

Navigating The ^{New} Gilded Age



Why Change Is Coming... Again

NAVIGATING THE NEW GILDED AGE

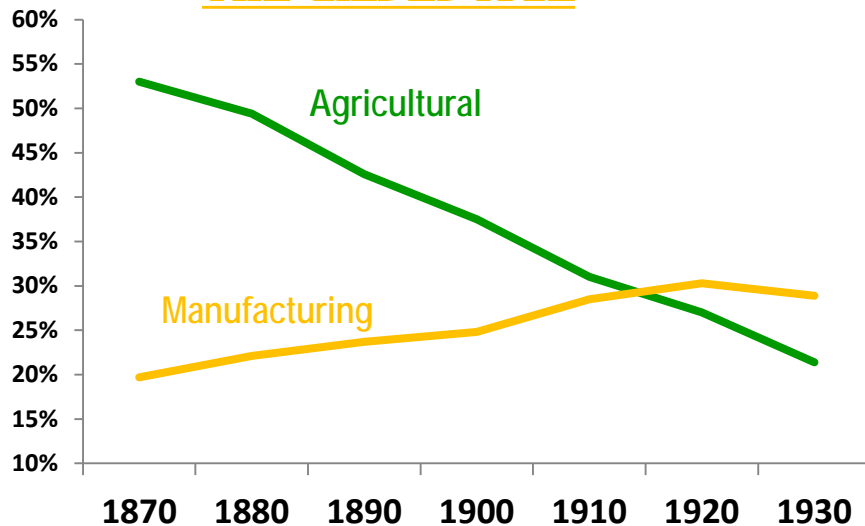
- **How Modern America Is In a New Gilded Age** *(slides 3-8)*
- **How the Last Gilded Age Ended & What It Means for Today** *(slides 9-15)*
- **Where We Are Now: 7 Knowns & Unknowns** *(slides 16-30)*
- **What We're Watching: Q4 '17 Politics & Policy** *(slides 31-35)*

How Modern America *Is In a New Gilded Age* (1870-1920)

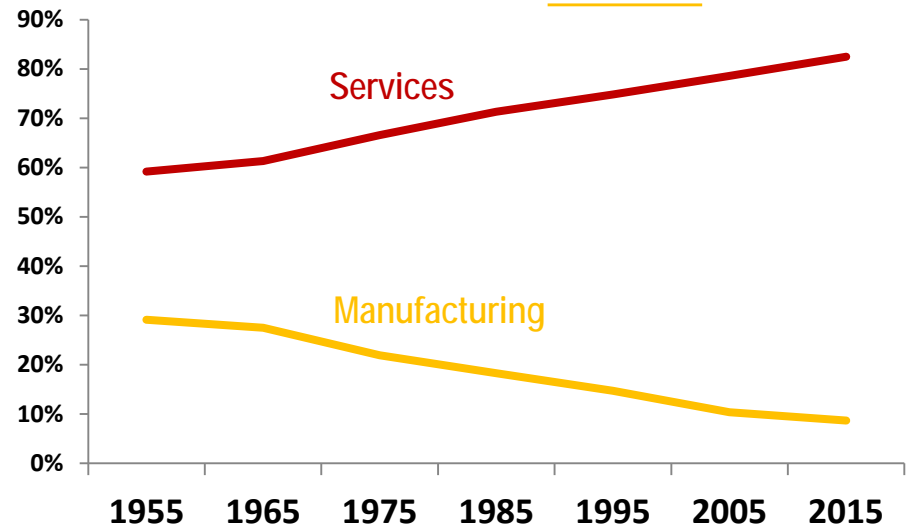
Gilded Age Economy Saw Rapid, Disruptive Change

Sectoral Composition of U.S. Employment Changes

THE GILDED AGE



TODAY



Fears linger from recent financial crashes
(1873, 1893, 1907... 2007)



Global trade powers growth
but has winners & losers

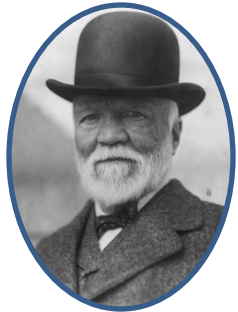


Laws & regulations designed
for the past century fail to
cover new economy

Emerging Tech Defined the Gilded Age... and Today

If Data is the New Oil, Is Bezos the New Rockefeller?

THE GILDED AGE



Carnegie
STEEL



Rockefeller
OIL



Vanderbilt
RAILROADS

TODAY



Page / Brin
ONLINE ADS



Bezos
E-COMMERCE



Zuckerberg
SOCIAL NETWORK

Vast fortunes amassed by Iconic Innovators (aka “Robber Barons”)



Electricity & Engines

Transformative tech reshapes economy



Internet & Mobile



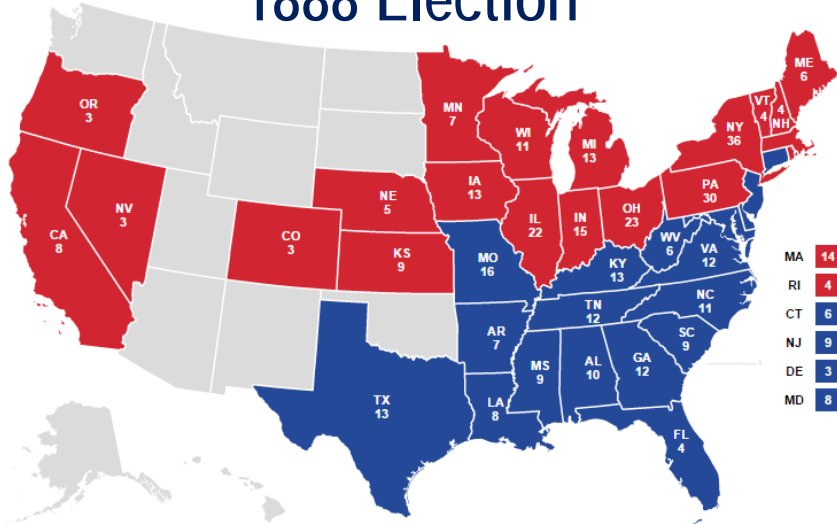
Dominant firms build huge market share



Gilded Age Politics Have Returned

Intensely Divided Red & Blue States

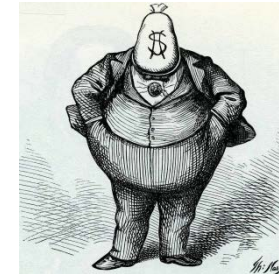
1888 Election



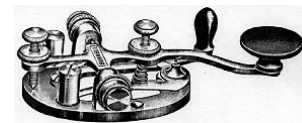
Electoral college winner loses popular vote



