THE ROARING 2020’s

The Coming Decade of Disruption & Reform
THE ROARING 2020’s

Capitalism & Its Discontents
- The Best of Times & Worst of Times (slides 4-9)
- Systemic Criticism Reflects New Era (10-13)

The Decade Ahead
- Globalization, Tech Policy & Demographics in the 2020s (14-16)
- Reform Accelerants (17-19)
- Reform Challenges (20-22)
- Reform Agenda, Then & Now (23-24)

Prelude to the New Decade
- Congress in 2019 (26)
- Changing Parties (27-29)
- 2020 Elections (30-33)
Capitalism & Its Discontents

*The Best & Worst of Times*
THE TIDE IS RISING... BUT NOT LIFTING ALL BOATS

Real U.S. GDP (trillions)  
*Up 112.1%*

Real Median Family Income (US)  
*Up 18.5%*

Sources: [Nominal GDP](BEA); [Median income](FRED of St. Louis)
MARKETS SURGING… BUT MOST PEOPLE MISSING OUT

Sources: S&P 500; Family Net Worth (Deloitte)
TECH ENABLING GREATER WEALTH... BUT FEWER JOBS

Employees per $1 Billion Market Cap
(20 Most Valuable Global Companies)

Source: PwC analysis of public data for MCR&T
TAX BURDEN MORE PROGRESSIVE… BUT DEFICITS RISING

Sources: CBO (deficits); Tax Foundation (share of income taxes to ‘16; TPC to ‘18)
GLOBALIZATION GREAT FOR POOREST… AND RICHEST

% of World Population
Living in Poverty

# of Billionaires in
the World

Sources: World Bank (World Poverty Clock); Forbes
Some blame the system.

Hedge fund billionaire Ray Dalio: ‘Capitalism basically is not working for the majority of people’
Published Wed, Jan 16, 2019 - 11:09 AM EST

Ocasio-Cortez: 'Capitalism is irredeemable'
BY MICHAEL BURKE - 03/10/19 12:07 PM EDT

Pete Buttigieg: 'Capitalism has let a lot of people down'
By Veronica Stracqualursi, CNN
Updated 8:59 AM ET, Tue April 16, 2019
“To permit every lawless capitalist, every law-defying corporation, to take any action, no matter how iniquitous, in the effort to secure profit and to build up privilege, would be ruinous to the Republic...”
– Teddy Roosevelt

“Corporations, which should be the carefully constrained creatures of law and the servants of the people, are fast becoming the people’s masters”
– Grover Cleveland

“We had to struggle with the old enemies of peace – business & financial monopoly, speculation, reckless banking, class antagonism, sectionalism, war profiteering.”
– FDR

“The inherent vice of capitalism is the unequal sharing of blessings.”
– Winston Churchill

“The main enemy of the open society, I believe, is no longer the communist but the capitalist threat.”
– George Soros

“Capitalism does not permit an even flow of economic resources. With this system, a small privileged few are rich beyond conscience, and almost all others are doomed to be poor at some level.”
– MLK

“Capitalism has shortfalls. It doesn’t necessarily take care of the poor, and it underfunds innovation.”
– Bill Gates

“The main enemy of the open society, I believe, is no longer the communist but the capitalist threat.”
– George Soros
NEW ERAS BRING DISRUPTION & DISSATISFACTION

The New Gilded Age Resembles The Last Gilded Age

1790’s – 1890’s
AGRARIAN MERCANTILISM

1890’s – 1990’s
INDUSTRIAL CORPORATISM

1990’s –
INTERNET GLOBALISM

Rising income inequality
Insufficient consumer protection
Growing market concentration
Accelerating automation of work
Hyper-partisan politics
Calls for systemic reform
WE’VE ENTERED A NEW ERA

### Geopolitics
- **1870-1910**: Pax Britannia
- **1920-1940**: World at War
- **1950-2000**: Pax Americana
- **2010-2030**: China Rising

