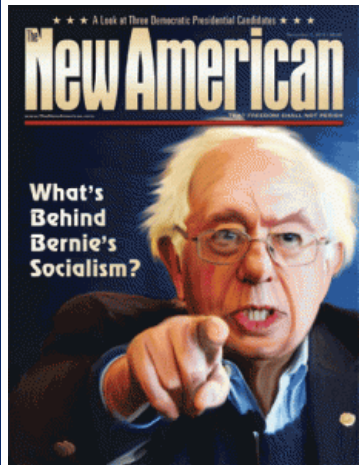


THE ROARING 2020's



The Coming Decade of Disruption & Reform

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THE ROARING 2020's

Capitalism & Its Discontents

- The Best of Times & Worst of Times (slides 4-9)
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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)

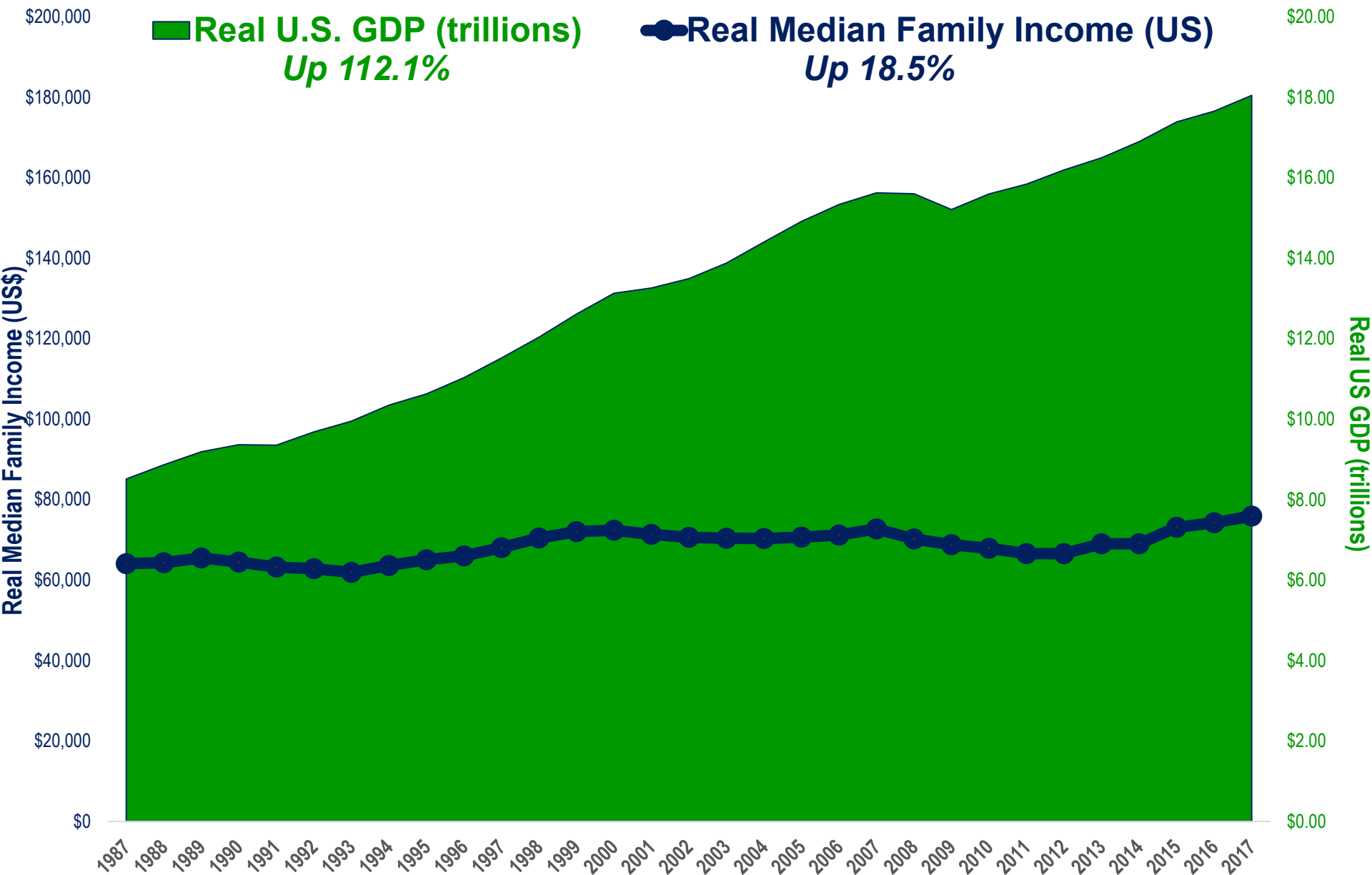
Prelude to the New Decade

- Congress in 2019 (26)
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Capitalism & Its Discontents