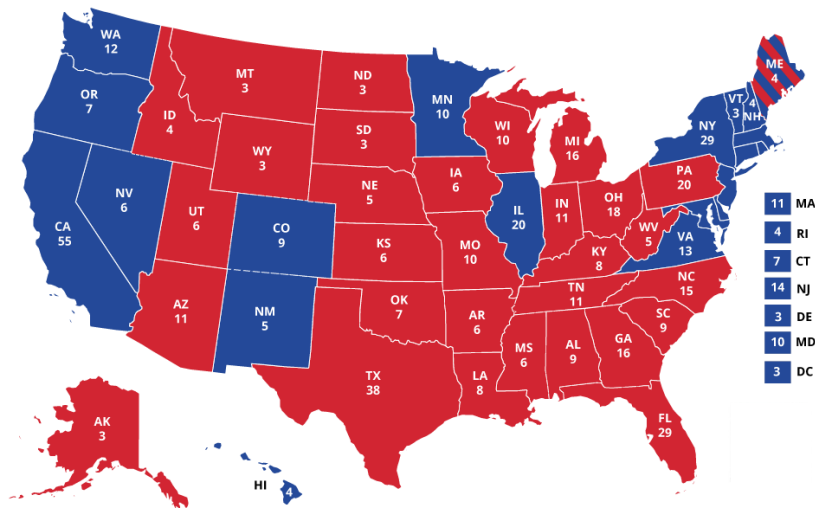
Rising share of election spending by fewer ultra-rich financiers



New communications technologies engender media sensationalism



2016 Election

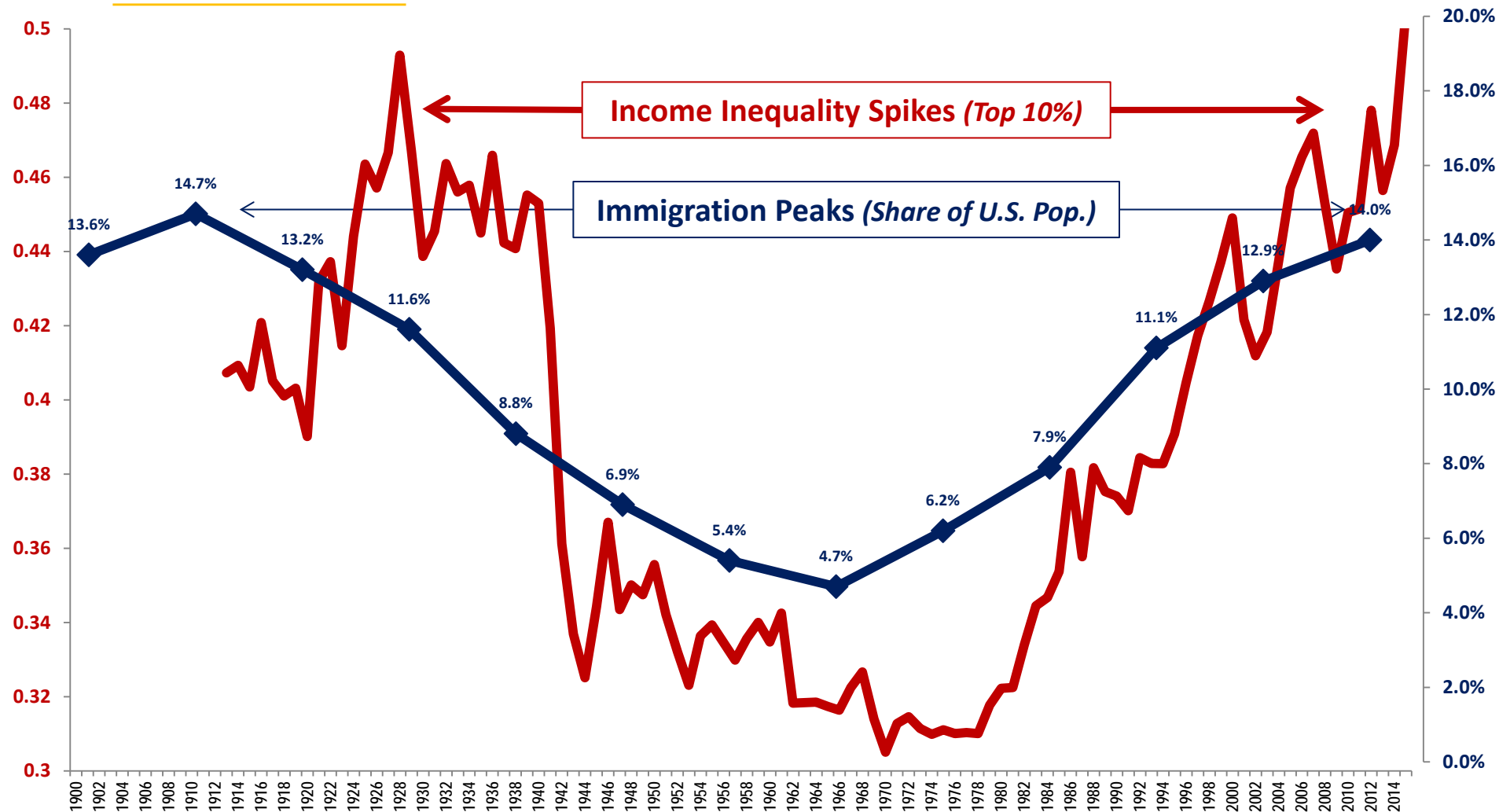


Demographic Disruptions Drive Social Angst

As income inequality grew, many in the “bottom 90%” blamed the rapid rise of immigrants... who no longer looked like them