### Trade
- 1950-1980: Increased 32%
- 1980-2000: Fell 64%
- 2000-2020: Increased 366%
- 2020-2030: Down 10%

### U.S. Foreign Policy
- Imperialist
- Isolationist
- Cold Warrior
- Globalist
- America First

### Globalization

<table>
<thead>
<tr>
<th>Year</th>
<th>Foreign Born</th>
<th>Non-White</th>
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<tbody>
<tr>
<td>1870</td>
<td>12.9%</td>
<td>12.9%</td>
</tr>
<tr>
<td>1880</td>
<td>13.5%</td>
<td>14.6%</td>
</tr>
<tr>
<td>1890</td>
<td>12.5%</td>
<td>14.8%</td>
</tr>
<tr>
<td>1900</td>
<td>12.7%</td>
<td>13.6%</td>
</tr>
<tr>
<td>1910</td>
<td>11.9%</td>
<td>13.2%</td>
</tr>
<tr>
<td>1920</td>
<td>11.6%</td>
<td>11.7%</td>
</tr>
<tr>
<td>1930</td>
<td>11.5%</td>
<td>8.8%</td>
</tr>
<tr>
<td>1940</td>
<td>10.2%</td>
<td>6.9%</td>
</tr>
<tr>
<td>1950</td>
<td>12.5%</td>
<td>12.5%</td>
</tr>
<tr>
<td>1960</td>
<td>14.6%</td>
<td>14.6%</td>
</tr>
<tr>
<td>1970</td>
<td>16.5%</td>
<td>16.5%</td>
</tr>
<tr>
<td>1980</td>
<td>20.4%</td>
<td>20.4%</td>
</tr>
<tr>
<td>1990</td>
<td>24.4%</td>
<td>24.4%</td>
</tr>
<tr>
<td>2000</td>
<td>30.9%</td>
<td>30.9%</td>
</tr>
<tr>
<td>2010</td>
<td>36.3%</td>
<td>36.3%</td>
</tr>
<tr>
<td>2020</td>
<td>40.3%</td>
<td>40.3%</td>
</tr>
<tr>
<td>2030</td>
<td>44.2%</td>
<td>44.2%</td>
</tr>
</tbody>
</table>

Sources: Trade (Global Merchandise Exports as % GDP); Immigrants & Race (Census)
The Decade Ahead

Disruption & Reform in the Roaring 2020’s
2020’s (DE)GLOBALIZATION: THE GREAT REBALANCE

Re-emergence of Eastern vs Western Bloc… or U.S. Alone?

- Shrinking market access
- Remaking supply chains
- Increasing security fears
- Splintering internet
### 2020’s TECH: END OF THE PERMISSIONLESS ERA

**Accelerating Global Policy Challenges focusing on:**

<table>
<thead>
<tr>
<th>MARKET POWER</th>
<th>CONSUMER PROTECTION</th>
<th>PLATFORM LIABILITY</th>
<th>SECURITY &amp; NATIONALISM</th>
<th>SOCIAL COMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antitrust</td>
<td>Privacy</td>
<td>Hate Speech</td>
<td>Trade</td>
<td>Taxation</td>
</tr>
<tr>
<td>Data Portability</td>
<td>Digital Addictions</td>
<td>Censorship &amp; Bias</td>
<td>Supply Chain Integrity</td>
<td>Automation &amp; Inequality</td>
</tr>
<tr>
<td>IP</td>
<td>Data Security</td>
<td>Contraband</td>
<td>Encryption</td>
<td>Diversity</td>
</tr>
</tbody>
</table>
2020’s DEMOGRAPHY: NEW AMERICA RISING

Roaring 2020’s Electorate Increasingly Diverse

<table>
<thead>
<tr>
<th>Year</th>
<th>White</th>
<th>Non-White</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>85.4%</td>
<td>14.6%</td>
</tr>
<tr>
<td>1980</td>
<td>79.6%</td>
<td>20.4%</td>
</tr>
<tr>
<td>2000</td>
<td>76.4%</td>
<td>23.6%</td>
</tr>
<tr>
<td>2020</td>
<td>66.7%</td>
<td>33.3%</td>
</tr>
<tr>
<td>2032</td>
<td>59.5%</td>
<td>40.5%</td>
</tr>
</tbody>
</table>