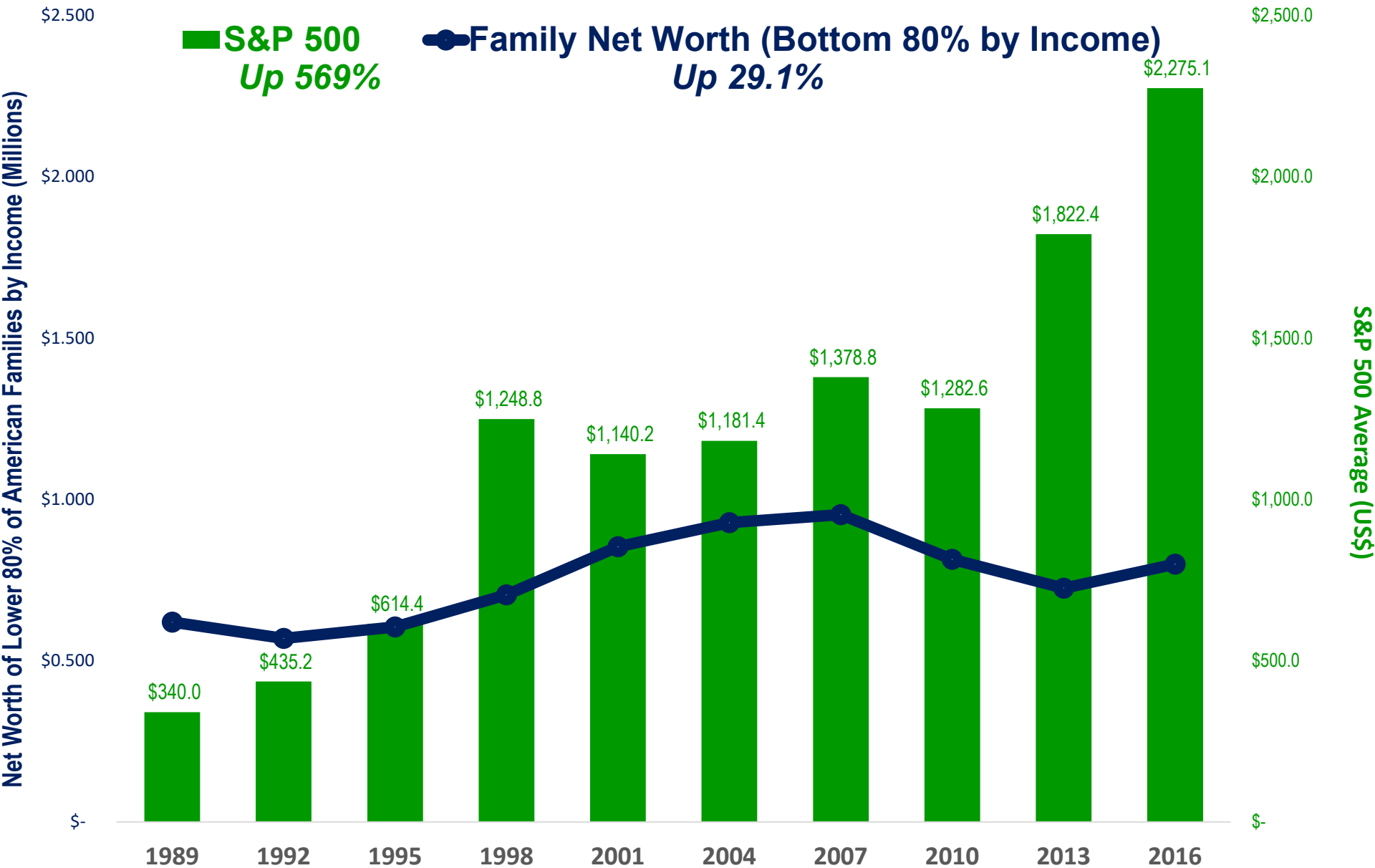
The Best & Worst of Times

THE TIDE IS RISING... BUT NOT LIFTING ALL BOATS



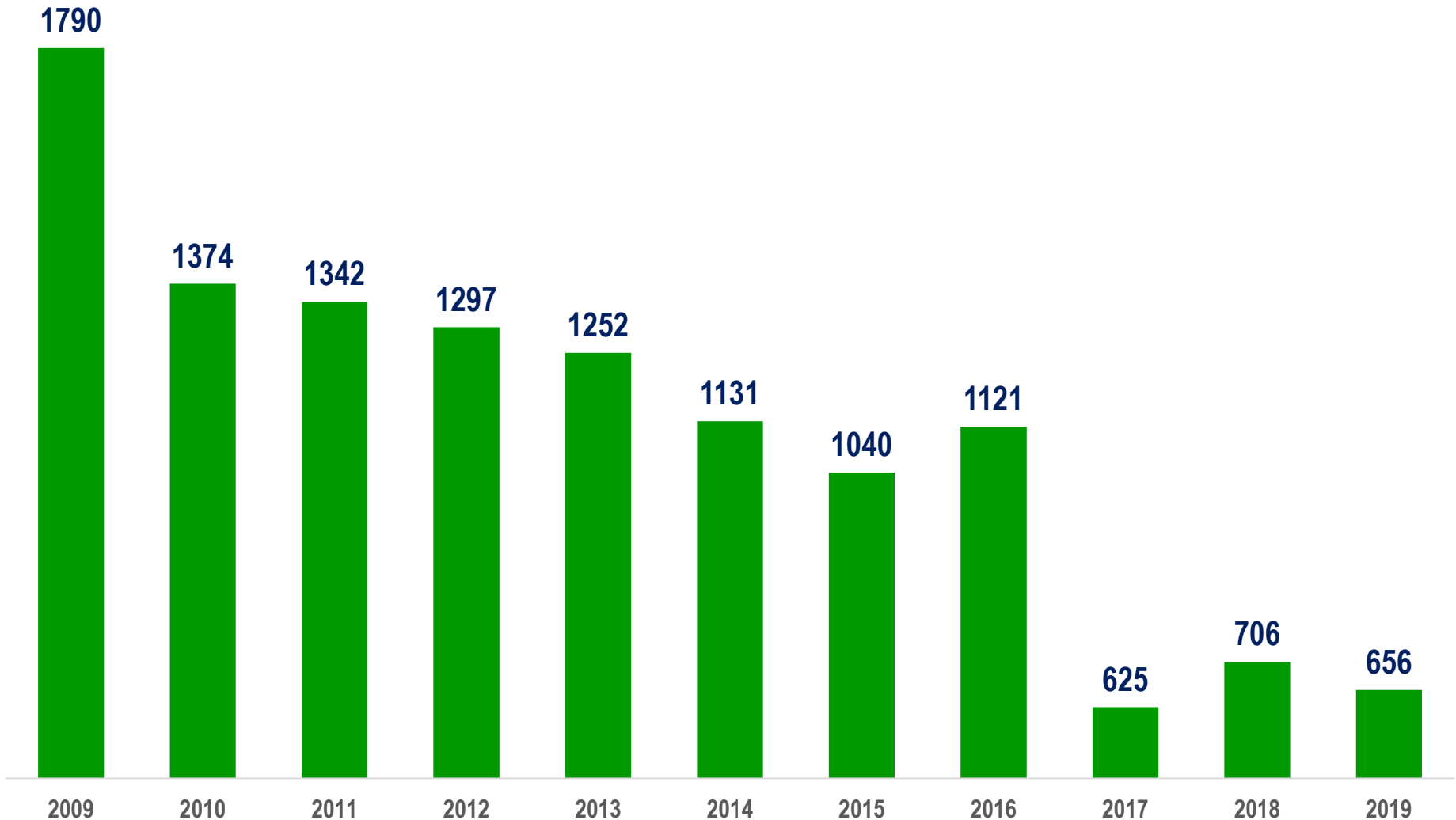
Sources: [Nominal GDP](#) (BEA); [Median income](#) (FRED of St. Louis)

