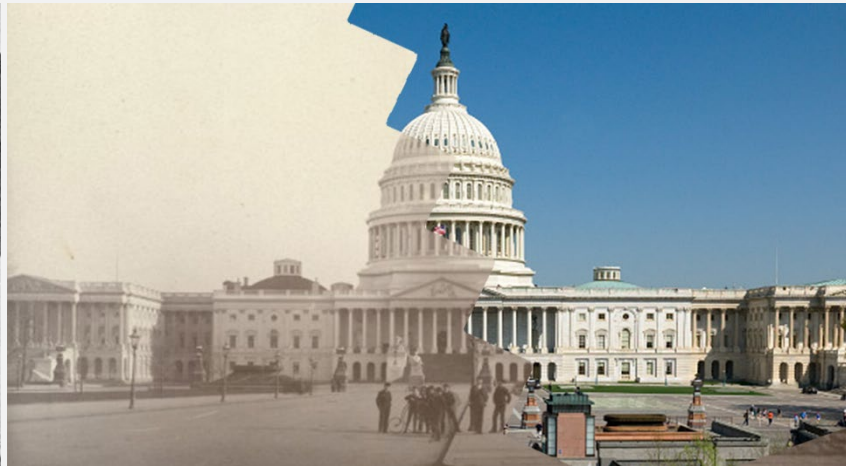


# Navigating The <sup>New</sup> Gilded Age



**Why Change Is Coming... Again**

# Contents

## NAVIGATING THE NEW GILDED AGE

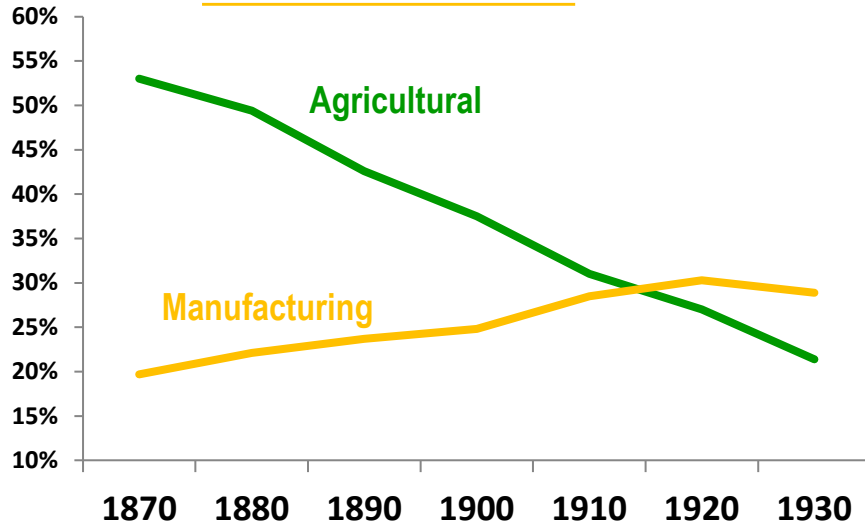
- **How Modern America Is In a New Gilded Age** *(slides 3-8)*
- **How the Last Gilded Age Ended & What It Means for Today** *(slides 9-15)*
- **Where We Are Now: 7 Knowns & Unknowns** *(slides 16-30)*
- **What We're Watching: Q4 '17 Politics & Policy** *(slides 31-35)*

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

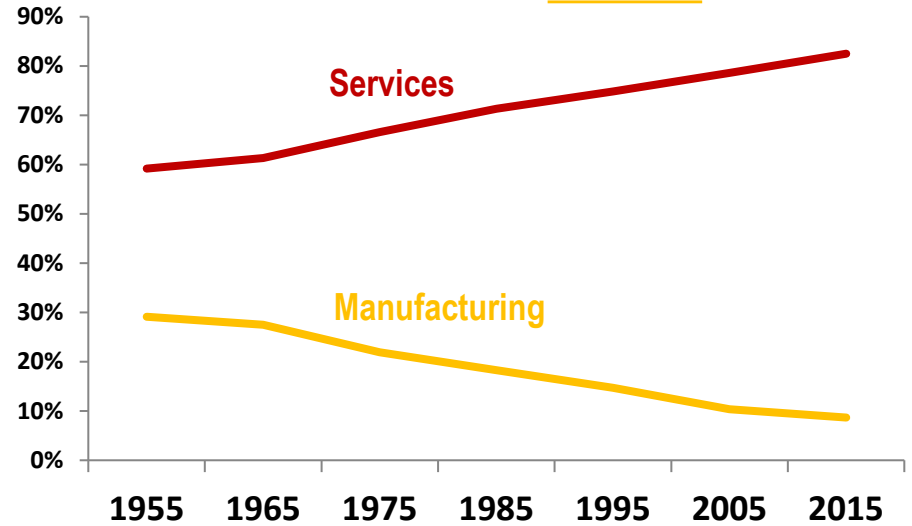
# Gilded Age Economy Saw Rapid, Disruptive Change