Source: US Census Bureau
### REFORM ACCELERANT #1: ACTIVISM RISING

**Increasing Engagement as Voters, Workers & Consumers**

#### MINORITIES

- "Extremely Interested" in next year's election (Non-white voters)
  - 2011 (Sept): 34%
  - 2015 (July): 25%
  - 2019 (Apr): 48%

#### WOMEN

- More willing to buy products if a company aligned with my values
  - 54 Agree
  - 57 Disagree

- Stop buying products if a company at odds with my values
  - 12 Agree
  - 10 Disagree

#### MILLENNIALS

**Sources:** Fox News (2011/2015/2019); Pew (gender); HKS IOP (Millennial LV's); AP (images).
**REFORM ACCELERANT #2: #NEWPOWER**

Anyone Can Be a Witness, Publisher, Activist… or Leader

Days Between First Election & First Time Magazine Cover

| 3,987 | 5,788 | 7,242 | 778 | 11,431 | 89 |

Source: Time Magazine
Friedman vs. Fink: Social Compact Being Reconsidered

“The only social responsibility of business is to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game.”

-- Milton Friedman, 1970

“[E]very company must not only deliver financial performance, but also show how it makes a positive contribution to society...

Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.”

-- Larry Fink, 2018

Sources: Friedman; Fink
We think our “side” is losing…

On issues that matter to you in politics today, has your side been winning or losing more often?

- Losing: 25%
- Winning: 64%
- Don't Know: 25%

...see the other side as a threat to the nation...

See the other party as a threat to the Nation's well-being...

- Republicans: 45%
- Democrats: 41%

...and prefer pols who stick to positions not compromise

Like elected officials who...

- Stick to their positions: 44%
- Make compromises: 53%

Sources: Pew (losing; threat; stick to positions)
**CHALLENGE #2: FEWER FISCAL / MONETARY TOOLS**

**Fewer Workers Per Retiree**

1950 (16:1) | 1960 (5:1) | 2015 (3:1) | 2035 (2:1)

The number of workers per Social Security retiree is falling.

Source: 2016 Social Security Trustees Report

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**Fewer Discretionary Dollars**

All Tax Revenue Will Go Toward Health Care, Social Security, and Net Interest by 2032

2032: Entitlements plus interest consumes ALL tax revenues

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**Interest Rates Already Low...**

Yields on Long-Term Government Bonds Are at Historically Low Levels across Advanced Economies

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**...and Central Banks Hold Too Much**

As central bank balance sheets have diminished, market volatility has increased.

Sources: Discretionary (Heritage 2016); Rates; Central Banks
REFORM CHALLENGE #3: NO RELIGION

Critical Catalyst for 20th Century Reforms Weaker in 21st Century

Americans’ Religious Identification by % of Population

Source: Analysis of General Social Survey by Ryan P. Burge, E. IL. U in CNN
Capitalism Thrived in the 20th Century as Systems Evolved

Reforming Politics
- Tillman Act of 1907...
  ...bans corporate political contributions

Protecting Consumers
- Federal Trade Commission

Addressing Inequality
- 16th Amendment
  Congress has the right to tax people's incomes.

Fixing Safety Net / Social Compact
- 1935
  Social Security established
- 1875
  First corporate pension
- 1880
  First employee contribution plan
AGENDA FOR THE ROARING 2020’s

TAXES & SPENDING
(TAXES: income, estate, wealth, carried interest, carbon, nonprofits, business share; SPENDING: unfunded entitlements, rural infrastructure)

MODERNIZING THE SAFETY NET
(health care; retirement security; education affordability/relevance; automation adjustment assistance)

REGULATING MARKET EXCESS
(antitrust; environment; data privacy; rules for emerging tech)

REINVENTING THE SOCIAL COMPACT
(stakeholders vs shareholders; political reforms; broadening opportunity)
Prelude to a New Decade

The Politics of 2019-2020
# 2019: Deals or Distractions?