THE GILDED AGE

TODAY



MEHLMAN CASTAGNETTI
— ROSEN & THOMAS —

Fear & Frustration Fuel Populist Backlash



BLAME IMMIGRANTS

FAULT TRADE

HIT "GLOBALISTS"

ATTACK THE PARTIES



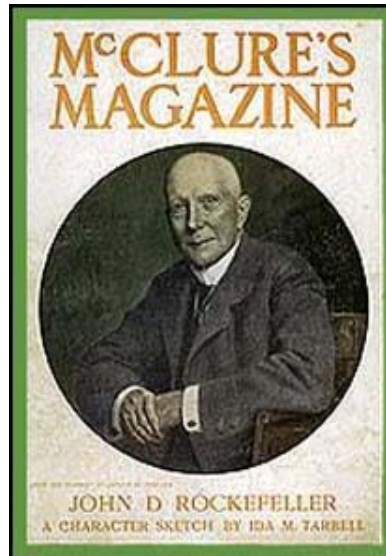
How the Last Gilded Age Ended *And What It Means for Today*

THEN: Changing World Reshuffles Politics



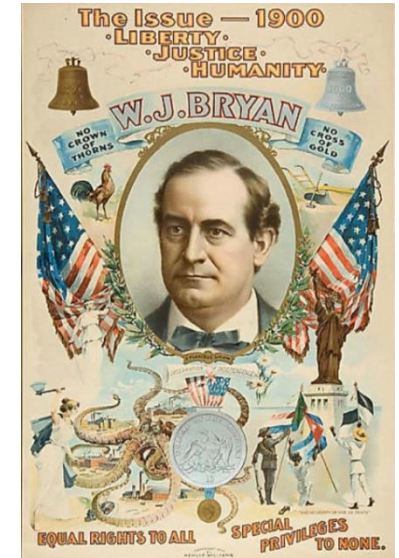
REFORM REVOLUTIONARIES

Dominant Republican Party
Splinters Between
Establishment & Reformers



CRUSADING MUCKRAKERS

Independent Journalists
Expose Market Failures,
Catalyzing Demand for
Reform



POLITICAL INNOVATORS

Industrial Age Generates
New Policy Issues & New
Political Alliances

THEN: Populist Passions Led to Real Reforms

Political Reforms

AMENDMENT XVII

DIRECT ELECTION OF
SENATORS



Tillman Act of 1907...

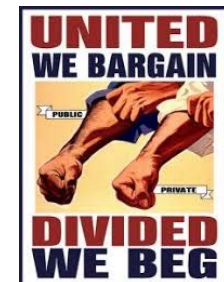


...bans corporate political
contributions

Market Reforms



Social Reforms



now: Antiquated Systems Ripe for Change

Yesterday's Rules Unfit For Tomorrow's Economy



Antitrust Law
1890, 1914



Highways
1956



Entitlements
1966



Tax Law
1986



Telecom Law
1996

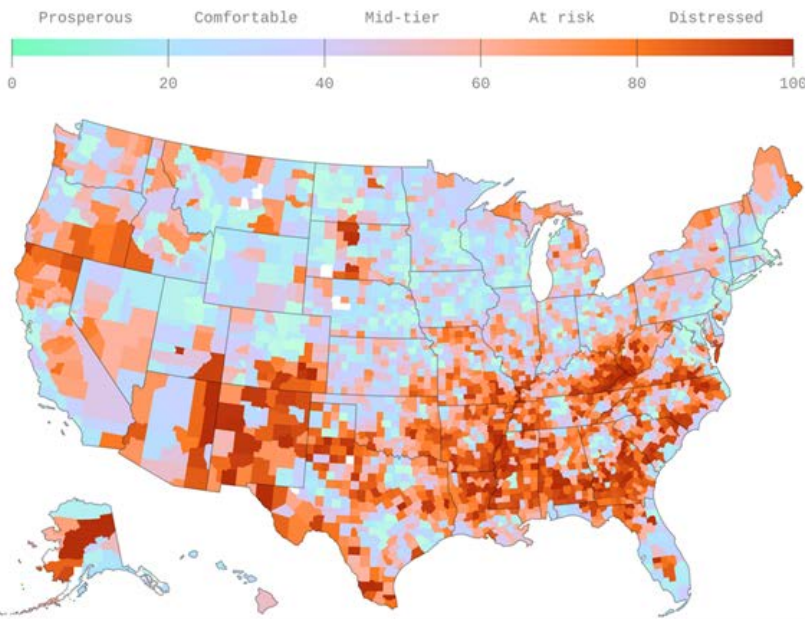


now: Winner's Circle Is Too Small

Success in Modern America Depends on your...

...Geography

Distressed communities index



...Education

Head of the Class

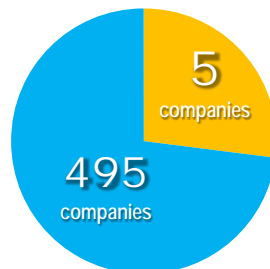
Change in employment level by educational attainment