## 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

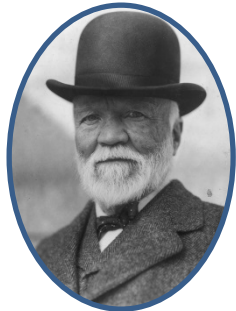


Laws & regulations designed for the past century fail to cover new economy

# 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



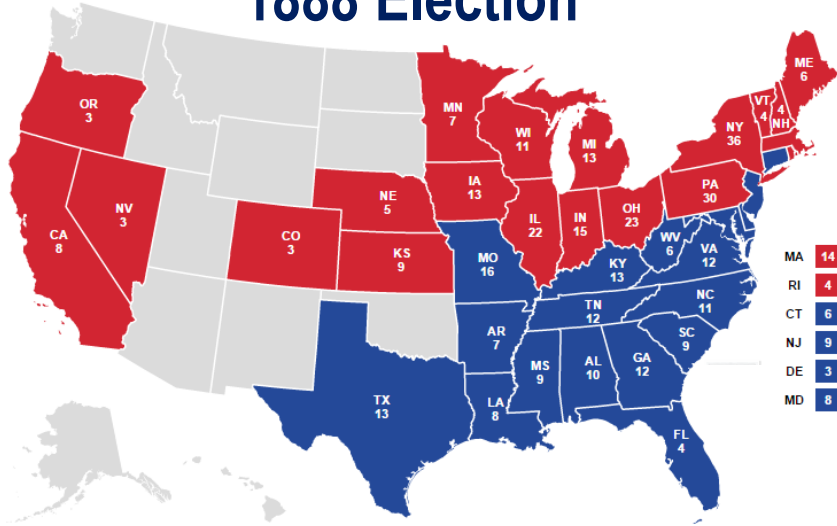
Dominant firms build huge market share



# Gilded Age Politics Have Returned

## Intensely Divided Red & Blue States

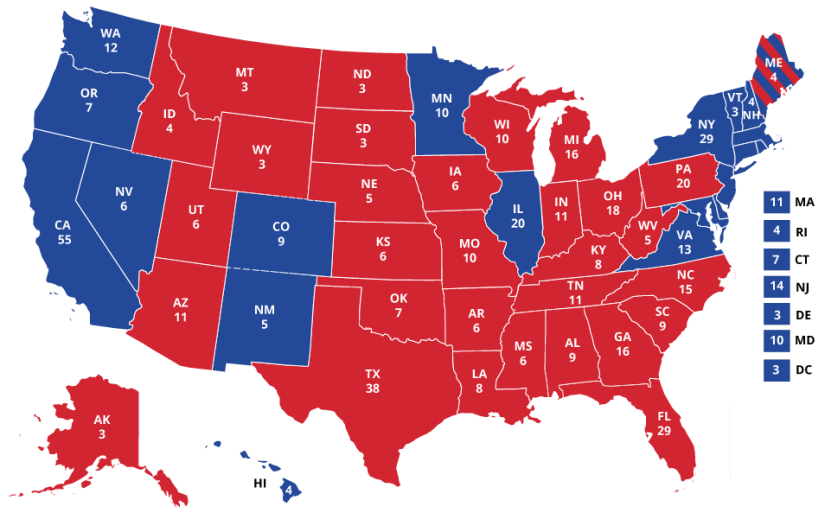
### 1888 Election



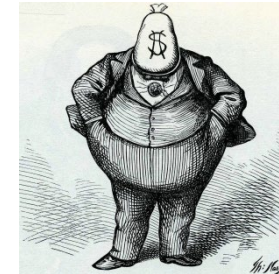
Electoral college winner loses popular vote