<table>
<thead>
<tr>
<th><strong>Legislating</strong></th>
<th><strong>Fighting</strong></th>
<th><strong>Regulating</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt ceiling</td>
<td>Oversight &amp; Subpoenas</td>
<td>Judicial nominations</td>
</tr>
<tr>
<td>Sequester relief &amp; FY21</td>
<td>Mueller Report fallout…</td>
<td>TRADE: China tariffs &amp; “cease fire” deal</td>
</tr>
<tr>
<td>Aprops (or shutdown 10/1)</td>
<td>Impeachment?</td>
<td>TRADE: New export controls on tech</td>
</tr>
<tr>
<td>Disaster relief</td>
<td>Border security &amp; wall funding</td>
<td>TRADE: Autos, steel, aluminum, uranium</td>
</tr>
<tr>
<td>Nat’l Flood insurance (expires 5/31/19)</td>
<td>Green New Deal &amp; climate regulations</td>
<td>TRADE: EU, UK, Japan deals</td>
</tr>
<tr>
<td>Data Privacy</td>
<td>2020 Dem Presidential debates start in June ‘19</td>
<td>HEALTH: Rx pricing &amp; annual Medicare payment regulations</td>
</tr>
<tr>
<td>HEALTH: Prescription Drug prices, ‘surprise bills’ &amp; health care affordability</td>
<td>Trump team turnover &amp; fights vs Media</td>
<td>TAX: Implementing TCJA</td>
</tr>
<tr>
<td>USMCA (new NAFTA)</td>
<td>FTC privacy cases</td>
<td>FCC 5G spectrum</td>
</tr>
<tr>
<td>Tax Extenders/Fixes (expired)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA Freedom (expiring)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher Education Act</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
THE PARTIES IN 2019: UNITED BY TRUMP

Source: Gallup

Other Party Approval after 27 Months (Gallup)

Own Party Approval after 27 Months (Gallup)
Primary-voting “partisans react most favorably toward ideological extremists”

% of Democrats Who Call Themselves “Liberal”

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>25%</td>
</tr>
<tr>
<td>2018</td>
<td>51%</td>
</tr>
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</table>

Sources: Quote = Y. Lelkes, U. Penn; Gallup per Five Thirty-Eight
### FUTURE AGENDA OF GOP?... TURNS ON 2020

<table>
<thead>
<tr>
<th><strong>TRUMP WINS IN 2020</strong></th>
<th><strong>TRUMP LOSES IN 2020</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ECONOMIC</strong></td>
<td>Reformicons return?</td>
</tr>
<tr>
<td>Defend capitalism, fight “socialism”</td>
<td></td>
</tr>
<tr>
<td>Deficits don’t matter</td>
<td>Born-again deficit hawks</td>
</tr>
<tr>
<td><strong>FISCAL</strong></td>
<td></td>
</tr>
<tr>
<td>America First, con’t.</td>
<td>Rebuild Western alliance</td>
</tr>
<tr>
<td><strong>FOREIGN POLICY</strong></td>
<td></td>
</tr>
<tr>
<td>Tariff Man/ US vs China</td>
<td>US &amp; Allies vs China</td>
</tr>
<tr>
<td><strong>TRADE</strong></td>
<td></td>
</tr>
<tr>
<td>Continued hard line</td>
<td>Modest moderation</td>
</tr>
<tr>
<td><strong>IMMIGRATION</strong></td>
<td></td>
</tr>
<tr>
<td>Pro-Gun, Pro-Life, anti-PC</td>
<td>Pro-Gun, Pro-Life, softer tone</td>
</tr>
<tr>
<td><strong>SOCIAL</strong></td>
<td></td>
</tr>
<tr>
<td><strong>ENERGY</strong></td>
<td>Growing climate interest</td>
</tr>
<tr>
<td>100% deregulatory</td>
<td></td>
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</table>
CHANGE ELECTIONS ARE THE NEW NORMAL

ELECTIONS AHEAD: BET ON CHANGE?