MARKETS SURGING... BUT MOST PEOPLE MISSING OUT

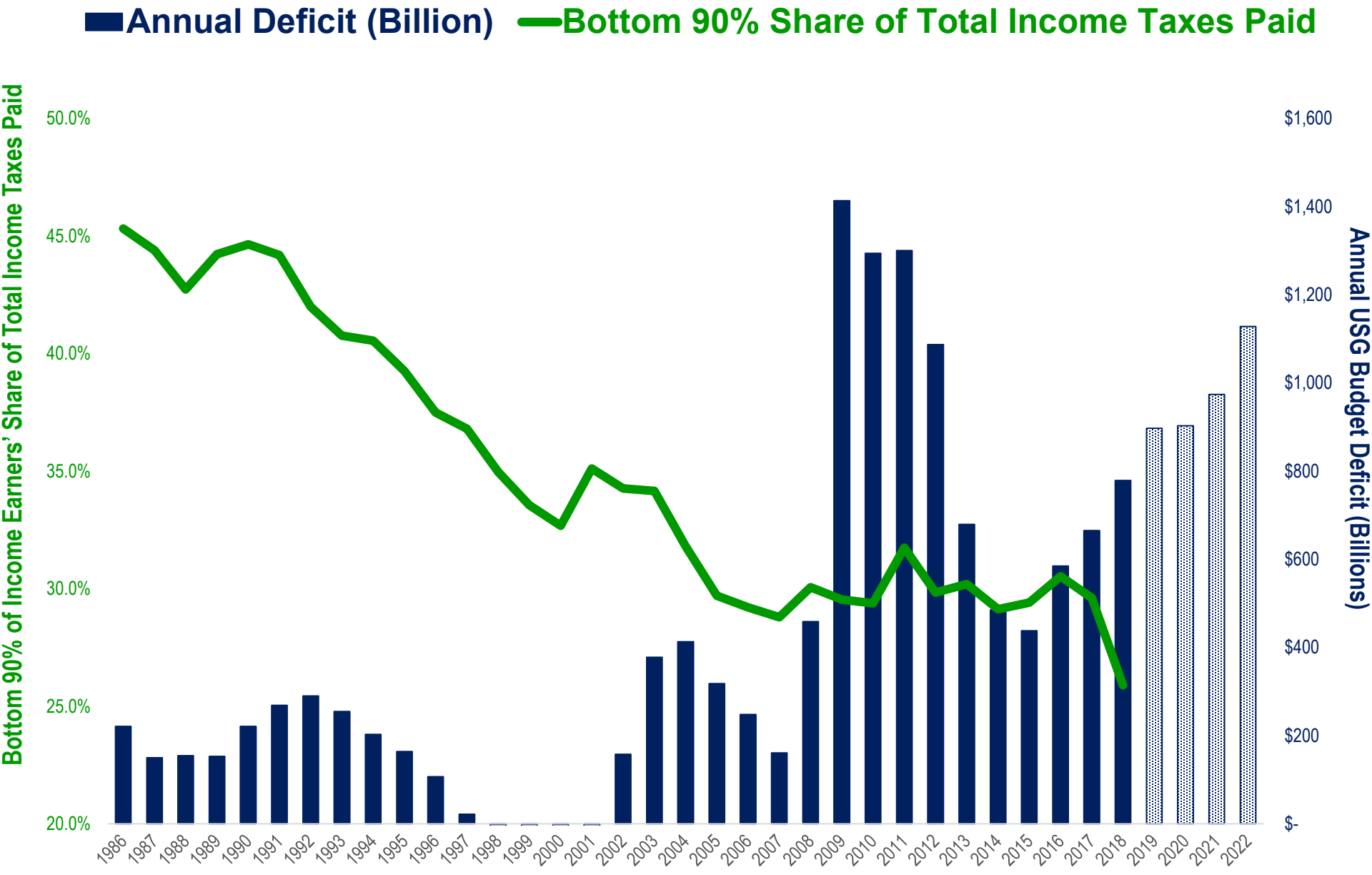


TECH ENABLING GREATER WEALTH... BUT FEWER JOBS

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

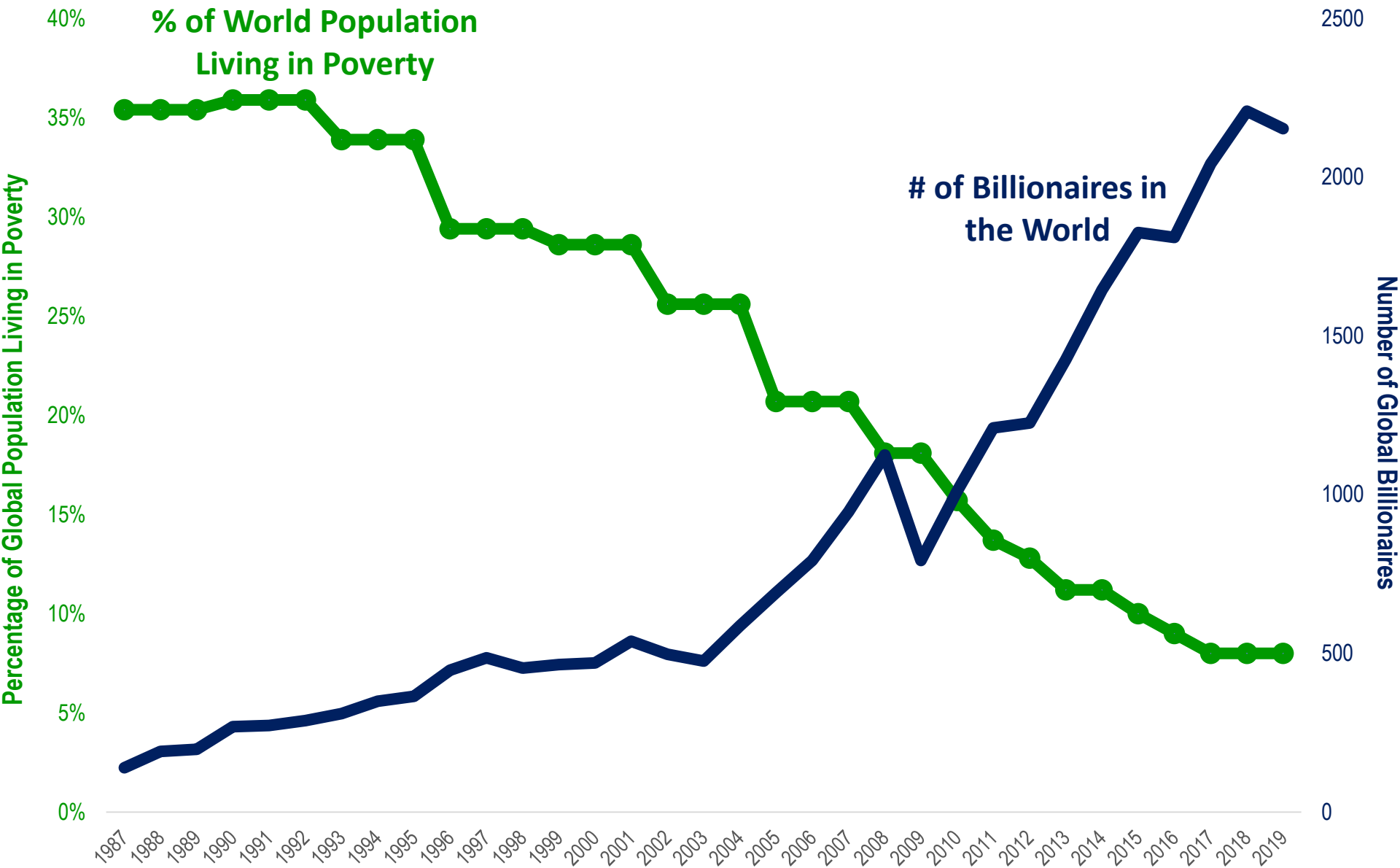


TAX BURDEN MORE PROGRESSIVE... BUT DEFICITS RISING



Sources: [CBO](#) (deficits); [Tax Foundation](#) (share of income taxes to '16; [TPC](#) to '18)