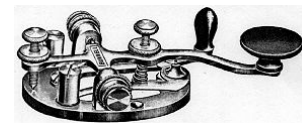
### 2016 Election



Rising share of election spending by fewer ultra-rich financiers



New communications technologies engender media sensationalism

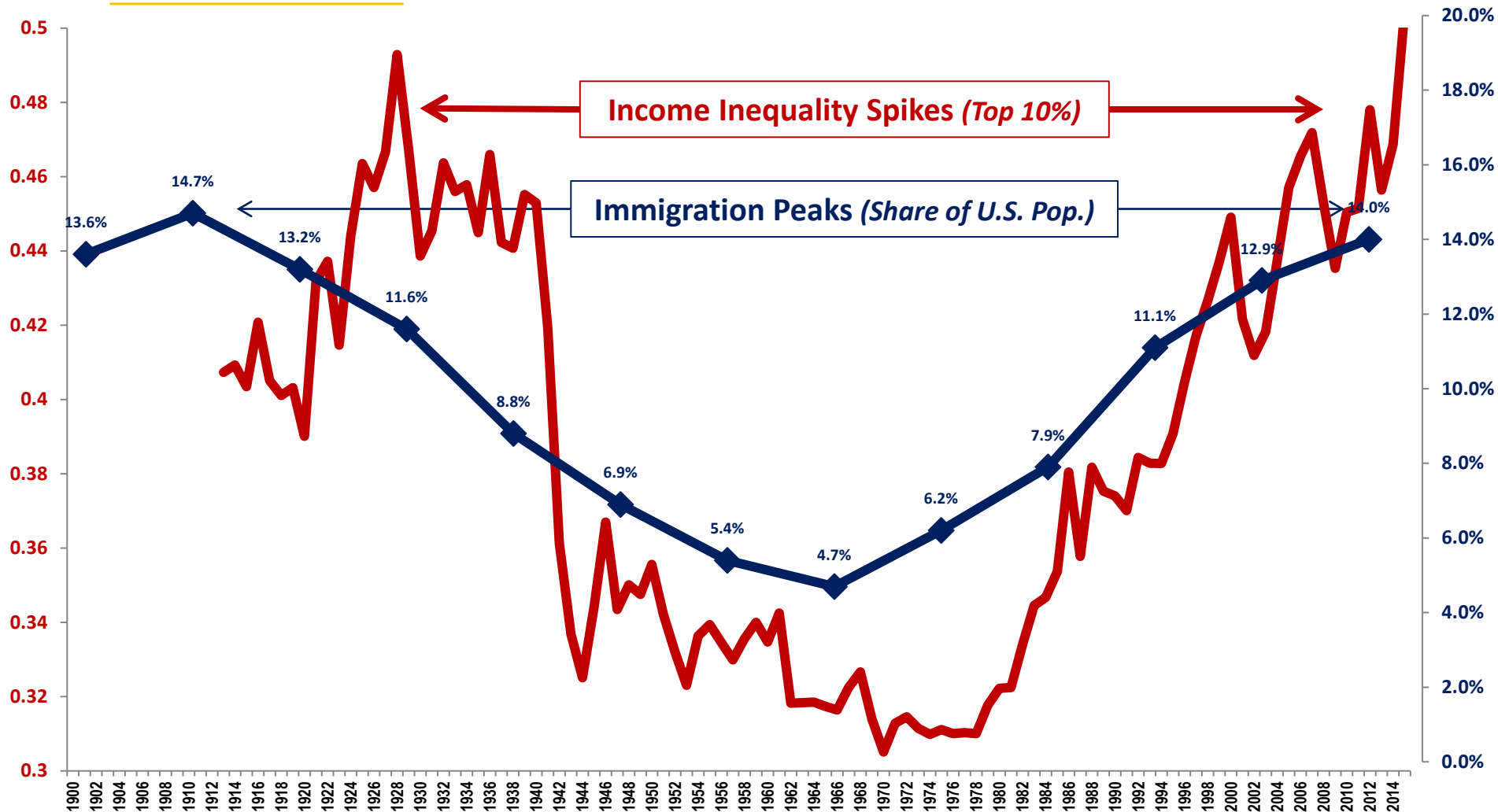


# Demographic Disruptions Drive Social Angst

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



# Fear & Frustration Fuel Populist Backlash



**\$ IN YOUR POCKET \$**  
Protect Your Job—Your Farm—Your Business

*The Only Issue Before The Voters is The*  
**PROTECTIVE TARIFF**

**UNDER THE REPUBLICAN PROTECTIVE TARIFF—**  
Employment at High Wages.  
Home Market—The World's Greatest Preserved For the Farmer.  
Expansion of Business.  
Thriving Industry.

**UNDER DEMOCRATIC FREE TRADE—**  
Labor competes with low-paid foreigners.  
Farmer faces flood of imports—

Cheaper Wheat	Canada
Cheaper Eggs	China
Cheaper Sugar	Guatemala
Cheaper Coffee	Argentina
Cheaper Wool	Australia

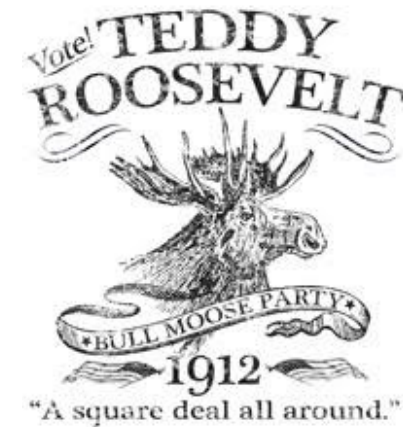
Industry and Business Depressed

**Stand By The Party That Stands By You!**

**VOTE FOR—**

THE TARIFF	AMERICAN PRICES FOR AMERICAN PRODUCTS
LOWER TAXES	PAYMENT FOREIGN DEBTS
RESTRICTED IMMIGRATION	LABOR EMPLOYED
	AMERICAN WAGES FOR AMERICAN WORKERS

**VOTE STRAIGHT REPUBLICAN**  
NEXT TUESDAY--NOVEMBER 2

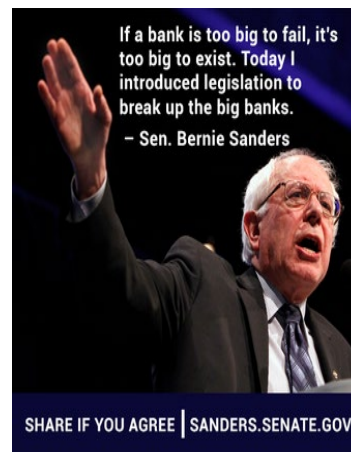


**BLAME IMMIGRANTS**

**FAULT TRADE**

**HIT "GLOBALISTS"**

**ATTACK THE PARTIES**





# How the Last Gilded Age Ended

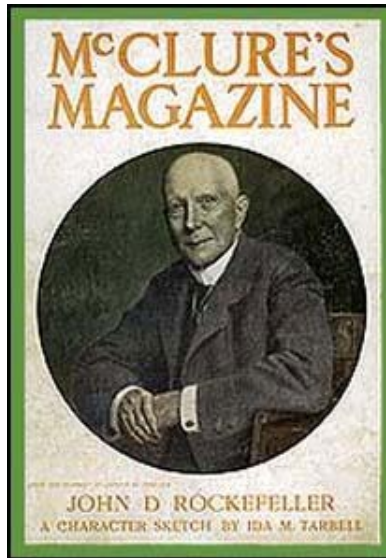
## *And What It Means for Today*

# THEN: Changing World Reshuffles Politics



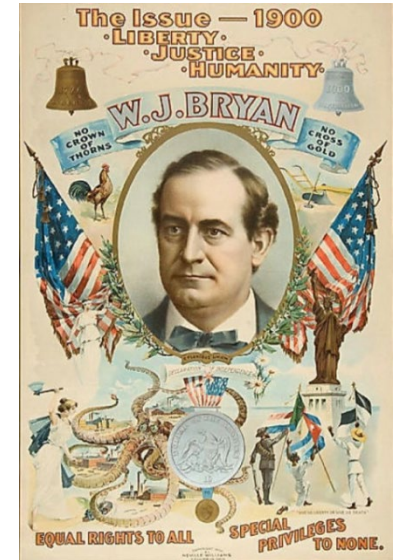
## REFORM REVOLUTIONARIES

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...

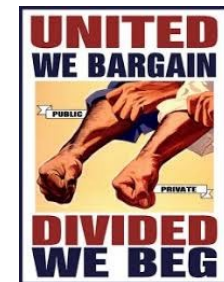


...bans corporate political contributions

## 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

**Top 10 Emerging Technologies**

- Robotics
- 3D Printing
- Gene Editing
- Mobile Technology
- Artificial Intelligence
- Virtual Reality
- Nano Technology
- Internet of Things
- Solar Technology

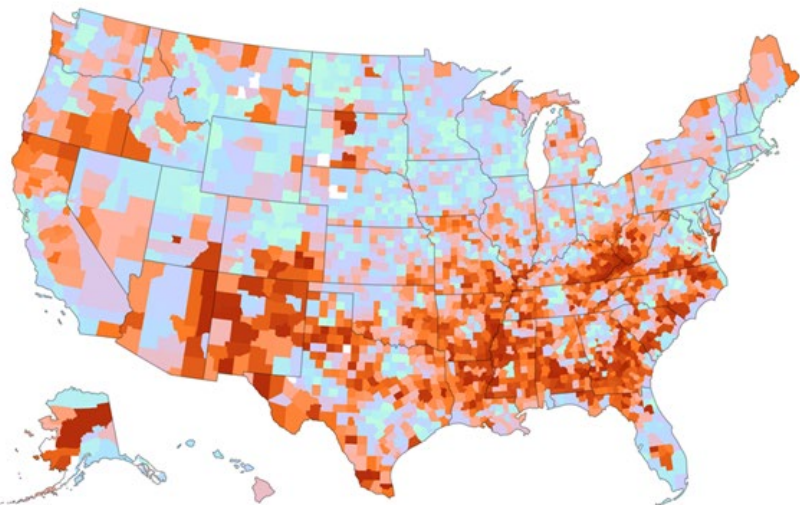
QualityPointTech.Com

# now: Winner's Circle Is Too Small

**Success in Modern America Depends on your...**

## ...Geography

Distressed communities index



## ...Education

Head of the Class

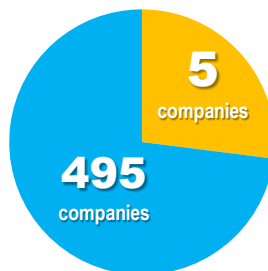
Change in employment level by educational attainment