Source: IPUMS-USA, University of Minnesota, www.ipums.org

THE WALL STREET JOURNAL

...Sector

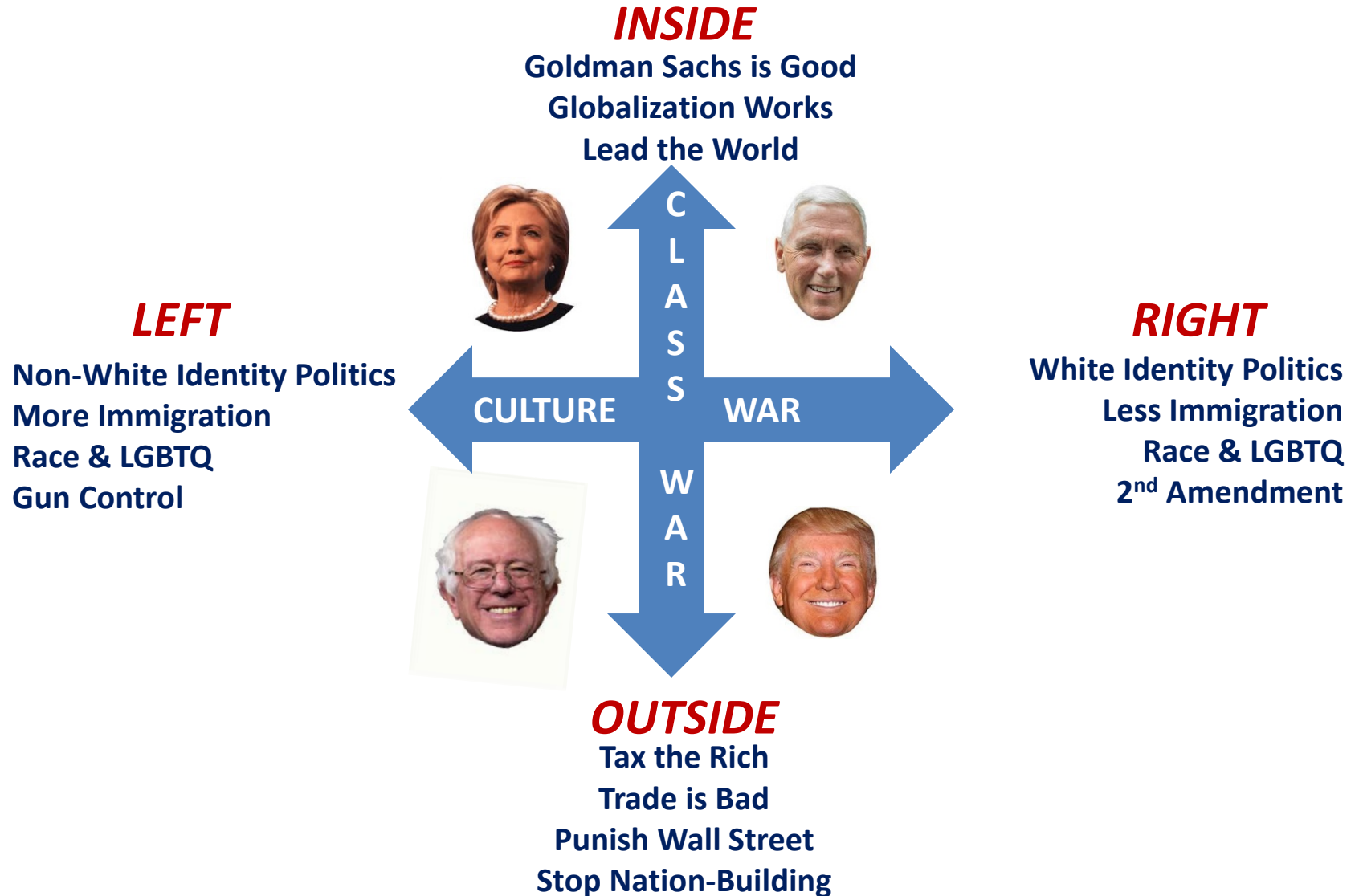


2017 gains in the S&P 500:

- ✓ 37% from AAPL, FB, AMZN, GOOGL, MSFT
- ✓ 63% from the other 495 companies

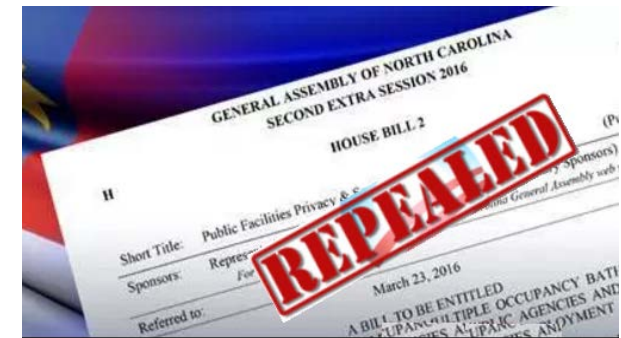
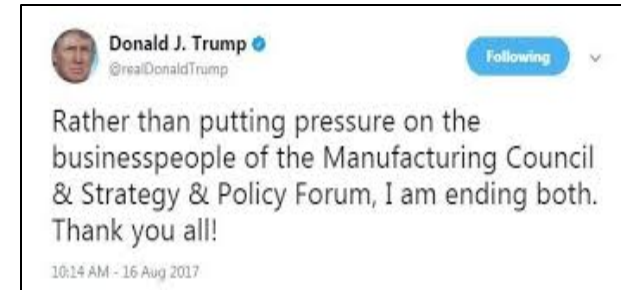
now: Economic Issues Vying With Social Concerns

Politics Has Become a Two-Front War



now: Are Social Networks the New Muckrakers?

Empowered Activists or Vigilante Mobs?



Where We Are Now

7 Knowns & Unknowns

#1. KNOWN: Trump's Core Voters Remain Happy

Trump Approval Remains High Among Trump Voters

Voted for Trump in GOP Primary



Voted for Trump (Liked Him) Rather Than Against Hillary



Subgroups With Trump Net Job Approval

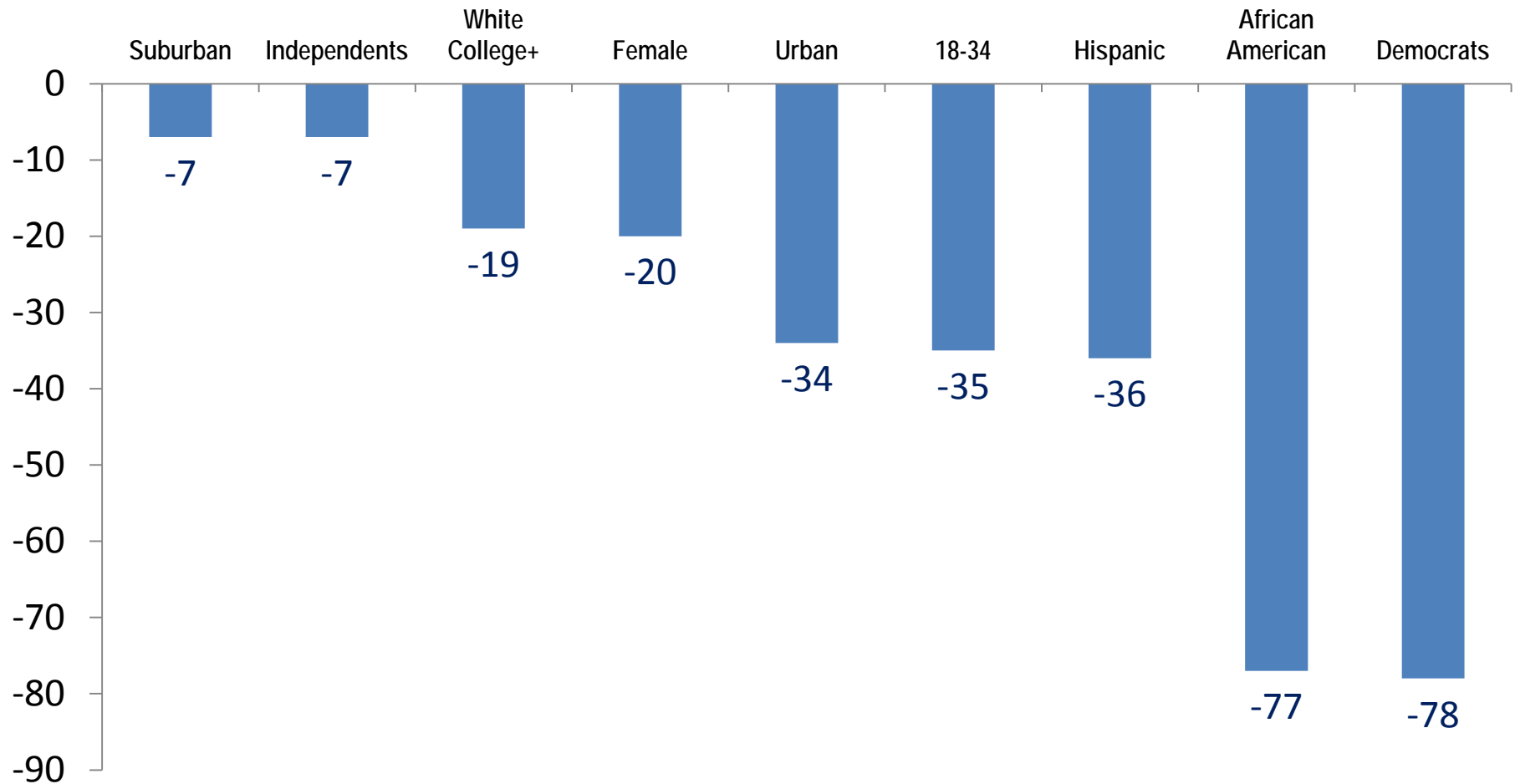
Republicans	+70
Rural	+30
White No College	+22
White (all)	+7
65+	+3
50-64	+2
35-49	+2

Source: NBC/WSJ, Sept. 2017

#1. UNKNOWN: How Can Trump Expand His Base?

Anger Over “Culture Wars” Likely to Limit Gains from Economic Nationalist Message

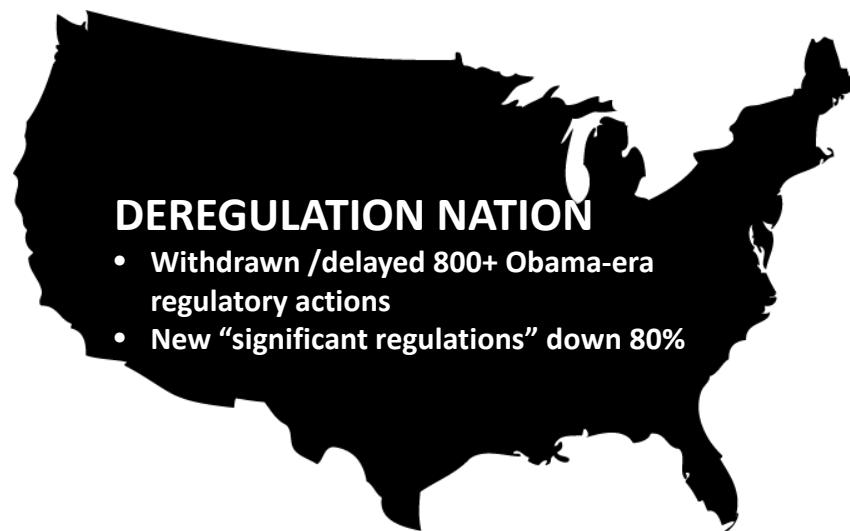
Trump Net Job Approval by Key Subgroups



#2. KNOWN: Trump Is Winning In Many Ways




S&P 500 Return 1 st Year Through 10/20	
GHW Bush 1989	27.0%
Kennedy 1961	22.9%
TRUMP 2017	20.4%
Clinton 1993	11.7%
Obama 2009	8.5%
Eisenhower 1953	-2.0%
Nixon 1969	-6.6%
Reagan 1981	-8.4%
Carter 1977	-9.1%
GW Bush 2001	-23.8%



#2. UNKNOWN: Can Congressional Leaders Win Too?