GLOBALIZATION GREAT FOR POOREST... AND RICHEST



Sources: World Bank (World Poverty Clock); Forbes

SOME BLAME THE SYSTEM



Every Billionaire Is A Policy Failure ✓

@DanRiffle



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

BUT CAPITALISM IS ALWAYS BEING CRITICIZED

“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



“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



1880 1890 1900 1910 1920 1930 1940 1950 1960 1970 1980 1990 2000 2010 2020

“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



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

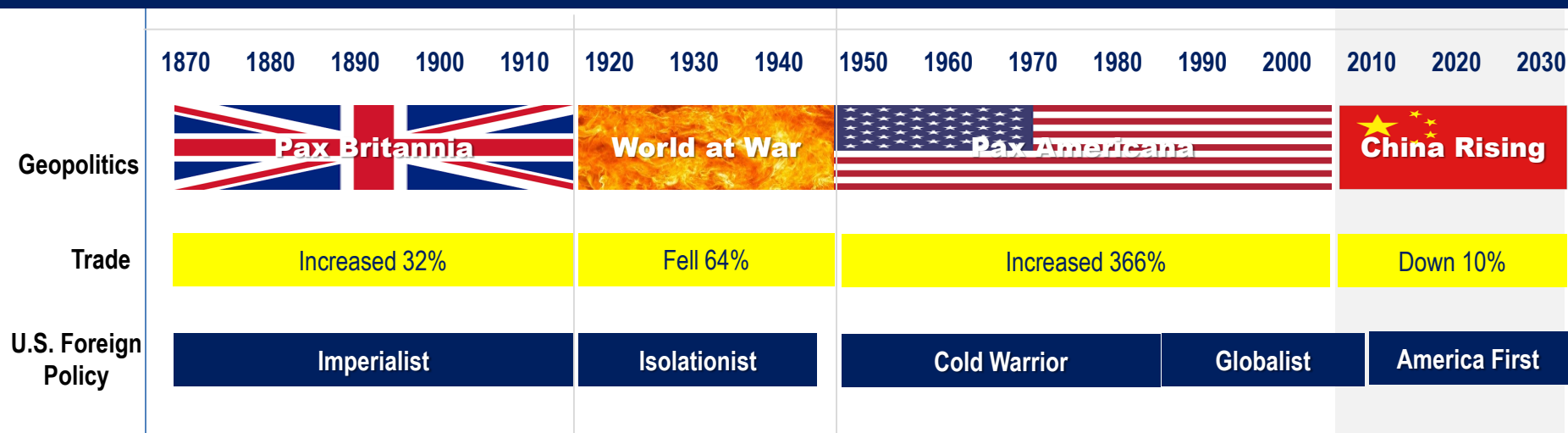
Accelerating automation of work

Hyper-partisan politics

Calls for systemic reform

WE'VE ENTERED A NEW ERA

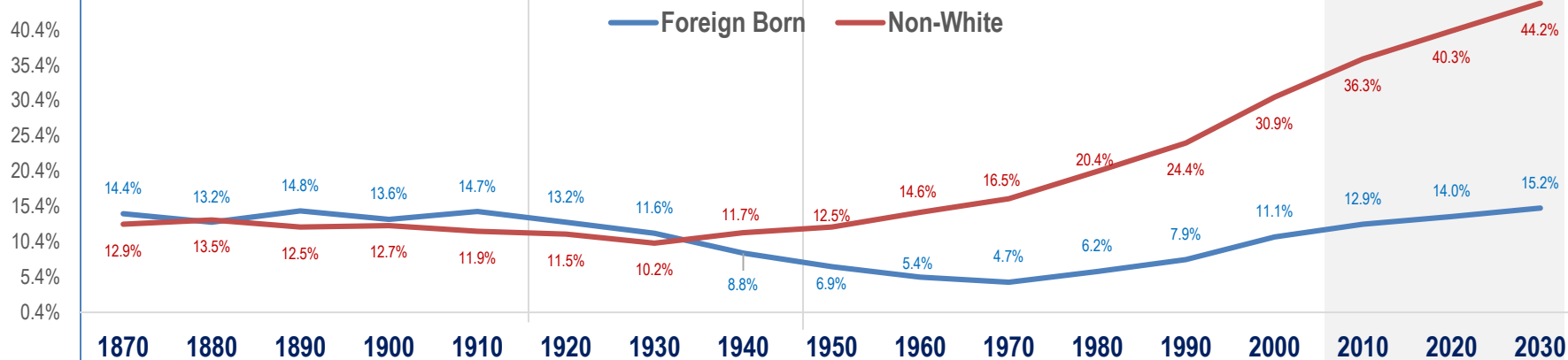
GLOBALIZATION



TECHNOLOGY



U.S. DEMOGRAPHY



MEHLMAN CASTAGNETTI
ROSEN & THOMAS

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?