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

THE WALL STREET JOURNAL

## ...Sector

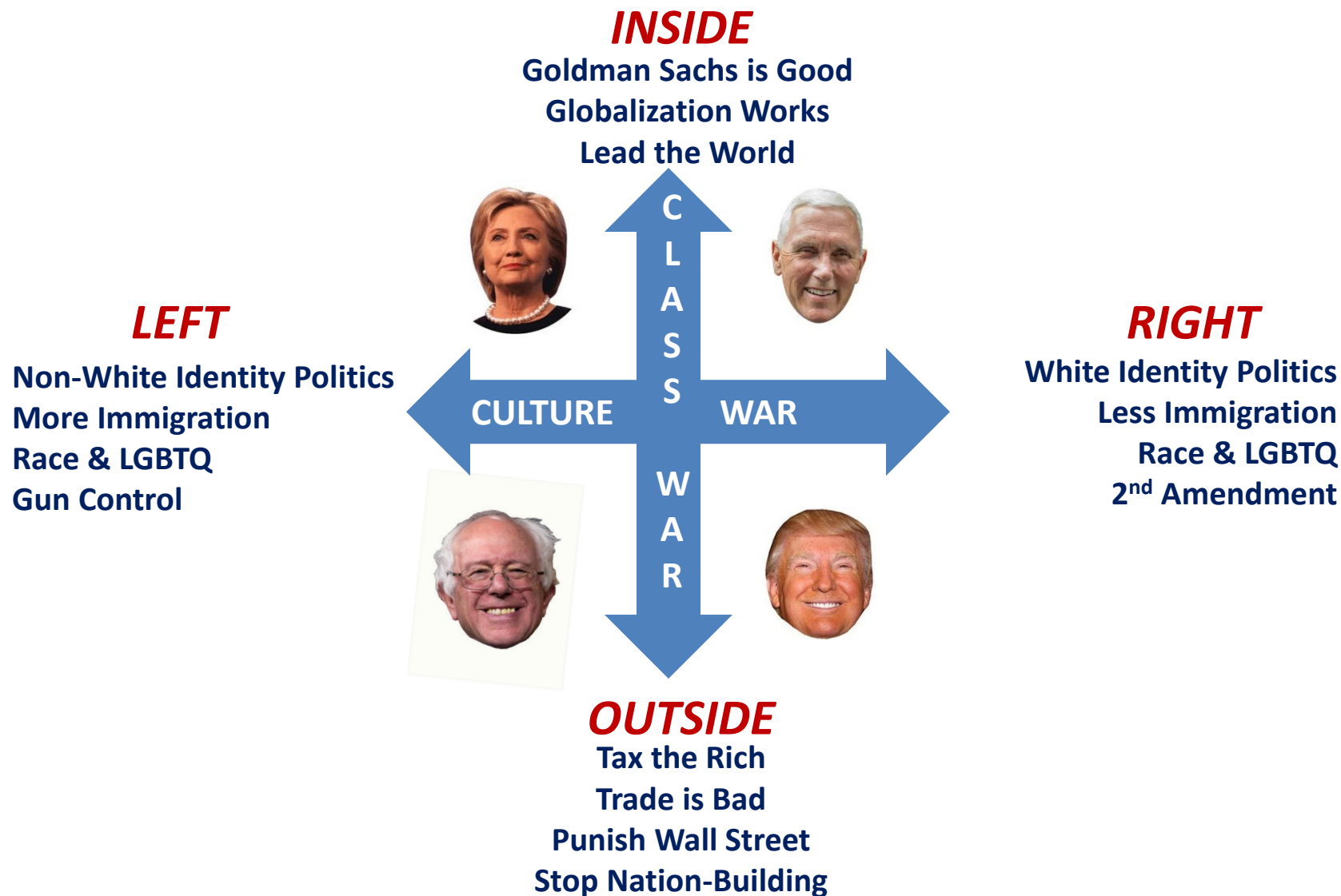


**2017 gains in the S&P 500:**

- ✓ 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





# 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

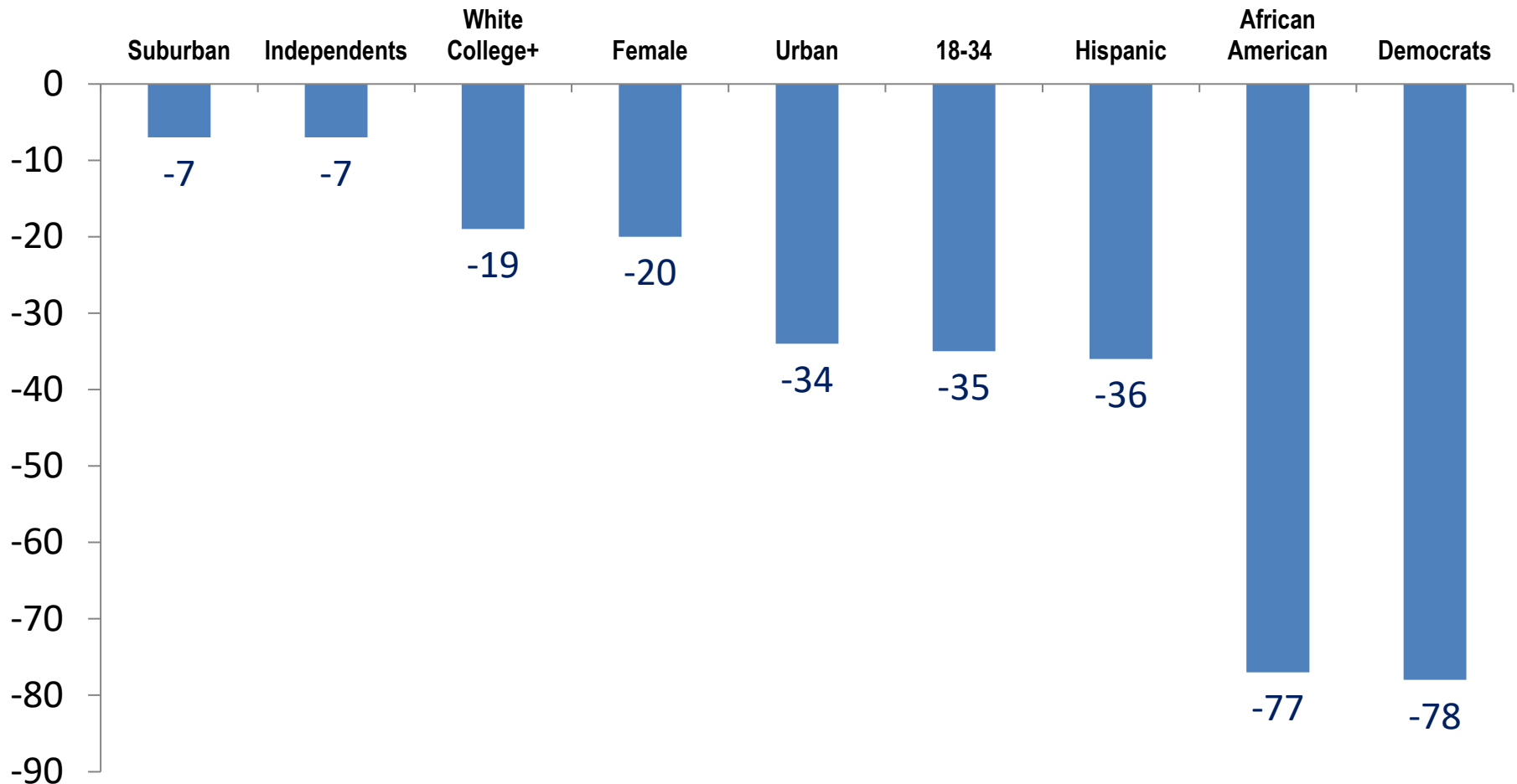
Republicans	+70
Rural	+30
White No College	+22
White (all)	+7
65+	+3
50-64	+2
35-49	+2