Change in Control of House, Senate and/or White House


ELECTION 2020
2020 CONGRESSIONAL BATTLEFIELD

**GOP NEEDS 18 TO WIN HOUSE**

<table>
<thead>
<tr>
<th>2016 Presidential Margin in District</th>
<th>D SEATS 235</th>
<th>R SEATS 199</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinton 5+</td>
<td>187</td>
<td>0</td>
</tr>
<tr>
<td>Clinton 0-5</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>Trump 0-5</td>
<td>18</td>
<td>2</td>
</tr>
<tr>
<td>Trump 5+</td>
<td>13</td>
<td>194</td>
</tr>
</tbody>
</table>

**DEMNS NEED 4 TO WIN SENATE**

<table>
<thead>
<tr>
<th>2016 Presidential Margin in District</th>
<th>D STATES 12</th>
<th>R STATES 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clinton 5+</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Clinton 0-5</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Trump 0-5</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Trump 5+</td>
<td>1</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: D. Wasserman (House); Photos licensed from AP
2020 PRESIDENTIAL CAMPAIGN

TRUMP TAILWINDS

1. JOB APPROVAL: (45) > Reagan (41) & Clinton (44) at same time
2. BASE: Historic approval
3. CHOICE: Elections are a choice, not referendum
4. ELECTORAL COLLEGE: all that counts, not national popular vote
5. BET: on “Anti-Establishment”
6. OPPONENTS: Help... many Foils on Left / “Socialism”
7. ECONOMY: Still hot... 3.8% unemployment, confidence high

TRUMP HEADWINDS

1. JOB APPROVAL: stuck, only POTUS never > 50%
2. BASE: Historic #resistance
3. CHOICE: 53% of voters will “definitely not” vote Trump†
4. Trump approval under water* in MI -12, WI -12, PA -7, OH -5
5. BET: on “Change”
6. OPPONENTS: Hurt... intense media scrutiny & oversight
7. ECONOMY: Recession risks growing, esp. globally

Sources: †Quinnipiac, Mar. 2019 (53%); * Morning Consult, Apr. 2019 (states)
### No Recession in 2 Years Before Election

<table>
<thead>
<tr>
<th>RECESSION?</th>
<th>President (Year)</th>
<th>REELECTION?</th>
</tr>
</thead>
<tbody>
<tr>
<td>NO</td>
<td>Obama (2012)</td>
<td>YES</td>
</tr>
<tr>
<td>NO</td>
<td>Bush 43 (2004)</td>
<td>YES</td>
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<tr>
<td>NO</td>
<td>Clinton (1996)</td>
<td>YES</td>
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<tr>
<td>NO</td>
<td>Reagan (1984)</td>
<td>YES</td>
</tr>
<tr>
<td>NO</td>
<td>Nixon (1972)</td>
<td>YES</td>
</tr>
<tr>
<td>NO</td>
<td>LBJ (1964)</td>
<td>YES</td>
</tr>
<tr>
<td>NO</td>
<td>IKE (1956)</td>
<td>YES</td>
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<tr>
<td>NO</td>
<td>Truman (1948)</td>
<td>YES</td>
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<td>NO</td>
<td>FDR (1944)</td>
<td>YES</td>
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<tr>
<td>NO</td>
<td>FDR (1940)</td>
<td>YES</td>
</tr>
<tr>
<td>NO</td>
<td>FDR (1936)</td>
<td>YES</td>
</tr>
<tr>
<td>NO</td>
<td>Wilson (1916)</td>
<td>YES</td>
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</table>

### Recession in 2 Years Before Election

<table>
<thead>
<tr>
<th>RECESSION?</th>
<th>President (Year)</th>
<th>REELECTION?</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES</td>
<td>Bush 41 (1992)</td>
<td>NO</td>
</tr>
<tr>
<td>YES</td>
<td>Carter (1980)</td>
<td>NO</td>
</tr>
<tr>
<td>YES</td>
<td>Ford (1976)</td>
<td>NO</td>
</tr>
<tr>
<td>YES</td>
<td>Hoover (1932)</td>
<td>NO</td>
</tr>
<tr>
<td>YES</td>
<td>Coolidge (1924)</td>
<td>YES</td>
</tr>
<tr>
<td>YES</td>
<td>Taft (1912)</td>
<td>NO</td>
</tr>
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</table>

Sources: Recessions ([Wikipedia](https://en.wikipedia.org/wiki/Recession)); Observation (Adrian Gray)
is one of the nation’s most innovative government relations firms, offering strategic solutions to companies, trade associations, non-profits, and entrepreneurs that help them succeed in Washington.

OTHER RECENT MCR&T ANALYSES: