio of the population in nations like Italy, Japan and Russia will be absolutely terrifying. America has a very significant population advantage for the future—the challenge will be to create jobs for a growing workforce.

The second building block is consumers—their growth in numbers in emerging nations, and their evolving habits in America. In the U.S., consumers have gone through a sea change. After blindly assuming they could always find a way to pay off a growing mountain of debt, particularly from the late 1990s through 2007, they've suddenly become serious, sober, conservative savers focused on paying down debt. This is extremely positive for the future. A sound economy and sustainable growth cannot be built on excessive consumption and debt, as we dramatically proved up in 2008 and 2009. Younger generations have learned for the first time that they can't take their financial futures for granted. Older Americans will be focused on working longer and saving for future needs. Meanwhile, the global marketplace for consumer goods and services is going to soar. Household income is going to grow rapidly in nations like China and Brazil. Hundreds of millions of additional people are going to be lifted into the middle class in the near future in emerging nations, while those already in the middle class are going to see their incomes rise significantly. I've recently seen the effects of this marketplace on American companies myself—stores in Beijing and Shanghai are jammed with American brands, and the streets of Thailand, Singapore and China are packed with stores, restaurants, hotels and offices bearing American logos: KFC, Starbucks, Avon, Microsoft, Abbott Labs, Hilton, Marriott, even Cadillacs and the NBA American basketball league are wildly popular in China. Global trade is going to triple in the 2005-2030 period, to \$27 trillion yearly.

Third, we're entering an era that will see technologies give a renewed boost to global communications, transportation, energy, manufacturing and sustainability. Readers of *The Next Boom* will see how the positive effects of biotechnology, nanotechnology, wireless communications and other advances will significantly boost the economies of mature and emerging nations alike. People consistently underestimate the long term effects of advancing technologies. The last 50 years may have seen astonishing new technologies, but we haven't seen anything yet—the near future is going to usher in even more dramatic changes, particularly through advances in miniaturization. It's hard to overstate how positive this will be for the economy.

What launched the last Boom (1982-2007)? How will that period of growth compare or differ from the coming Boom?

There are a lot of analogies between today and the launch of the last boom, which ran almost uninterrupted for 25 years. In the early 1980s, the message from Washington was negative, business conditions were depressing, the stock market had been suffering and unemployment was over 10%. Then there was a burst of confidence as new faces were elected to Congress and the White House. New technologies took hold at a dramatic pace—cellular mobile phones, personal computers, the Internet, new biotech drugs and the first genetically modified seeds, to name only a few. Business investment soared. The Dow Jones Industrial Average grew from about 1,000 in 1982 to about 14,000 by 2007, while markets worldwide boomed. Employment and new household formation roared

ahead. Interest rates were extremely low for much of the last boom. We're going to see many of these patterns repeated over the near future.

It may be difficult to believe that a Boom is approaching while we're still in a global recession. But you attest that today's grim economic news will ease and that "there is a lot to be optimistic about if you know where to look." Why is that the case?

Actually, the global recession has officially ended, but the pain hasn't completely dissipated. We need to put a lot of people back to work, but we will eventually work through that problem, just like we did in the early 1980s. I describe myself as a "pragmatic optimist." I'm well aware that things could go wrong, but *The Next Boom* makes what I hope is a powerful case, based on the three economic building blocks described in detail, that there really is a lot to be optimistic about. In America, a lot of our broad problems, the dismal results of the public education system, towering entitlements, inefficient government, growing debts for both consumers and governmental units, were largely overlooked in the heady days of the last boom. Now the party is over. Americans are starting to take positive steps in many ways that will build a great future.

You dedicate a chapter in the book to the Global Middle Class. Where is that class on the rise and how it will impact the U.S. going forward?

The most important impact will be from those nations with the largest potential due to fast growth and sheer size, China and India, which between them account for one-third of the world's population. They have both been managing growth extraordinarily well, considering the scope of their challenges, and they both weathered the recession well. I'm not saying they won't have problems, and a temporary downturn for either nation, a quick popping of a bubble, could easily happen. Then there are many smaller, but very important and rapidly growing nations, including Brazil, at about two-thirds the population of the U.S., Turkey and many spots in Southeast Asia. Africa will also see rapid economic growth. Combined, these make mouth-watering markets for goods, services and business equipment. America's challenge will be to invest enough in research, development and innovation, while making the wrenching changes in its education system needed to be globally competitive. Effective leadership will be key. If America can rise to this challenge, then it will produce a steady stream of leading-edge, innovative, high-value, highly desirable goods and services that will sell well in emerging markets.

You argue that the coming Boom offers good news for energy. Not necessarily in solar or wind power, but rather natural gas and better overall conservation. Why are the numbers looking good for energy for the future?

Despite the fact that we consume a lot of energy, we have many positive trends and key advantages in America. The biggest single advantage for the near term is the new abundance of natural gas from shale that has been brought on line since 2005 or so. It's a huge economic gift that I explain in depth in *The Next Boom*. Natural gas prices have fallen dramatically and will remain low thanks to abundant supply. Gas is relatively clean burning and it is easy to distribute. The second great advantage is from continued improvements in what is called "energy intensity," that is, the amount of energy consumed per dollar of GDP. That intensity factor will continue to improve dramatically over the near future, and that means better conservation, greater efficiency and better sustainability. Energy demand growth will be very modest in America going forward, compared to economic growth.

In the book, you provide an in-depth look at how nanotechnology will revolutionize many facets of our lives. What is nanotechnology and how does it compare to other tech revolutions, such as biotechnology?

