

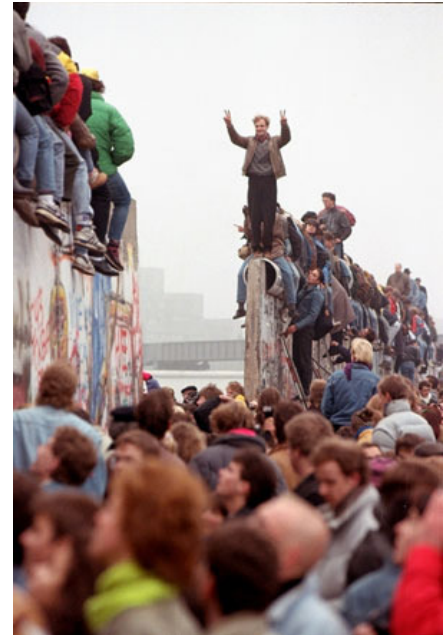
Fall of the Berlin Wall – Twenty Years Later

Twenty years ago, the Cold War ended with the fall of the Berlin Wall. Recently, tens of thousands of Berliners and visitors celebrated the moment when the wall was breached and a people were set free. Angela Merkel, Germany's first East German chancellor, was a 35-year-old physicist when she crossed the border into West Germany. In a speech to mark the anniversary, Ms. Merkel said, "Sometimes people forget today how many could not leave the country for years, how many sat in prisons ... before the joy of freedom came, many people suffered."



The fall of the wall not only secured freedom for millions of people, but it also heralded unprecedented global prosperity. Wars are the ultimate trade barriers

because people do not trade with their enemies. The end of the Cold War marked the end of the greatest trade barrier in history. Since then, global trade has flourished as world exports have soared 330% from \$3.8 trillion in 1989 to an estimated \$16.4 trillion in 2009. It led to a proliferation of prosperity around the world.



Today, twenty years later and as the world emerges from a global recession, we ponder what economic changes the next twenty years might bring. According to John Calamos, Chairman of Calamos Advisors, the Chicago based investment advisory firm: *"The global economy is at a crossroads. The next forces of economic growth will be different than those of the past. The solutions to many of the economy's current problems have yet to be achieved. Yet, risk and uncertainty are always present forces in the global economy. We are not in an environment in which a 'rising tide will lift all boats.'* However, we believe that there are still many waves of opportunity, including exciting new drivers of long-term growth."

Predictions we cannot make, but we can survey some trends that might shed some light on the future. The following are some potential long-term investment themes:

1. **Global Marketplace:** Thanks to the fall of the Berlin Wall, a growth-oriented regime in China and numerous "emerging" economies worldwide, much of the world is now enjoying economic progress and higher living standards. A larger pool of potential consumers creates vast opportunities. Of course, this also means that it's a very competitive marketplace. Companies that are successful in this ultra-competitive environment will have to master the challenges of operating in numerous countries and working with as many governments and regulators.

"Go confidently in the direction of your dreams. Live the life you've imagined." Henry David Thoreau

2. **Communications and Technology:** People around the world want access to information and entertainment, anywhere, anytime in many formats and at many price points. This desire drives innovation by the likes of Apple, Google, Microsoft, Sony, Amazon and many others.

3. **Infrastructure and Construction:** A mobile world needs infrastructure. Aging infrastructure in many developed nations needs to be rebuilt. Here in the U.S. we have many bridges that need to be rebuilt (before they fall down!). In developing countries like China, India, and Brazil, new infrastructure needs to be put in place. In 2009, China is on pace to consume over 600 million tons of steel, or almost 10 times what U.S. industry will use this year. To put that into perspective, that's enough steel to build 7,000 Golden Gate Bridges in a single year!



4. **Energy and Environment:** Growing economies use a lot of energy and have the potential to do much harm to the environment. Energy and environmental concerns will also drive a search for solutions. Governments also seek energy security. Consumers want cost effective sources of energy and a healthy environment. Companies that can find economic ways of conserving energy, creating energy in more environmentally friendly ways, and creating entirely new sources of energy will prosper.

5. **War on Terrorism:** The global fight against terror is also a catalyst for increased spending in defense and related industries, further driving innovation that may benefit consumers one day. Many new technologies are often tested and proven on the battlefield; consumers will one day benefit from many of them.

6. **Global Saving and Investment:** There is a shift in global savings and investment. People in many developed nations need to save, whereas younger populations in most developing nations will begin to consume more. This evolutionary transition has investment implications for banking and consumer product companies.

7. **Science and Healthcare:** A revolution in health sciences has great promise, both economically and for a better life for all humankind. The potential that nanotechnologies, biotechnologies and genetics offer could be the key development in the 21st century. The eradication of some diseases, the cure of cancers, and a potential for a dramatic lengthening of life expectancy would bring about dramatic changes for all humankind - think about retiring at age 100 and living actively until 150!



While it's not a great stretch to imagine the potential of some of the above trends, some of them may prove to be longer-lasting and more "investable" than others. Assuming most of the world's population can remain largely at peace with one another, the promise of the above fills us with great optimism! Of course, we also know that there will be many challenges, some foreseeable and some not, along the way. Knowing as much keeps us grounded and hopeful.

"We should manage our fortunes as we do our health - enjoy it when good, be patient when it is bad, and never apply violent remedies except in an extreme necessity." Francois de La Rochefoucauld

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