Source: NBC/WSJ, Sept. 2017

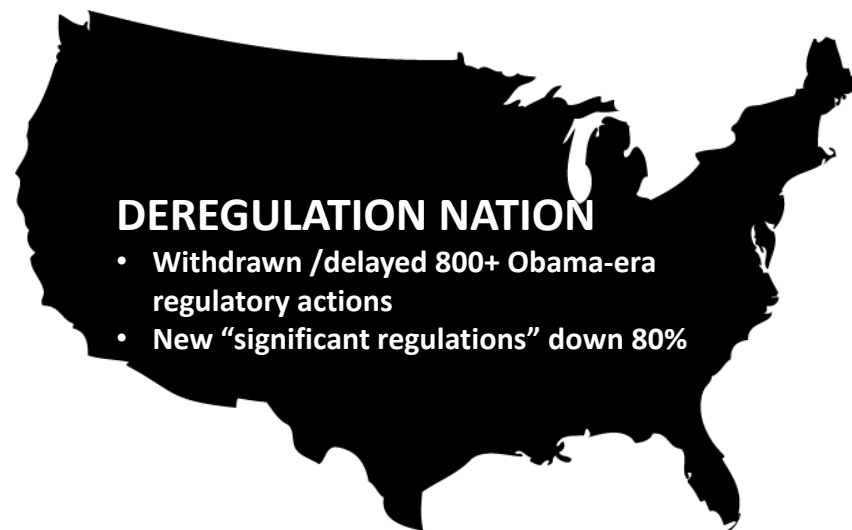
# #1. UNKNOWN: How Can Trump Expand His Base?

**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 <sup>st</sup> Year Through 10/20	
GHW Bush 1989	27.0%
Kennedy 1961	22.9%
<b>TRUMP 2017</b>	<b>20.4%</b>
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%

