

# KNOWN & UNKNOWN



## *Hunting Black Swans in the Age of Disruption*

# CONTENTS

## HUNTING BLACK SWANS\*

### *Underappreciated Political Possibilities in 2020*

	<u>KNOWN</u>	<u>UNKNOWN</u>
CONGRESS	Impeachment Congress	Productive Congress?
ELECTIONS	Close Election	Tied Election?
TURNOUT	Turnout Tsunami	Who Benefits?
TRADE	China Trade War	EU Trade War?
MARKETS	Strong Economy	Fragile Economy?
PARTY LEADERS	GOP: Disruptor in Chief	DEM: 70+ White Male?
SCOTUS	Hot Button Issues	Vacancy?
TECH	Global Techlash	Breakup/Antitrust Suits?
GEOPOLITICS	Populism Rising	Multilateralism Falling?
NEW POWERS RISING	States Leading	CSR Showing Teeth?
PARTISANSHIP	Partisan Divide	Social Divides?
DISPUTED OUTCOMES	Disinformation Election	Who'll Referee?

\* *Black Swan: /n/ an unpredictable or unforeseen event, typically with extreme consequences*

# KNOWN: AN IMPEACHMENT CONGRESS

*Overwhelmingly Party Line Vote in House; Same Expected in the Senate*





# UNKNOWN: A PRODUCTIVE CONGRESS?

## *What If Infrastructure Week Really Is Infrastructure Week?* (Post-Impeachment Incentive to Get More Done)

### MUST-DO

Foreign Intelligence  
**Surveillance** Act Authorities  
(expire 3/15)

**Health Extenders**  
(expire 5/22)

**Government FY21 Funding**  
(or shutdown 9/30)

Nat'l **Flood Insurance** program  
(expires 9/30)

**Surface Transportation**  
(expires 9/30)

**National Defense  
Authorization Act**  
(expires 12/31)

**Water Resources  
Development Act**  
(expires 12/31)

### LIKELY

Confirm Federal **Judges** &  
Administration **Nominees**

**USMCA** (new NAFTA) ✓

**5G** Wireless bills

**Election Security** legislation



### POSSIBLE

Huge **Infrastructure** bill  
(Pres. Trump, Speaker Pelosi & swing  
state unions all want to invest trillions  
to fix U.S. infrastructure)

**Rx Drug Pricing** bill

**“Surprise” Medical Billing**

Federal **Privacy** legislation

**Cannabis Banking** bill

**Autonomous Vehicle** bill

New **Liability for Internet  
Platforms** (amend §230)

**Sanctions** on Turkey; Russia;  
Iran; China; Venezuela

**Anti-Money Laundering** bill

**New Tax** bill  
(extenders, technical fixes & cuts)

**Pipeline Safety** Authorization  
(expired 9/19)

### *More Laws\* Pass in 4<sup>th</sup> Years*

Year	<u>Clinton</u>	<u>W.Bush</u>	<u>Obama</u>	<u>Trump</u>
<b>3<sup>rd</sup></b>	<b>80</b>	<b>161</b>	<b>96</b>	<b>114</b>
<b>4<sup>th</sup></b>	<b>224</b>	<b>245</b>	<b>123</b>	<b>??</b>

\*Not including Bills “to designate” (i.e. ceremonial). Source: National Journal

# KNOWN: A CLOSE ELECTION

## HOW TRUMP WINS





### 1. MAKE IT A CHOICE:

- If **Biden**: Agent of Change vs. Establishment Insider
- If **Sanders/Warren**: Capitalism vs. Socialism
- If **Buttigieg/Bloomberg**: Populists vs. Elitists

### 2. HIGHLIGHT THE ECONOMY:

- **52%** economy job approval (end 3<sup>rd</sup> year) > HW Bush (31%), Clinton (42%), W Bush (50%) & Obama (40%)
- **80%** say 2020 will be better for their families

### 3. RALLY THE BASE:

- Hold **89%** GOP approval via “promises kept” re taxes, NAFTA, China, judges, guns, dereg. & immigration
- Run superior digital campaign via 
- Dominate discussion, dictate narrative via 