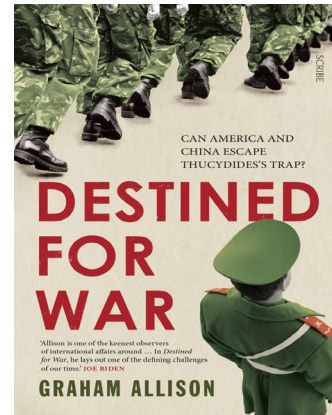
Shrinking market access



Remaking supply chains



Increasing security fears

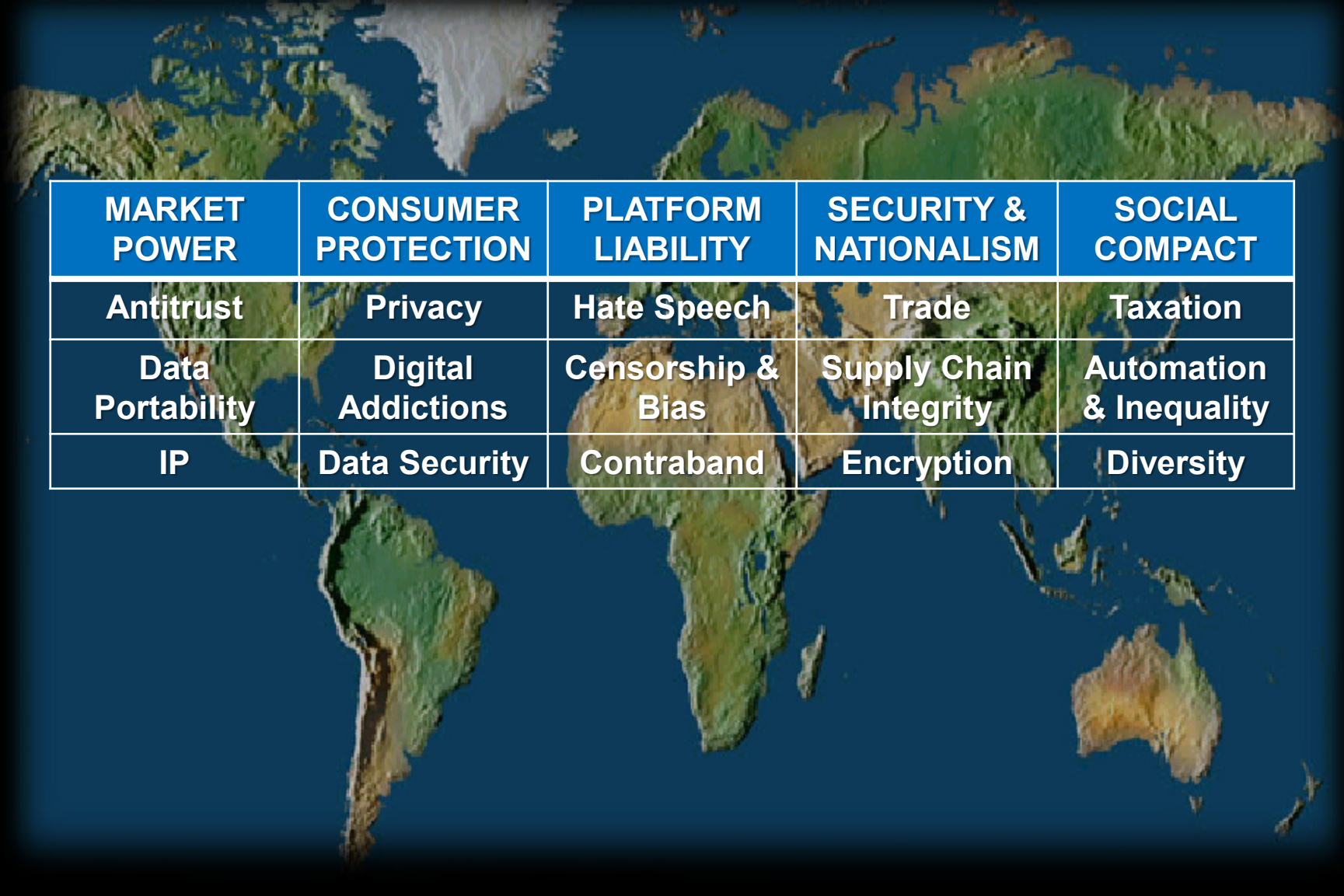


Splintering internet



2020's TECH: END OF THE PERMISSIONLESS ERA

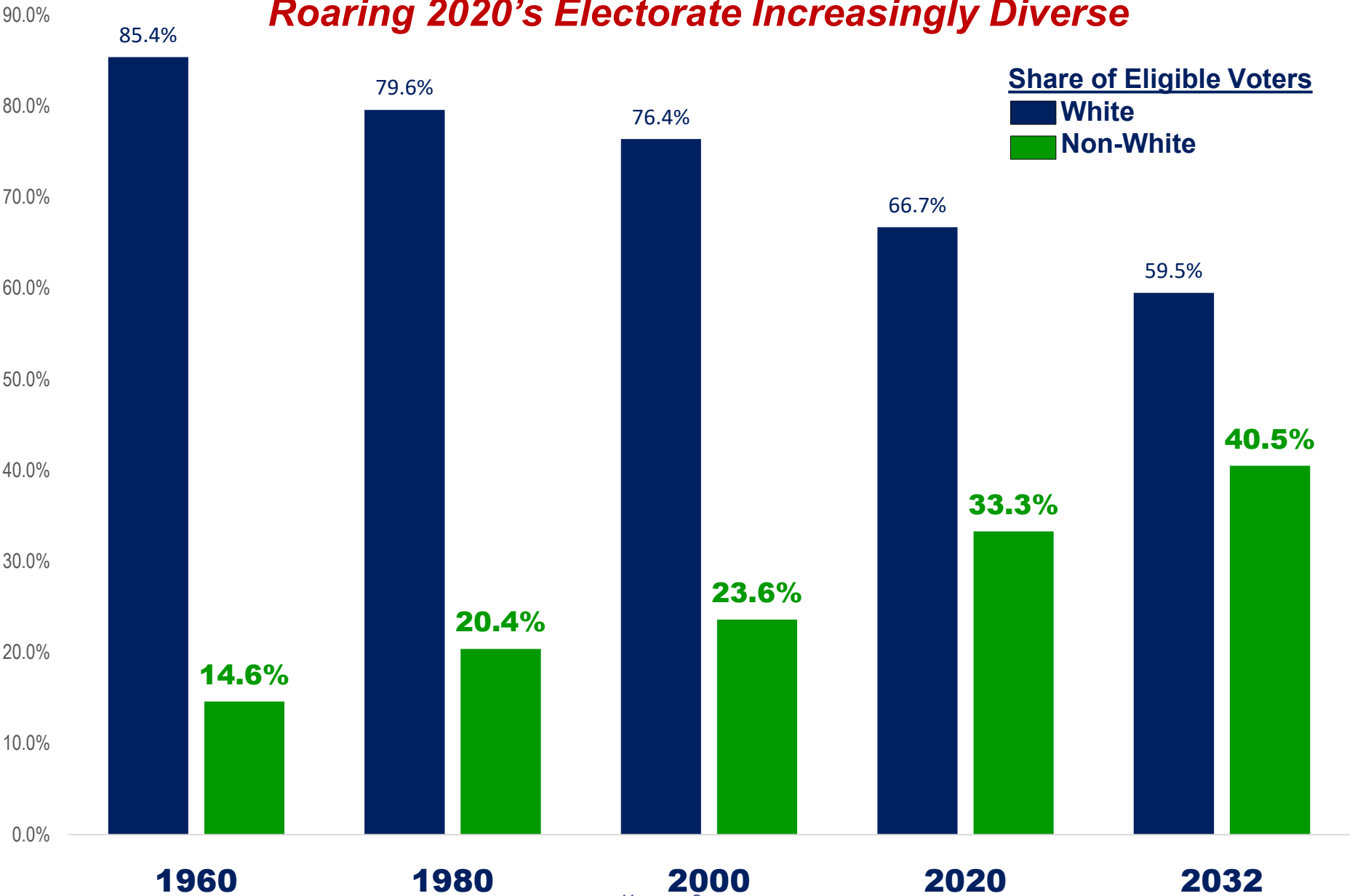
Accelerating Global Policy Challenges focusing on:



MARKET POWER	CONSUMER PROTECTION	PLATFORM LIABILITY	SECURITY & NATIONALISM	SOCIAL COMPACT
Antitrust	Privacy	Hate Speech	Trade	Taxation
Data Portability	Digital Addictions	Censorship & Bias	Supply Chain Integrity	Automation & Inequality
IP	Data Security	Contraband	Encryption	Diversity

2020's DEMOGRAPHY: NEW AMERICA RISING

Roaring 2020's Electorate Increasingly Diverse

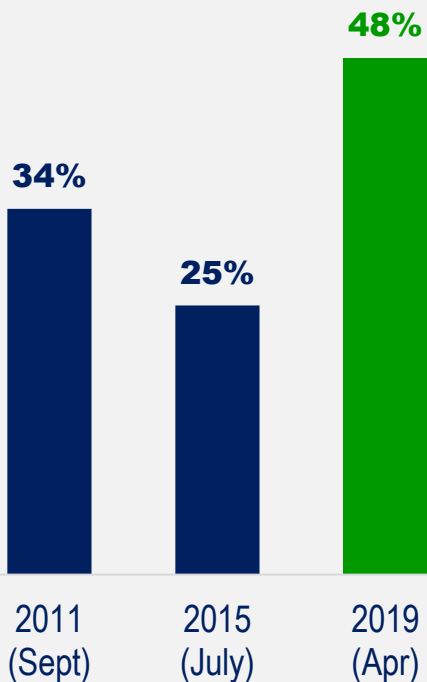


REFORM ACCELERANT #1: ACTIVISM RISING

Increasing Engagement as Voters, Workers & Consumers

MINORITIES

"Extremely Interested" in next year's election
(Non-white voters)



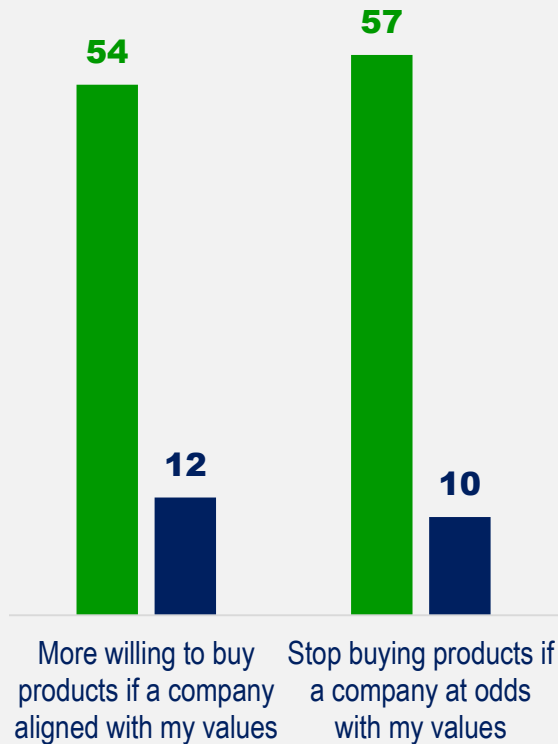
**BLACK
LIVES
MATTER**

WOMEN



MILLENNIALS

■ Agree ■ Disagree



**MARCH
FOR OUR
LIVES**

REFORM ACCELERANT #2: #NEWPOWER

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

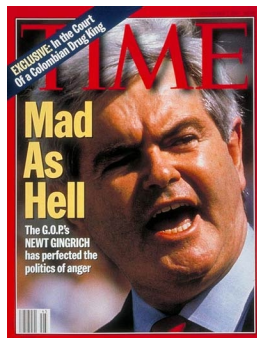


Days Between First Election & First Time Magazine Cover

3,987



5,788



7,242



778



11,431

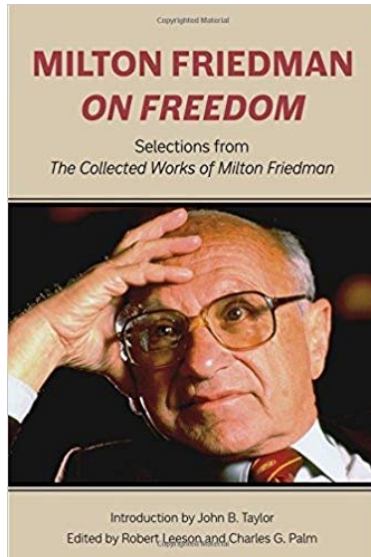


89



REFORM ACCELERANT #3: NEW LEADERS EMERGING

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...

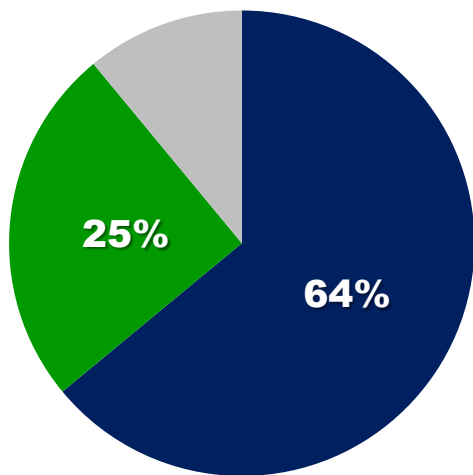
Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.”

