

Economic Challenges in the 21st century

Summary

My name is Herman De Latte. I am a Belgian citizen. Belgium in its history was occupied by ten other nations, but is independent since 1830. This most certainly explains why Brussels is the capital of Europe. Everybody knows how to get there.

My grandfather had two careers, thirty years as a coalminer, thirty years as a farmer. My father had a distribution company for chocolate, bread and alcohol. They gave me my life's early perspectives, while I enjoyed my education in Belgium and my military service in West-Germany, long before the Wall came down.

I managed to live in six different countries and was an entrepreneur in the 80's, run Nasdaq quoted companies in the 90's and have been in Venture capital since 2000. Today I am an investor and partner in Venture Capital structures in Europe with a strong focus on technology and Energy innovation.

My views are inspired by common sense and sympathy for the individual worker.

I think the main challenges for the 21st century are

- 1. The respect for the individual and the human capital he / she represents**
- 2. The conservation of the environment and the planet**
- 3. Getting the capital to the individual and the small businesses more directly**
- 4. The discovery of more reliable and pertinent, real-time information**
- 5. The geographical shift of economic growth from the West to the BRICs**

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I believe that future economic growth will first and foremost be based upon investment in the individual and the human capital he/she represents.

Poverty and inequality are not new. The differences today are (1) that inequality seems to be increasing globally and it is much more visible to the masses in this information age. Three billion people are still too poor to participate in the global market economy. They have never made a phone call, have no drinking water, proper sanitation or sufficient energy. 'The problems of the poor stand in contrast to the plenty of the very rich'.

We need to find a way to share the wealth on a global basis. This could be accomplished in the 21st century by having rich private individuals (after all they can only eat 3 times a day), SWF's, private banks increase their participation in Micro Finance initiatives around the world. This way one could sponsor projects to allow us to postpone or eliminate global warming, improve the quality and availability of the blue gold, reduce unemployment and even make money in the process. Indeed, Microfinance has one of the highest IRR's in private equity. Could it be because women are the ones managing the microloans?

We need to find a way to value the proper importance of human capital in the business world. Europe and the US have had opposite challenges. In Europe companies are reluctant to hire, as the laws make it hard to lay-off nonperforming or nonstrategic human capital, leading to stressful situations (France Telekom suicides) In the US people have no more loyalty towards employers, because of the reduction of benefits and employment uncertainty. A happy medium has to be found. Banks and large corporations are merely structures, relying on productive people to contribute to profit generation and governments rely on individuals to pay taxes.

I think outsourcing will transform itself in crowd sourcing. Critical outsourced functions such as call centers may move back to the US and Europe in order to restore the local marketing, sales and support functions and to benefit from local employment incentive programs. A lot of these jobs will be taken up by people working at home in telecommuting and crowd sourcing mode.

We need to restore the importance of human capital as caretakers of the planet: The 21st century will indeed see a restoration of the importance of human capital by putting the focus on the planet, nature, energy and agriculture. Green projects will allow a lot of unemployed people to get back to work, if the necessary education takes place. It is back to basics. 'The poorer people on this planet carry most of the knowledge to save it'. Aboriginals in Australia and their handling of bush fires.

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I believe that future economic growth will need to be based upon investment in the conservation of the environment and the planet, as it represents the ultimate home of mankind that will need to welcome an additional 80 M people per year during the 21st century.

Today available freshwater represents less than half of 1 percent of the world's total water stock. The rest is seawater or inaccessible in ice caps, ground water and soil. We urgently need to preserve this vital resource, as already 3 Billion people today have low quality water or no access to water at all.

20-30% of non-renewable energy usage can be reduced thru investment in new technology in the home, commercial buildings and the Hardware infrastructures (datacenters) related to the internet

By 2050 the contribution of renewable energy will contribute to almost 50% in the electricity supply if we want to achieve the CO2 emissions reductions targets. Hydro, wind and solar, nature itself will allow mankind to reduce its daily energy expenses significantly

The private equity structures and eventually the governments will need to continue to step up to the occasion to make this happen.