### 4. RUN SMARTER:

- Raise more \$\$; Spend early to define Dem nominee
- Focus on Electoral College; 2016 non-voters
- Provoke the Woke... politically-correct overreactions from media & left-wing

## HOW A DEM WINS

### 1. MAKE IT A REFERENDUM:

- Avoid culture wars & class wars... make it all about Trump, the **only President to never reach 50% job approval** at any point (Gallup)
- Underwater in MI -15, WI -10, PA -6, AZ -3, GA -2

### 2. TAILOR MESSAGING:

- Win back swing voters via macro-message (Restore Decency, Dignity & Stability)
- Turn out base via micro-messaging (Climate, Guns, Civil Rights, Immigration, Inequality, Health Care, etc.)

### 3. RALLY THE RESISTANCE:

- Trump net-disapproved by women (-24%), African Americans (-70%), Latinos (-36%), White college grads (-20%) & youth (-28%) (WSJ/NBC)

### 4. RUN SMARTER:

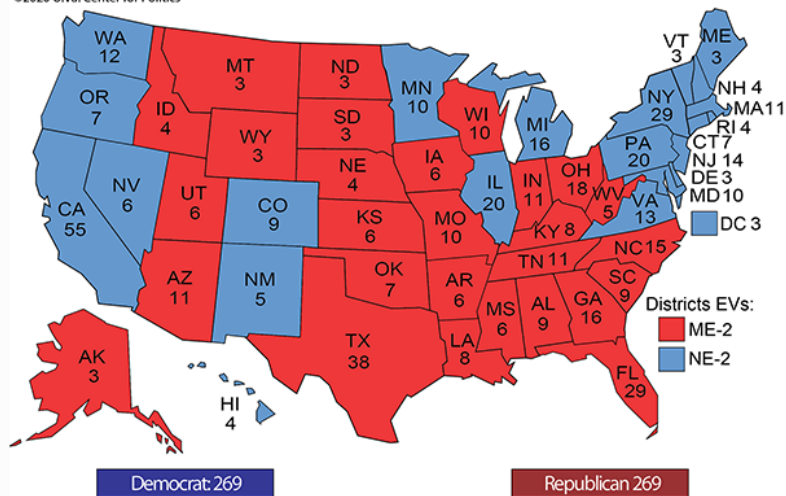
- Double Trump's spending (Bloomberg's billions)
- Resist the “condescension of the elite” (e.g. “deplorables”... don't take Trump's bait)

# UNKNOWN: A TIED ELECTION?

## 269-269 TIED ELECTORAL COLLEGE

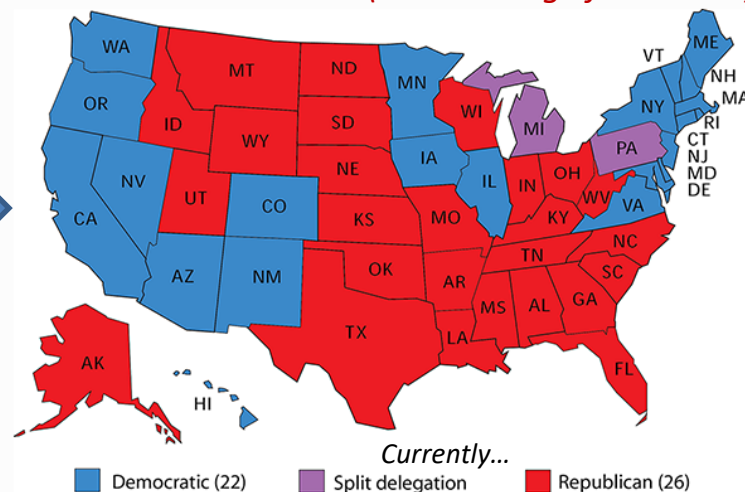
(64 Tie Combos, e.g. Dems flip PA, MI & ME-2 from 2016)