-- Larry Fink, 2018

REFORM CHALLENGE #1: NO MOOD TO COMPROMISE

We think our "side" is losing...

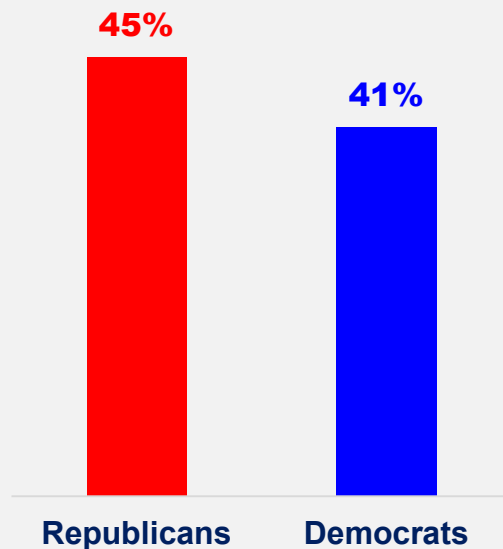
On issues that matter to you in politics today, has your side been winning or losing more often?



■ Losing ■ Winning ■ Don't Know

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

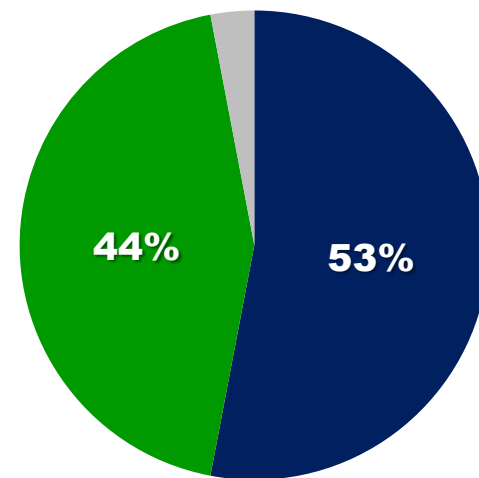
See the other party as a threat to the Nation's well-being...



Republicans Democrats

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

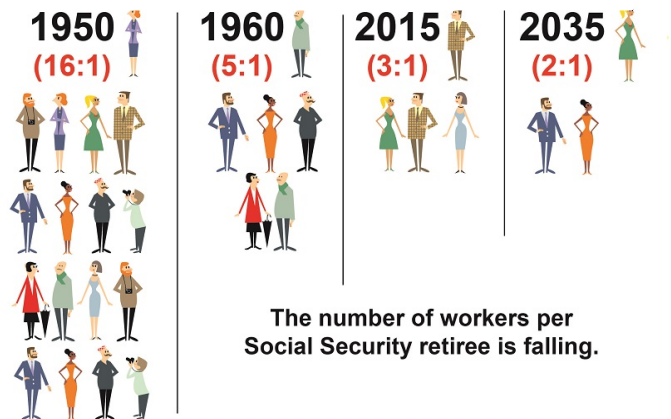
Like elected officials who...



■ Stick to their positions ■ Make compromises

CHALLENGE #2: FEWER FISCAL / MONETARY TOOLS

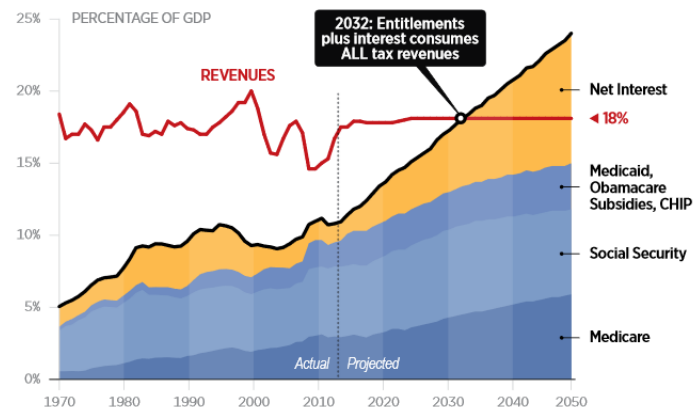
Fewer Workers Per Retiree



Source: 2016 Social Security Trustees Report

Fewer Discretionary Dollars

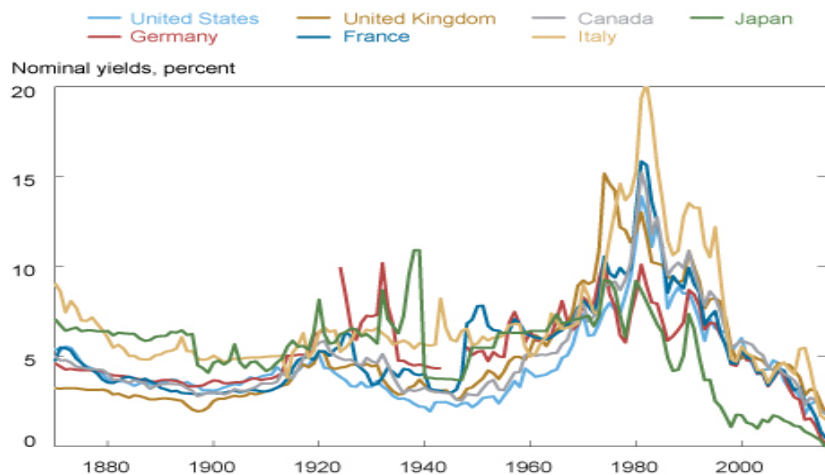
All Tax Revenue Will Go Toward Health Care, Social Security, and Net Interest by 2032



Sources: Congressional Budget Office and U.S. Office of Management and Budget.

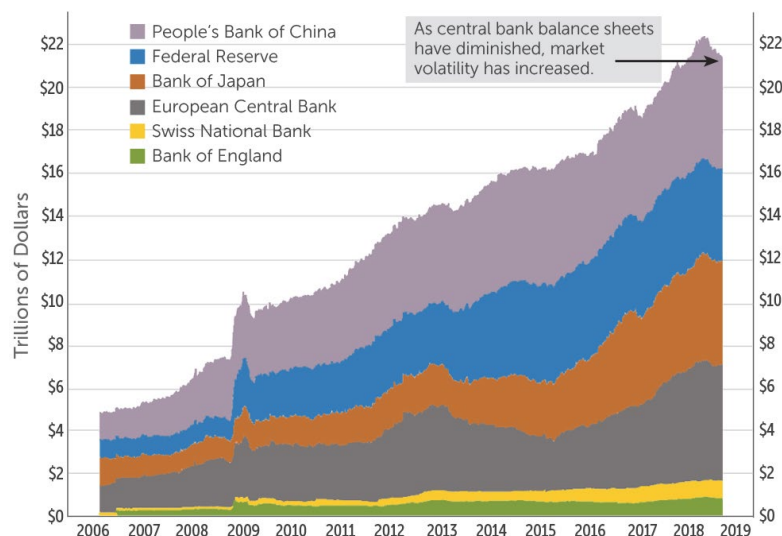
Interest Rates Already Low...

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



Source: Jordà, Schularick, and Taylor, Macrohistory Database (www.macrohistory.net/data).