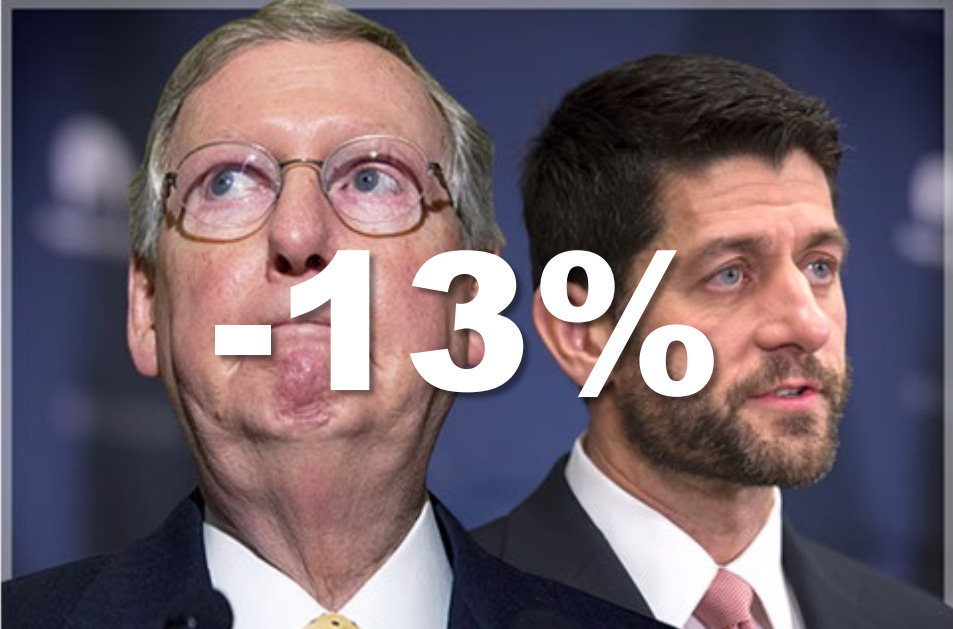


## #2. UNKNOWN: Can Congressional Leaders Win Too?

### *Republican Voters' View of Leadership (Net Right Direction)*



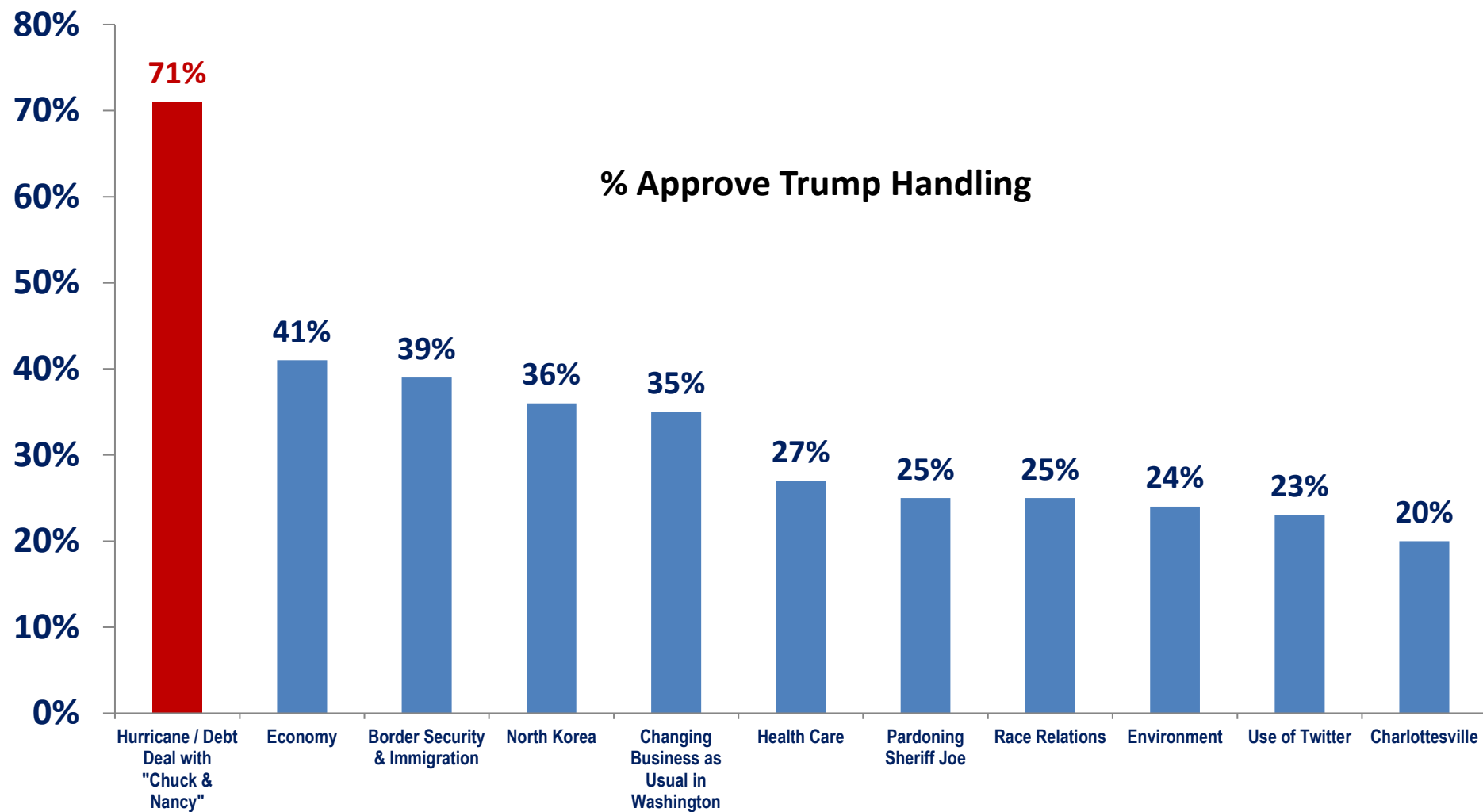
+63%



-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 booted 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 <sup>st</sup> 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
<b>TRUMP (2017)</b>	-19	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<b>-8</b> (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