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I believe that future economic growth will need to be based upon finding a way to get the capital to the individual and the small businesses more directly.

Let us do away with the complex global banking and insurance structures that have lost the respect for our hard earned money and only lend money to people who do not need it.

Let us increase our exposure to private equity funds and development banks that create infrastructures in countries that need it and help us in water preservation and energy related infrastructure projects.

Let us give more responsibility to the financial structures who supply money to individuals and small businesses via small local fund structures (Venture capital and Microfinance)

Let us discourage people below a certain income from investing nontransparent public company shares

If nothing else, let us protect the consumer from excess credit.

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I believe that future economic growth will need to be based upon finding a path to more reliable and pertinent, real-time information

Cloud computing and the internet will continue to thrive thru communities and global collaboration and make computing more affordable for everybody, while reducing the complexity and cost of ownership of a computing device.

Blogging represents the free format Ground Zero of the personal Webcasting revolution. 184 million people say they've started a blog in 2009 Blogging grew 68% in 2008 Blogging will drive a powerful new form of journalism as millions of young people take on the role of columnist, reporter, analyst and eventually turn our media giants into news analyst houses.

The accessibility of data on the internet will eventually lead to the Introduction of new rules to measure the health of a country, International rules and control mechanism for measuring key statistics (GDP, unemployment) and the further enforcement of international GAAP and last but not least global simplified reporting requirements for public companies WW This will allow us to reduce business fraud and improve our investment decisions.

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I believe that future economic growth will be based upon a geographical shift of economic growth from the traditional West to the BRIC countries.

The United States of America have built an economy of marketing, warfare, obsession with terrorism and a credit bonanza during the 1st decade of the 21st century. The stock market has become the wrong pulse of the economy, instead of the unemployment numbers. And now for the sorry facts: Optimistic statistics put the unemployment just above 10%, There are 1 M homeless children, 17 M people who have been or are at war recently. The American education system needs to be upgraded; eg high schools and business schools. The infrastructure has gone downhill eg bridges collapsing and the Katherina devastation...and we keep printing money. And already the US is staring at trillions of debt. The solution to the problem is obvious. Stop fighting ghosts in Afghanistan and Irak and give 20% of the war money to the US, Irak and Afghanistan in controlled local aid programs. But it won't happen soon and... The US dollar will most certainly lose its status as leading world currency.

The fragmented States of Europe will slowly continue their correct path towards an expanding unified economic force, based upon a strong currency and gradual empowerment of the European Community. However, Europe will remain a follower behind the US and China, as consensus building among cultures with various languages and long histories will always take a lot of time. The key challenges for Europe will be the aging of its population and the acceptance that immigration from other continents is a positive trend. The continuous disappointments with the poor management and greed of the large financial institutions will force governments to break up the large financial institutions and / or create national banks.

While all four "BRICs", Brazil, Russia, India and China, and other emerging economic players will continue to contribute more to the global economy, China will be way ahead in terms of its impact onto every conceivable facet of the planet one can think of: birth rate, international aid, climate, geopolitics, trade, finance and international investment. On infrastructure alone, China has close to 50,000km of highways, with the goal of reaching close to 100,000km by 2012. While China's economy is still small compared to the US, its contribution to global GDP growth is significantly higher. Thanks to good relationships with Africa and Australia, China has built a bridge to more commodity reserves.

However, to speed up its role in economic development, China has to do something about the loose definitions of EBIT and EBITDA, the number of Chinese web sites in the cloud and the childish manipulation of internet access.

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In conclusion, I think that moving the emphasis back to the planet and the people who live there, will help us to solidify the basics of our economics system: People and Resources. Small and large business will benefit from it. A new financial system will emerge. One that realizes that numbers and statistics are the result of efforts produced by people and the transparent companies they work for.

These are the same people that are now being marginalized: the poor, the homeless, the credit cards junkies, the ones that did not have insider information and the ones that are being manipulated by extremists, political agendas and greedy financial institutions.