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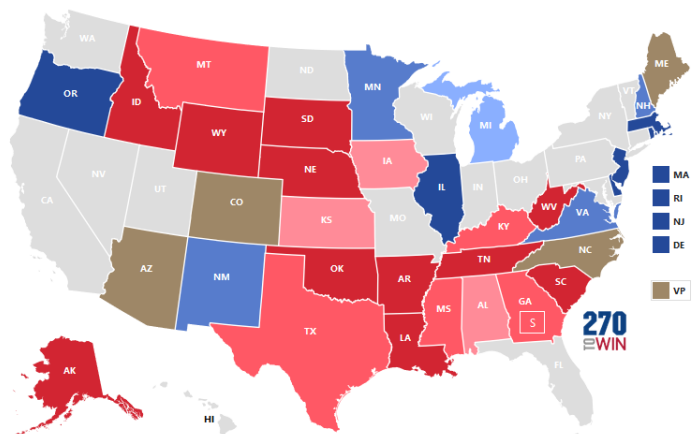
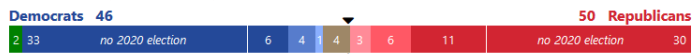
## NEITHER PARTY HAS 26 DELEGATIONS

IN NEW HOUSE (Net 1 change from 2020)



## SENATE TIED 50-50, CANNOT DECIDE

(GOP defending 4 toss-ups, D's 1 lean-R in 2020)



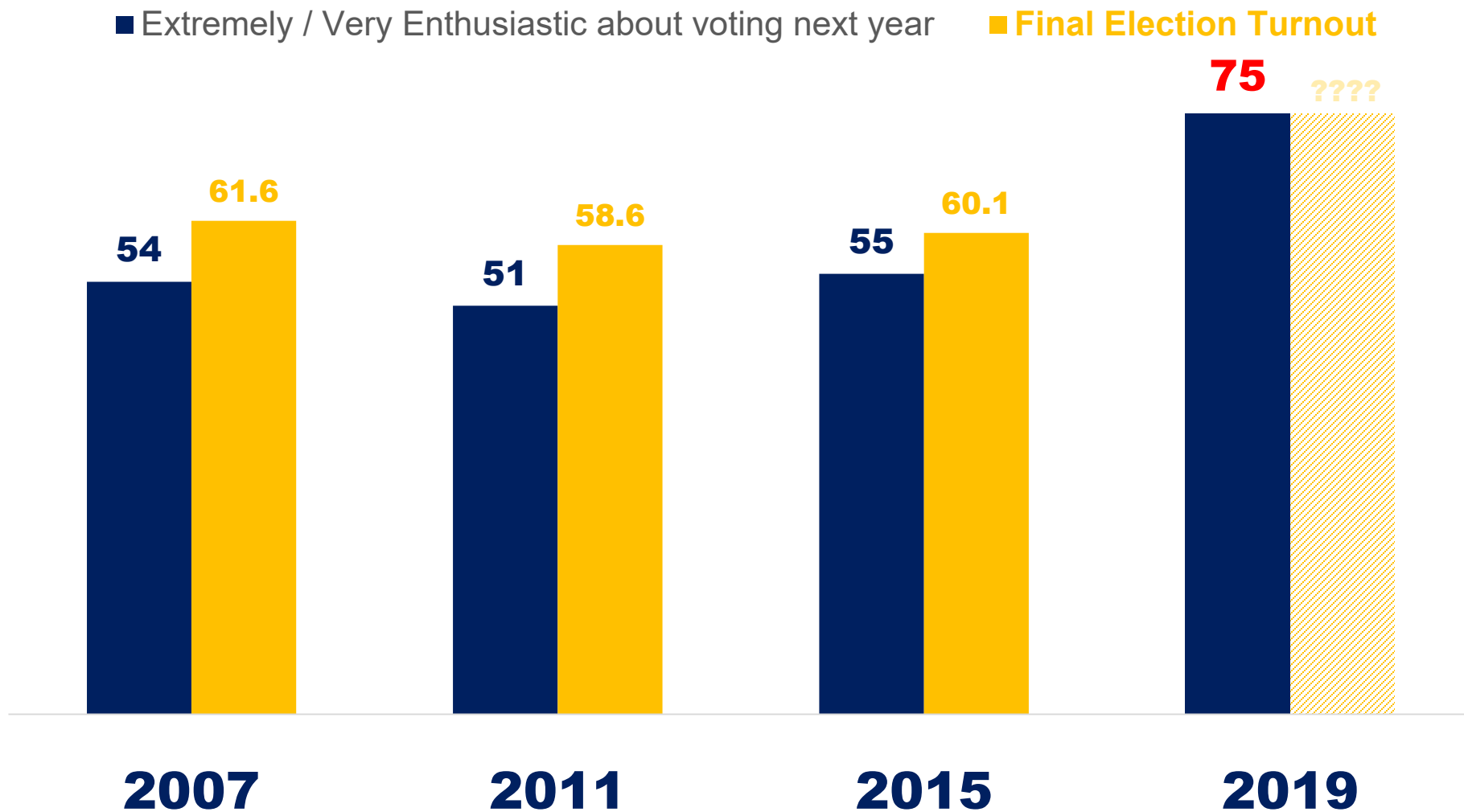
## SPEAKER OF THE HOUSE NEXT IN LINE...