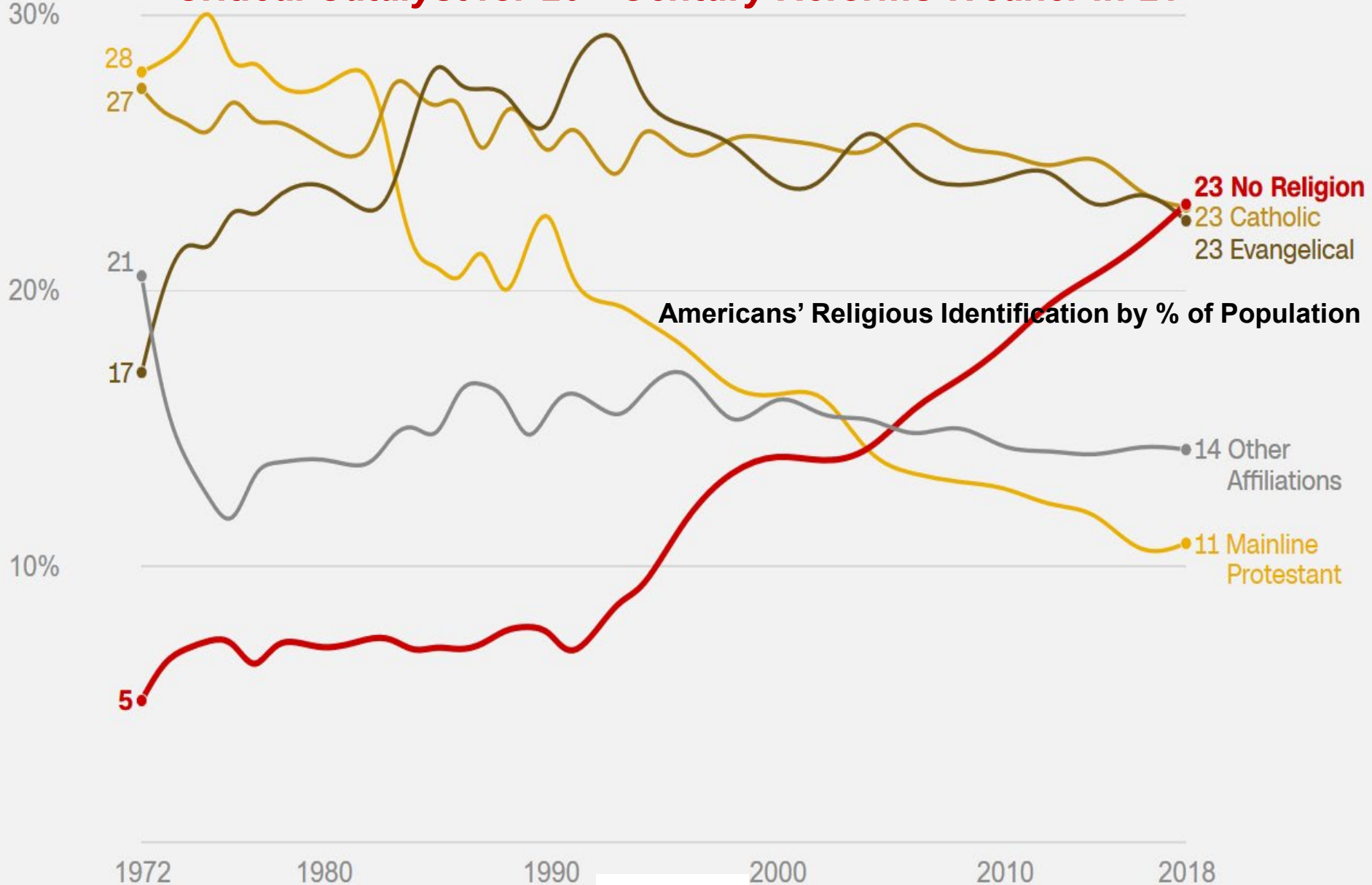
...and Central Banks Hold Too Much



Sources: Federal Reserve, European Central Bank, Bank of England, Swiss National Bank, People's Bank of China, Bloomberg

REFORM CHALLENGE #3: NO RELIGION

Critical Catalyst for 20th Century Reforms Weaker in 21st



EXPECT SOUND & FURY... SIGNIFYING REFORM

Capitalism Thrived In 20th Century as Systems Evolved

Reforming Politics

AMENDMENT XVII

DIRECT ELECTION OF SENATORS



Protecting Consumers

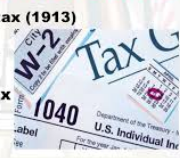


Addressing Inequality

16TH AMENDMENT

Income tax (1913)

Congress has the right to tax people's incomes.



Fixing Safety Net / Social Compact

High School Movement



Tillman Act of 1907...



...bans corporate political contributions

Federal Trade Commission



1875
First corporate pension

AMERICAN EXPRESS COMPANY

1880
First employee contribution plan



1935
Social Security established

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?

LEGISLATING

Debt ceiling

Sequester relief & FY21
Approps (or shutdown 10/1)

Disaster relief

Nat'l Flood insurance
(expires 5/31/19)

National Defense
Authorization Act

Data Privacy

HEALTH: Prescription Drug
prices, 'surprise bills' &
health care affordability

USMCA (new NAFTA)

Tax Extenders/Fixes (expired)

USA Freedom (expiring)

Higher Education Act

FIGHTING

Oversight & Subpoenas

Mueller Report fallout...
Impeachment?

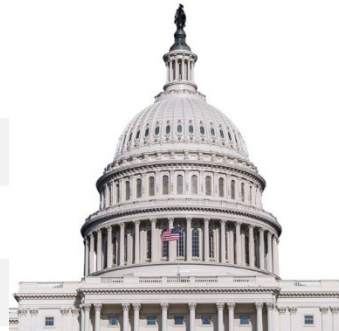
Border security & wall
funding

Green New Deal & climate
regulations

HEALTH: MFA & ACA
improvements

2020 Dem Presidential
debates start in June '19

Trump team turnover &
fights vs Media



REGULATING

Judicial nominations

TRADE: China tariffs &
"cease fire" deal

TRADE: New export
controls on tech

TRADE: Autos, steel,
aluminum, uranium

TRADE: EU, UK, Japan
deals

TRADE: Sanctions (Iran,
Venezuela, Russia)