Republican Voters' View of Leadership (Net Right Direction)



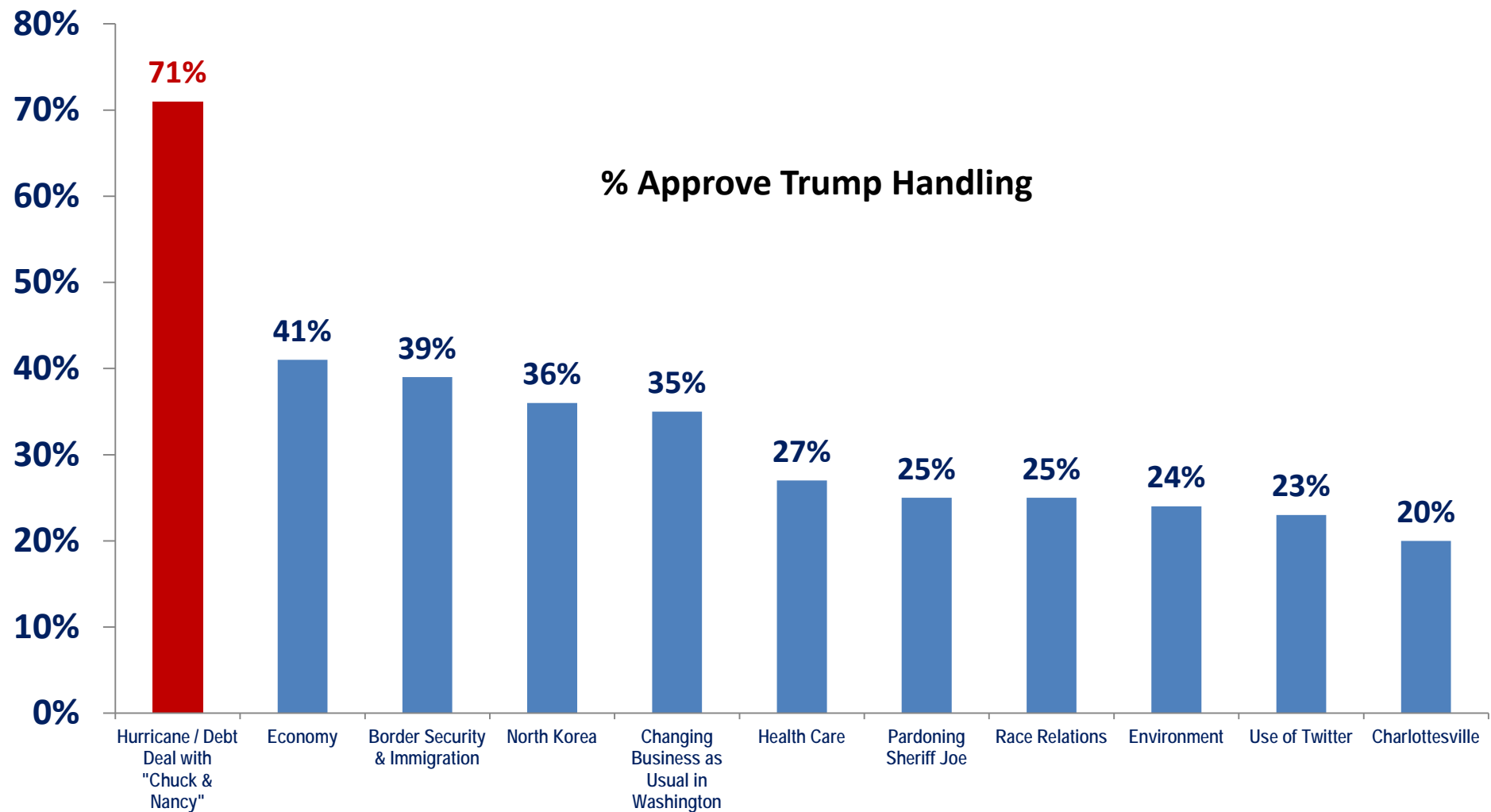
+63%



-13%

#3. *KNOWN: Cutting Deals Is Good For Trump*

Deal with "Chuck & Nancy" Avoiding Shutdown Was Trump's Most Popular Action in First 250 Days



#3. UNKNOWN: Are Deals Also Good For Dem Leaders?

Dem Base: Why Join Him When You Can Beat Him?

Pelosi heckled by activists for DACA deal



Liberal protesters protest at Schumer's home



The Mercury News

**Sen. Dianne Feinstein booed at San Francisco event
after saying she hopes Trump can change**

#4. KNOWN: Tech Sector Is Under Growing Pressure

RISING

PROTECTIONISM

*Limiting Market Access &
Taxing Locally*

RISING

POPULISM

*Questioning Size, Fairness
& Consumer Welfare*



RISING

NATIONALISM

*Challenging Security &
Local Contributions*

RISING

NATIVISM

Limiting Access to Talent

#4. UNKNOWN: What Might Disrupt the Disruptors?

A World of Trouble: Global Tech Policy Risks Proliferating



amazon.com



Google



Microsoft



Market Power Issues

(Antitrust, Regulatory parity, Minimum tax, Royalties to publishers, Algorithm transparency, Automation & Local jobs)



Consumer Protection

(Privacy, Political ad disclosure, Breach notification)



Security Concerns

(Gov't surveillance, Encryption, Export controls, AI & Drone regs)



Intermediary Liability

(Hate speech, Online sex trafficking, Copyright, Fake news)



Trade Policy

(Cross-border data & Forced localization, CFIUS, Local taxation)



Helpful Policies



At Growing Risk



Adverse Policies



#5. KNOWN: First Midterms Are Hard for Party in Power

All (Midterm) Politics Are National

President & Year of 1 st Midterm	Net POTUS Job Approval	House Seats	Senate Seats	Governorships	Seats in State Legislatures
TRUMAN (1946)	-19	-55	-11	-2	-456
IKE (1954)	+35	-18	-2	-8	+483
JFK (1962)	+36	-5	+4	0	-76
LBJ (1966)	+3	-47	-3	-8	-762
NIXON (1970)	+31	-12	+1	-11	-288
CARTER (1978)	+13	-15	-3	-5	-357
REAGAN (1982)	-6	-26	0	-7	-201
GHW BUSH (1990)	+26	-7	-1	-1	+32
CLINTON (1994)	0	-54	-8	-10	-514
GW BUSH (2002)	+33	+8	+2	-1	+127
OBAMA (2010)	-3	-63	-6	-6	-708
TRUMP (2017)	-19	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	-8 (out of 27 chances so far)

#5. UNKNOWN: Is the Tea Party Back (With a Vengeance)?