President Pelosi??



# KNOWN: A TURNOUT TSUNAMI

*Highest “Extremely Enthusiastic” to Vote Ever Recorded by CNN*



# UNKNOWN: WHO BENEFITS FROM HIGHER TURNOUT?

## Eligible Citizens Who Didn't Vote in 2016

State/2016	Non-College White	College White	Non-White
<b>MI</b>	<b>1,563,809</b>	<b>412,191</b>	<b>643,000</b>
<b>MN</b>	<b>786,284</b>	<b>210,716</b>	<b>259,000</b>
<b>NH</b>	<b>220,282</b>	<b>68,924</b>	<b>24,795</b>
<b>PA</b>	<b>2,289,875</b>	<b>603,125</b>	<b>695,000</b>
<b>WI</b>	<b>819,356</b>	<b>160,644</b>	<b>306,000</b>
<b>AZ</b>	<b>683,831</b>	<b>228,169</b>	<b>904,000</b>
<b>FL</b>	<b>2,565,664</b>	<b>719,336</b>	<b>2,565,000</b>
<b>GA</b>	<b>1,171,614</b>	<b>327,386</b>	<b>1,303,000</b>
<b>NC</b>	<b>1,105,431</b>	<b>320,569</b>	<b>834,000</b>
<b>TX</b>	<b>2,665,119</b>	<b>812,881</b>	<b>4,274,000</b>

Trump Opportunities: Rust Belt

Democratic Opportunities: Sun Belt



# KNOWN: US-CHINA TRADE WAR IS HERE

*Despite U.S.-China Phase One Deal, Tensions Will Grow Driven By...*

## New U.S. Export Controls, Tougher CFIUS & ICT Supply Chain Regulations



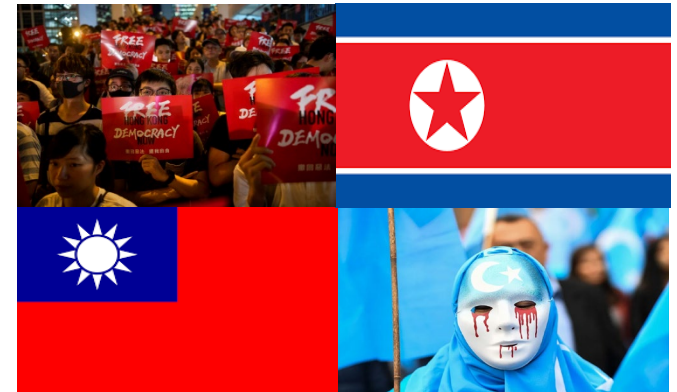
## Made in China 2025 Campaign & Competing National Champions



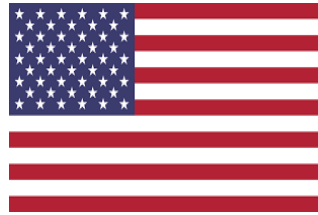
## Many Frictions Remain



## Human Rights & Regional Risks



# UNKNOWN: IS A US-EU TRADE WAR UNAVOIDABLE?



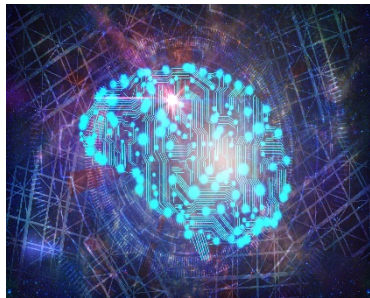
vs.



## REGULATION



*U.S. Demands no Huawei  
in EU 5G networks*

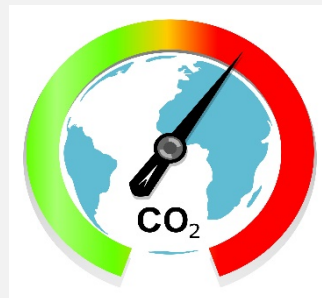


*EU Drive for “Technological  
Sovereignty” risks new  
rules on AI, Cloud, etc.*

## TAX



*Digital Services Taxes /  
~\$2B U.S. Retaliation  
(France, Italy, Austria, Norway?)*



*EU Climate Change  
Tariffs threatened*

## TRADE



*U.S. tariffing EU  
steel & aluminum*



*U.S. Auto Tariffs  
threatened*

## SUBSIDIES

**AIRBUS**

*U.S. retaliation vs. illegal  
EU subsidies*



*Fights Over Iran Sanctions,  
NATO Dues & WTO Rules*

# KNOWN: ECONOMIC GROWTH HAS BEEN STRONG



## 80%

*of families believe their lives will improve in 2020*

*Lowest "Misery Index" since the 1950s*

*Highest Homebuilder Optimism since June 1999*

*Highest Consumer Sentiment in Year-Before-Reelect Since 1963*

## WE'RE HIRING!

## 3.9%

*Lowest Unemployment (avg rate) in first 35 months for any President*

President	First 35 Months	Avg Unemployment Rate (%)
Eisenhower	Feb. 1953- Dec. 1955	4.3
JFK*	Feb. 1961-Nov. 1963	6.2
LBJ	Dec. 1963- Oct. 1966	4.6
Nixon	Feb. 1969-Dec. 1971	4.8
Carter	Feb. 1977-Dec. 1979	6.3
Reagan	Feb. 1981-Dec. 1983	9
Bush I	Feb. 1989-Dec. 1991	5.9
Clinton	Feb. 1993 - Dec. 1995	6.2
Bush II	Feb. 2001-Dec. 2007	5.5
Obama	Feb. 2009-Dec. 2011	9.3
Trump	Feb. 2017-Dec. 2019	3.9

\*Assassination occurred after 34 months

*Fastest Wage Growth for lowest-earning 25% since Jan. 2008*



## 117

*New All-Time Highs for the DJIA in Trump's first three years*

*13 year-high predicted for new home sales in 2020*

*VC investment hit \$136.5B in 2019, second-most ever (behind 2018's \$140B)*

# UNKNOWN: HOW FRAGILE IS THE ECONOMY?

## *Economy Propped-Up by Ongoing & Extraordinary Stimulus:*

- **3 Fed Rate Cuts** in 2019
- **\$1.02 Trillion** in deficit spending in 2019
- **\$300B** in Fed asset purchases (QE4) since Sept. 2019
- **Highest farm subsidies** in 14 years (\$22.4B)



### ISM Manufacturing Index at 10-Year Low

*(Readings below 50 = Recession)*

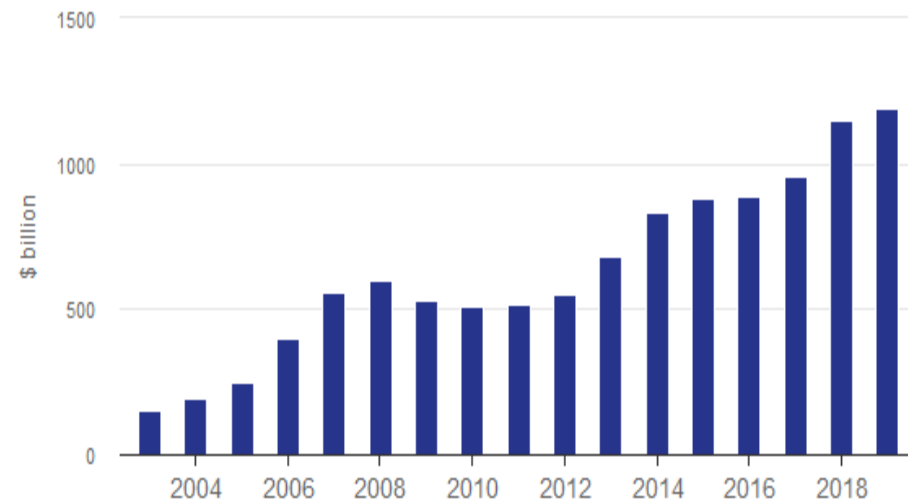
Reading above 50 indicates expansion in manufacturing activity