HEALTH: Rx pricing &
annual Medicare
payment regulations

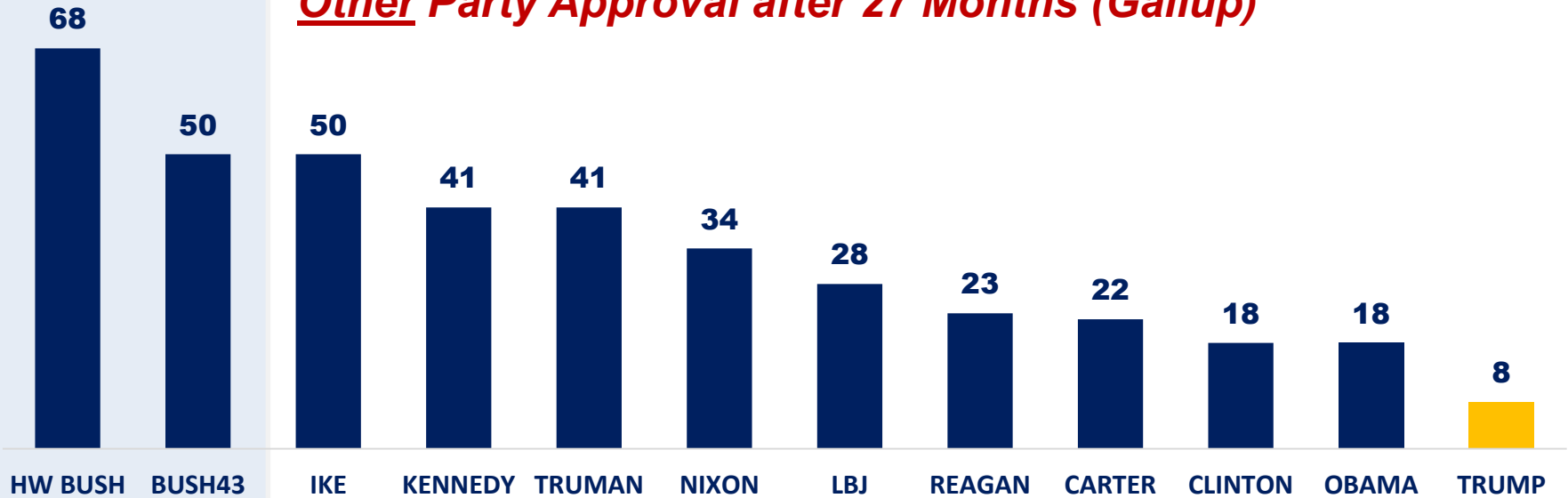
TAX: Implementing TCJA

FTC privacy cases

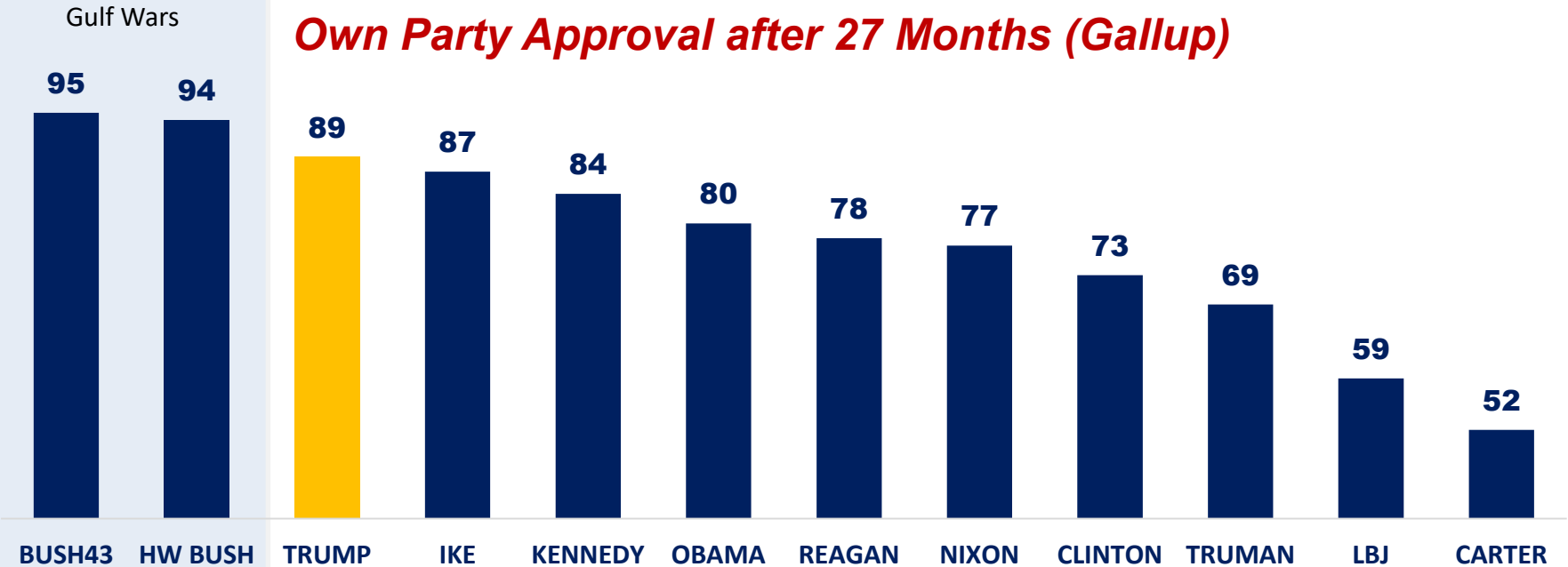
FCC 5G spectrum

THE PARTIES IN 2019: UNITED BY TRUMP

Other Party Approval after 27 Months (Gallup)

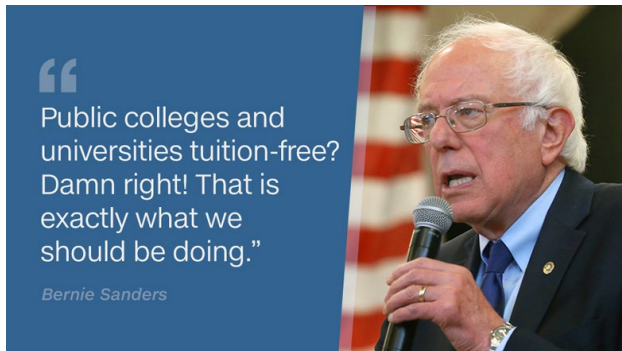


Own Party Approval after 27 Months (Gallup)



DEMOCRATS TRENDING LEFTWARD: 2020 WOKEATHON

Primary-voting “partisans react most favorably toward ideological extremists”



% of Democrats Who Call Themselves “Liberal”



FUTURE AGENDA OF GOP?... TURNS ON 2020



TRUMP WINS IN 2020

TRUMP LOSES IN 2020

Defend capitalism, fight “socialism”

ECONOMIC

Reformicons return?

Deficits don't matter

FISCAL

Born-again deficit hawks

America First, con't.

FOREIGN POLICY

Rebuild Western alliance

Tariff Man/ US vs China

TRADE

US & Allies vs China

Continued hard line

IMMIGRATION

Modest moderation

Pro-Gun, Pro-Life, anti-PC

SOCIAL

Pro-Gun, Pro-Life, softer tone

100% deregulatory

ENERGY

Growing climate interest

ELECTIONS AHEAD: BET ON CHANGE?

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



2020 CONGRESSIONAL BATTLEFIELD

GOP NEEDS 18 TO WIN HOUSE		
2016 Presidential Margin in District	D SEATS 235	R SEATS 199
Clinton 5+	187	0
Clinton 0-5	17	3
Trump 0-5	18	2
Trump 5+	13	194

At Risk



At Risk



DEMS NEED 4 TO WIN SENATE		
2016 Presidential Margin in District	D STATES 12	R STATES 22
Clinton 5+	8	0
Clinton 0-5	2	2
Trump 0-5	1	2
Trump 5+	1	18

TRUMP TAILWINDS



TRUMP HEADWINDS

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

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

IS IT ALWAYS “THE ECONOMY, STUPID”?

No Recession in 2 Years Before Election

RECESSION?	President (Year)	REELECTION?
NO	Obama (2012)	YES
NO	Bush43 (2004)	YES
NO	Clinton (1996)	YES
NO	Reagan (1984)	YES
NO	Nixon (1972)	YES
NO	LBJ (1964)	YES
NO	IKE (1956)	YES
NO	Truman (1948)	YES
NO	FDR (1944)	YES
NO	FDR (1940)	YES
NO	FDR (1936)	YES
NO	Wilson (1916)	YES

Recession in 2 Years Before Election

RECESSION?	President (Year)	REELECTION?
YES	Bush41 (1992)	NO
YES	Carter (1980)	NO
YES	Ford (1976)	NO
YES	Hoover (1932)	NO
YES	Coolidge (1924)	YES
YES	Taft (1912)	NO

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OTHER RECENT MCR&T ANALYSES:

Q1 '19: Permissionless: <http://bit.ly/Permissonless>

Nov. '18: Midterm Elections: <http://bit.ly/SplitDecision2018>

Q2 '18: Empowered America: <http://bit.ly/EmpoweredAmerica>

Q1 '18: Why 2018 Will Make 2017 Seem Tame: <http://bit.ly/Mehlman2018>

Q4 '17: Navigating the New Gilded Age: http://bit.ly/Mehlman_NewGildedAge

Q3 '17: Washington in the Age of Disruption: <http://bit.ly/Mehlman-Age-of-Disruption>