Breitbart Targeting Establishment Candidates in Primaries

2010

"Establishment" Won

59%

of Contested Primaries



2012

"Establishment" Won

79%

of Contested Primaries



2014

"Establishment" Won

100%

of Contested Primaries



2016

"Establishment" Won

100%

of Contested Primaries



2018

"Establishment" Won

0 for 1

of Contested Primaries
so far



Round 1: Establishment stays out of
competitive primaries

Outcome: Star Wars bar scene

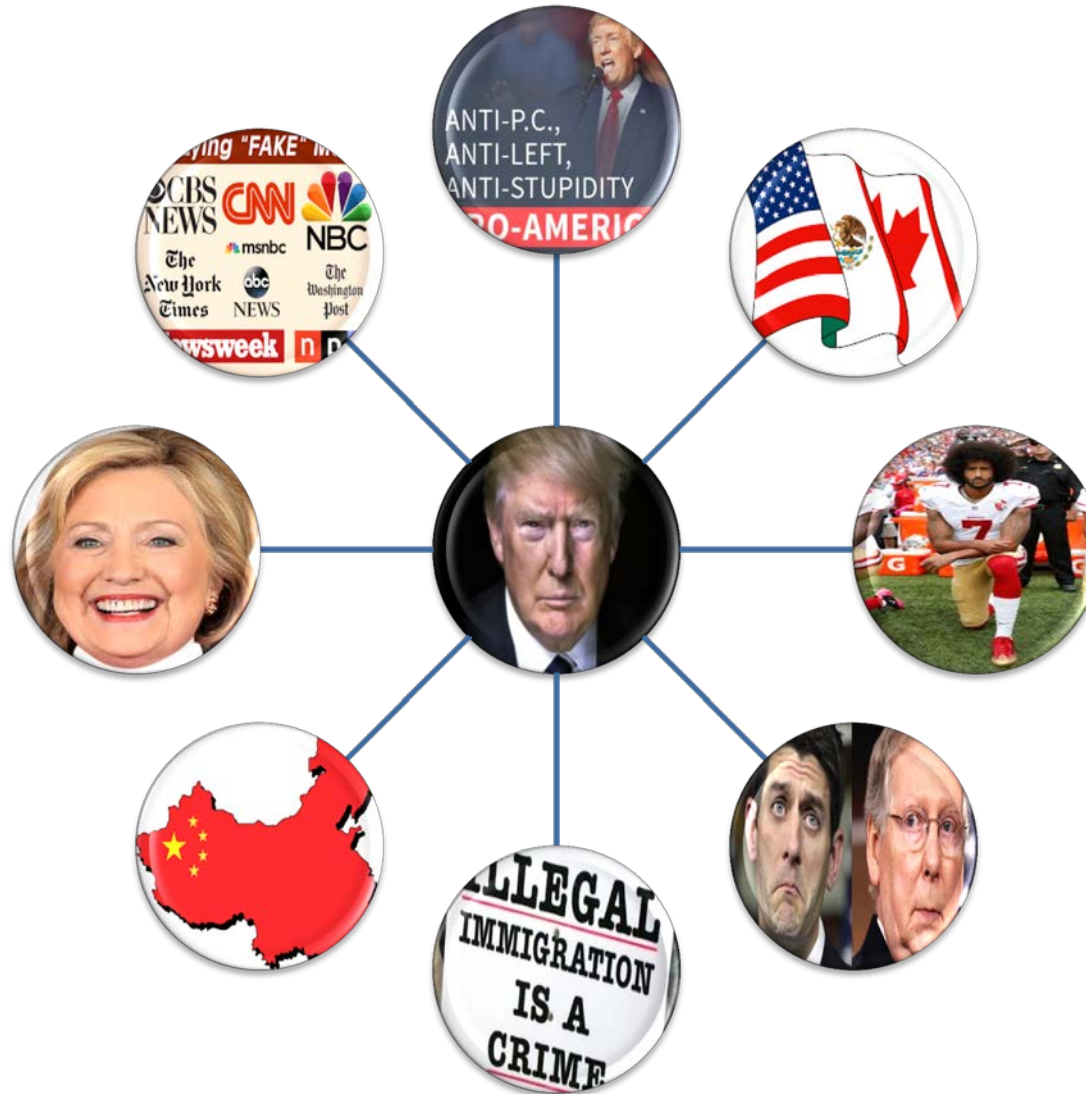
Round 2: Establishment supports
incumbents & better candidates

Outcome: GOP wins & holds Senate



#6. *KNOWN: Trump Needs a Foil (or Ten)*

Politically-Incorrect Provocateur Is His Brand



#6. UNKNOWN: Will the Semantic Presidency Persist?



Depends on the Meaning of “Is”



*Depends on the Meaning of
“Mission Accomplished”*



Depends on Meaning of “Red Line”



Depends on Meaning of “Wall”

#7. KNOWN: The Trump Team Is Pivoting

Trump Following Clinton Playbook



Retool White House Operations



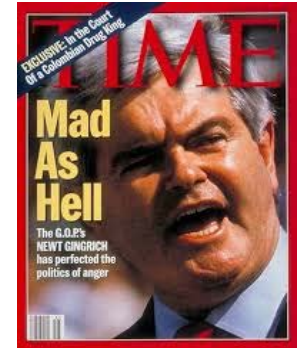
Successful Leadership Moment



Pivot to the Center on Policy



Enjoy Strong Economic Run



Leverage Less Popular GOP Foil



#7. UNKNOWN: Are Pivots Possible in a Twitter World?

Tweeters Gonna Tweet



Follow

Just heard Foreign Minister of North Korea speak at U.N. If he echoes thoughts of Little Rocket Man, they won't be around much longer!

11:08 PM - 23 Sep 2017



Following

...can't change history, but you can learn from it. Robert E Lee, Stonewall Jackson - who's next, Washington, Jefferson? So foolish! Also...

9:15 AM - 17 Aug 2017



Following

If NFL fans refuse to go to games until players stop disrespecting our Flag & Country, you will see change take place fast. Fire or suspend!