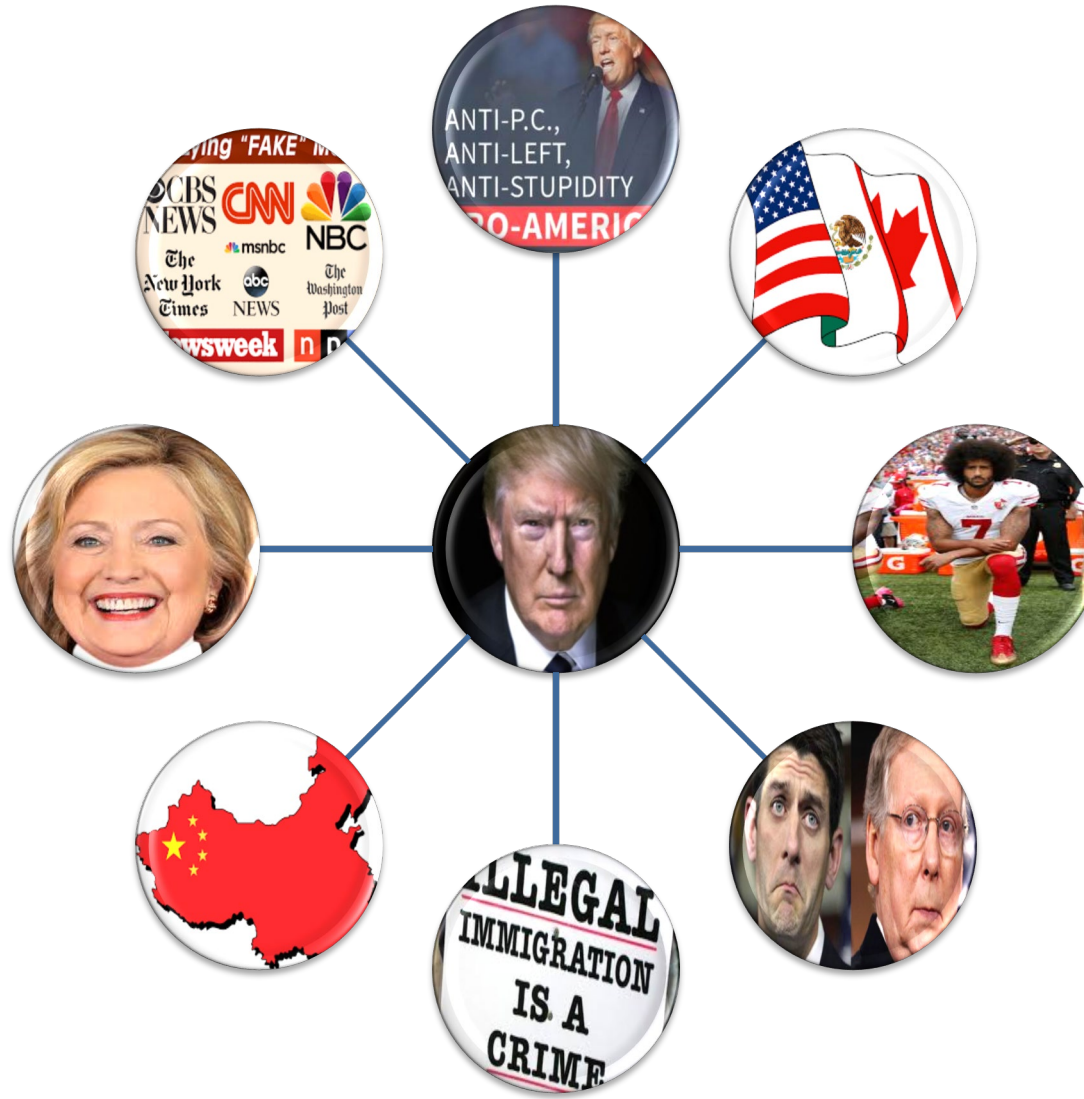
Round 2: Establishment supports incumbents & better candidates

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



**Donald J. Trump** ✓  
@realDonaldTrump

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



**Donald J. Trump** ✓  
@realDonaldTrump

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



**Donald J. Trump** ✓  
@realDonaldTrump

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



**Donald J. Trump** ✓  
@realDonaldTrump

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



**Donald J. Trump** ✓  
@realDonaldTrump

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



**Donald J. Trump** ✓  
@realDonaldTrump

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

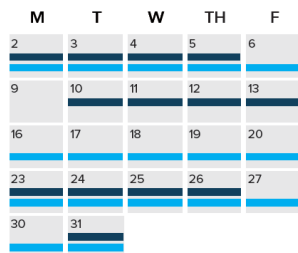
## *Q4 2017 Politics & Policy*

# What Congress Needs to Get Done in Q4

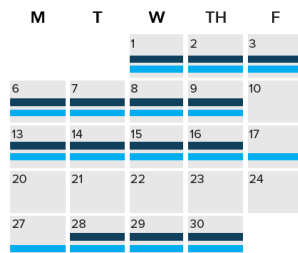
## Congress Unlikely to Do More Than It Must

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

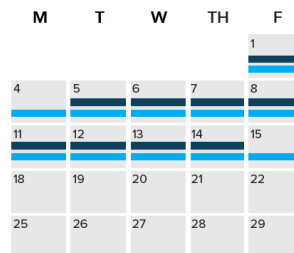
### October



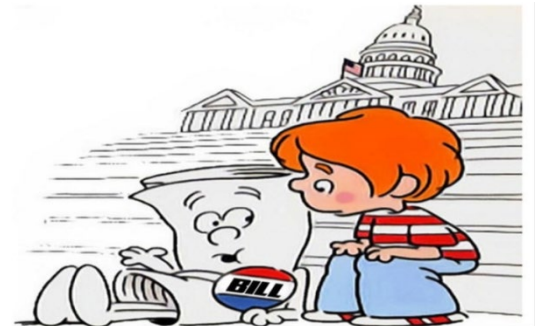
### November



### 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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