Nanotechnology is the manipulation of materials on a scale so small that it's hard to imagine. One nanometer equals one billionth of a meter. Science has learned how to create incredibly strong carbon-based materials in nanoscale that will absolutely revolutionize many of the things we use every day. It's all part of the broader trend of miniaturization—everything is rapidly becoming smaller, faster, better, cheaper. Your cellphone is a perfect example. Nanotech will create the human drug delivery technologies of the near future, enabling pharmaceuticals to be delivered in the most efficient and effective manner. Nanotech will create the advanced batteries and solar cells of the near future, and it will be the basis of the advanced microchips of the near future. The list is nearly endless; the results will be greater efficiency, lower costs, less maintenance and more sustainability.

In simple terms, biotechnology involves the manipulation of organisms in order to achieve an intended result, which may include genetic manipulation. Dramatic advances in biotechnology have been occurring at a stunning clip in recent decades. For example, a significant portion of the world's crops, including soy, corn and cotton, are now grown with biotech seeds, but they weren't even available commercially until the mid 1990s. These crops are grown from seeds that have been modified in order to result in plants that are disease-resistant, resistant to drought, have better nutritional value or feature other desired qualities. Biotechnology is used in the creation of advanced drugs, and in the creation of enzymes that enable us to refine ethanol. Biotechnology will really come into its own over the next few decades, and there will be a significant convergence of biotechnology with other branches of science, including nanotech.

One of my key goals in writing *The Next Boom* has been to discuss technological trends and benefits in a manner that readers of all backgrounds can understand and appreciate. You don't need a technical background to enjoy the book. For that matter, you do not need a background in finance or economics.

The global population—and especially that of the U.S.—will explode during the Next Boom. You attest that more people mean more demand and much larger markets for businesses, creating vast opportunities. But what must those looking to serve or profit from the population surge understand first?

The most important thing that businesses need to understand is that global competition will be growing steadily along with the size of the global marketplace. That's because higher education is improving quickly in emerging nations; millions of new engineers and scientists are entering the workforce worldwide each year in places like India and China. This growth in competition is also fostered by the vast pool of global investment capital that is quite willing to invest in emerging nations, and by continuing advances in communications. The Internet means that very few businesses can be insulated from global competition today. Businesses must be constantly striving to be innovative and competitive. This is a lesson that must be taken to heart not only by managers, but also by educators and government leaders. For a nation to succeed as an economic unit today, there has to be a major societal commitment to the fostering of education, workforce development, research and entrepreneurship. Otherwise, you're going to be flattened by competition from other nations. That's blunt, that's scary, but that's the way it is.

Along with a huge population boom comes huge problems in terms of providing enough food, water and services for everyone. What innovations do you see ahead that will address this issue?

As the world's population continues to grow to about 8 billion by 2025 and 9 billion by 2050, the challenges to the environment, the global supply chain, the energy supply, and especially the water supply, will be daunting. That's where innovation and technology will lead the way. For example, in *The Next Boom*, I give specific examples of how biotechnology and precision agriculture are

revolutionizing crops. The book will give you reasons for optimism in this regard.

When it comes to saving versus spending, the U.S. has fallen victim to many of its bad habits, which set the stage for our current economic crisis. Will that change during the Next Boom? Has the U.S. learned from its mistakes or will there be new paradigms in place to prevent the same mistakes from happening?

American consumers, lenders and leaders have learned an exceptionally tough lesson since 2007. Consumers know they can no longer count on their houses as piggy banks for the future. They know that job security is a thing of the past. They have seen the potential effects of competition from abroad. They are showing clear signs of being fed up with poor results from government and from the education system. Both consumer surveys and hard facts show that they are firmly focused on paying down debt. Older consumers are no longer boasting about “spending their children’s inheritance.” Instead, they are being financially conservative and planning to work longer into their old age. Second homes are out; second careers are in. We’re in what I call “the post excessive-consumption era,” and it’s going to be positive once the dust has settled and confidence returns.

You write that some of the most important changes of the near future are going to be generational—and that it is vital to analyze these generations if you want to have an understanding of future trends and coming changes. What are some of the key changes coming during the Next Boom?

A firm understanding of America’s generational segments is extremely important to leaders of business and government, as well as to investors. Huge changes are in store. One of the most dominant will be the steady shift of status of America’s 76 million Baby Boomers from middle age to elderly, and the first of them turn 65 years of age in 2011. The other dominant generation trend that you need to understand is the maturing of Generation Y, born from 1981 to 2002, which at 91 million is even bigger in scope than the Baby Boomers. These are the people who will be graduating from college, forming new households and making up the core of the young workforce for the near future. Then there is an emerging cohort that I call the “Diversity Generation,” people born from 2002 through 2020 who will total 80 million by 2020. They will be extremely diverse from an ethnic point of view. The size, trends and future of these segments is discussed in detail in the book.

***The Next Boom* offers a brief glimpse of what the world may look like on January 1, 2026 and also some thoughts on what might go wrong. What are some of the obstacles that might derail or interfere with the Next Boom?**

As I mentioned, I’m an optimist. Nonetheless, there’s no reason to think that the Next Boom will run interrupted or without complications. Also, nations that lack a competitive edge will not participate fully. The last boom suffered multiple interruptions and calamities: the dotcom bust of 2000; the terrorist attacks of September 11, 2001; several slowdowns and recessions; threats of flu pandemics; and multiple natural disasters including a massive tsunami. Nonetheless, the human race picked itself up off the floor, assessed the damages, and then utilized its vast array of resources and advantages to get the boom going again. Hundreds of millions of people worldwide rose out of poverty as a result, while unemployment sank to less than 4% in America and both world trade and household wealth soared at dramatic rates.

<http://plunkettresearch.com/nextboom>

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