6:44 AM - 24 Sep 2017



Following

The Senate must go to a 51 vote majority instead of current 60 votes. Even parts of full Repeal need 60. 8 Dems control Senate. Crazy!

9:26 AM - 18 Jul 2017



Following

We are in the NAFTA (worst trade deal ever made) renegotiation process with Mexico & Canada. Both being very difficult, may have to terminate?

9:51 AM - 27 Aug 2017



Follow

I heard poorly rated @Morning_Joe speaks badly of me (don't watch anymore). Then how come low I.Q. Crazy Mika, along with Psycho Joe, came..

8:52 AM - 29 Jun 2017

What We're Watching

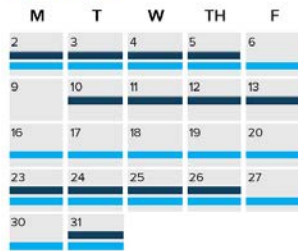
Q4 2017 Politics & Policy

What Congress Needs to Get Done in Q4

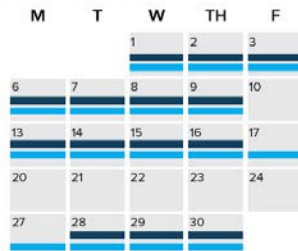
Congress Unlikely to Do More Than It Must

MUST DO (Deadline-Driven)		VERY POSSIBLE		MOVEMENT
Funding FY18 <i>(or shutdown 12/8)</i>		Budget for FY18 tax reform <i>(allowing use of reconciliation)</i> VOTE-A-RAMA Oct. 19-20		Tax Reform <i>(House action very possible)</i>
Hurricane Relief <i>(Oct & Dec)</i>		DACA deal <i>(maybe with budget)</i>		Infrastructure bill
NDAA <i>(National Defense Authorization)</i>		Other tax extenders		Online Ad disclosure
NSA surveillance reauth <i>(§FISA 702)</i>		MGT Act <i>(gov't tech modernization)</i>		SESTA <i>(online sex trafficking)</i>
CHIP <i>(Children's Health Insurance)</i>				Data Breach <i>(post-Equifax)</i>
Medicare Extenders				

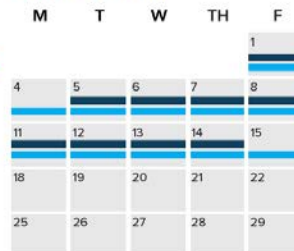
October



November

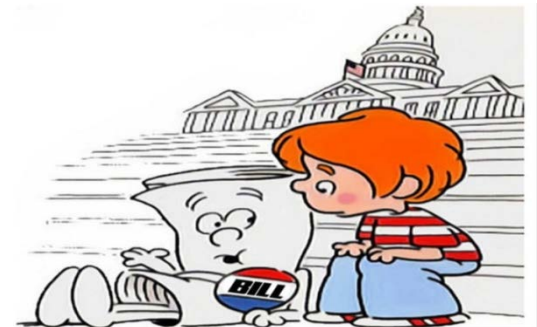


December



■ Senate in Session

■ House in Session



Key Questions for the Fall



Will McConnell have 50 reliable GOP votes as of 1/1/18?

At-risk Senators can't always follow, retiring Senators won't.



Is Steve Bannon more powerful outside the WH?

Watch to see if more GOP incumbents retire rather than face a two-front war for re-election.



Will trade battles blossom into trade wars?

There will be tariffs in Q4 (solar +), with new sanctions against China proposed by USTR.



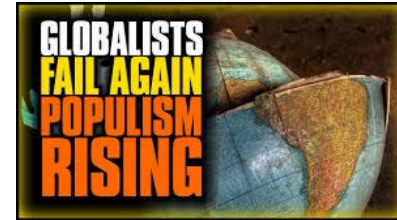
Can Democrats expand the "enthusiasm gap" over the GOP?

Percent Extremely Enthusiastic about voting for Congress next year:

Ds: 24%

Rs: 14%

(SSRS for CNN, 9/24/17)



Where will populist disruption appear next & in what form?

No Nation Is Immune
UK (Brexit)
Germany (AfD)
Spain (Catalonia)
Japan? (Oct)
Austria? (Oct)
Italy? (May '18)

The Supreme Court Starts a Very Consequential Term

Major Cases Before the SCOTUS



Masterpiece Cake Shop v. CO:

Can a private business refuse to serve customers claiming religious objection to their sexual orientation?



Gill v. Whitford:

Is partisan gerrymandering Constitutional?



Janus v. AFSCME:

Are all union dues inherently political & voluntary?



Carpenter v. US:

Can police obtain cell phone geolocation data without a warrant?



Christie v. NCAA:

How far can federal preemption go to prohibit states from allowing betting on college sports?



Jesner v. Arab Bank:

Can corporations be sued in U.S. courts for complicity in human rights abuses abroad?



Husted v. A. Phillip Randolph Inst:

Can the federal government review & "clean up" state voter rolls?

Many Wildcards Capable of Upending

The Job Is Hard Enough Without...

Special Counsel Investigation



Crazy Foreign Foes



Markets Due for Correction?



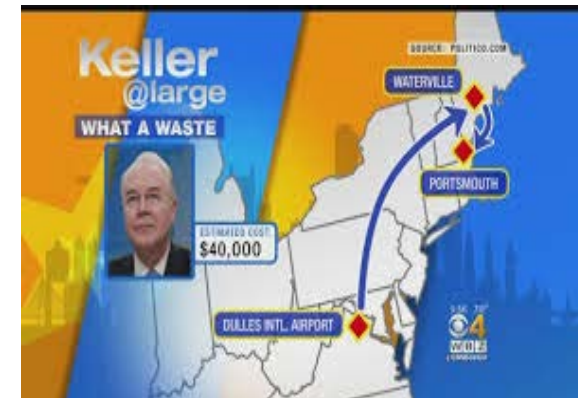
Anti-Republican Republicans



Disasters & Mass Violence



Team "Optics" (e.g. jets)



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