Source: Institute for Supply Management via FRED

### Over \$1T in Leveraged Loans Outstanding

*(Search for higher yield spreads higher risks)*



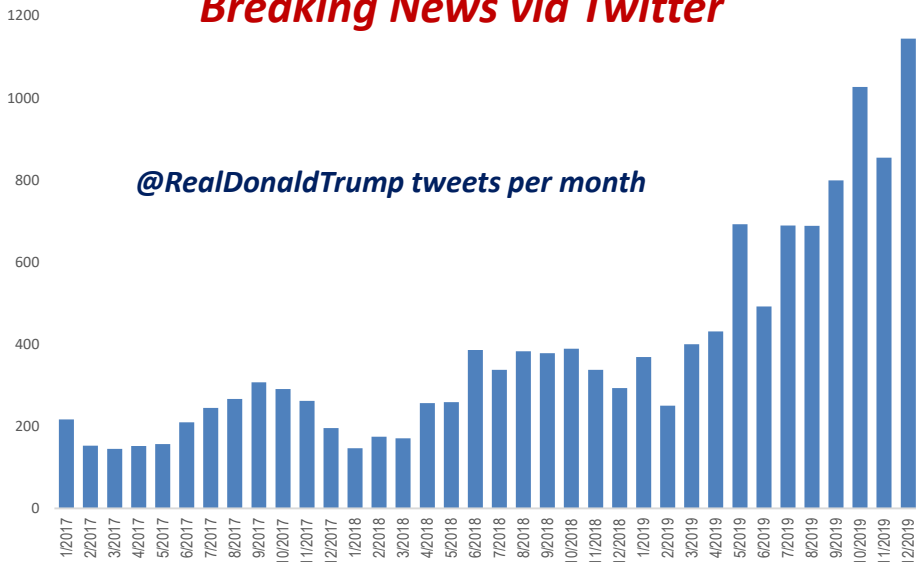
LCD



# KNOWN: GOP LED BY THE DISRUPTOR IN CHIEF

## Breaking News via Twitter

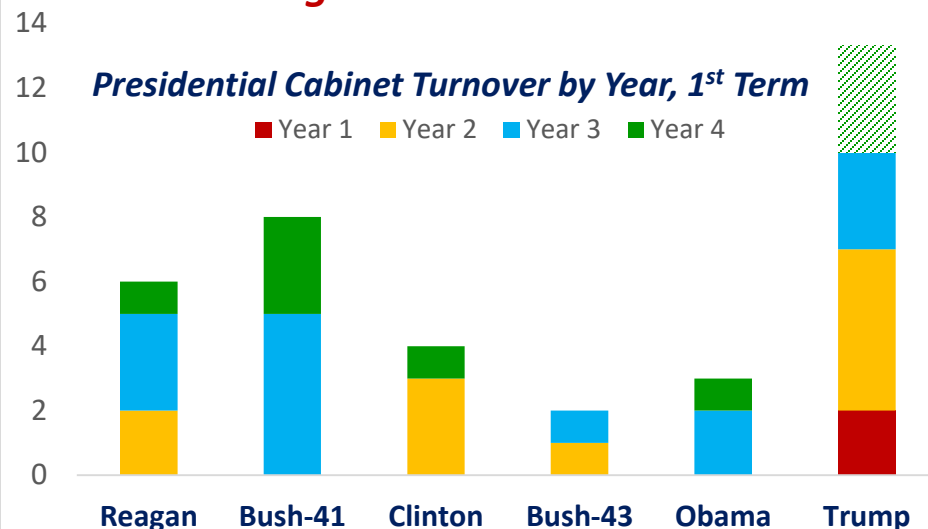
@realDonaldTrump tweets per month



## High Cabinet Turnover

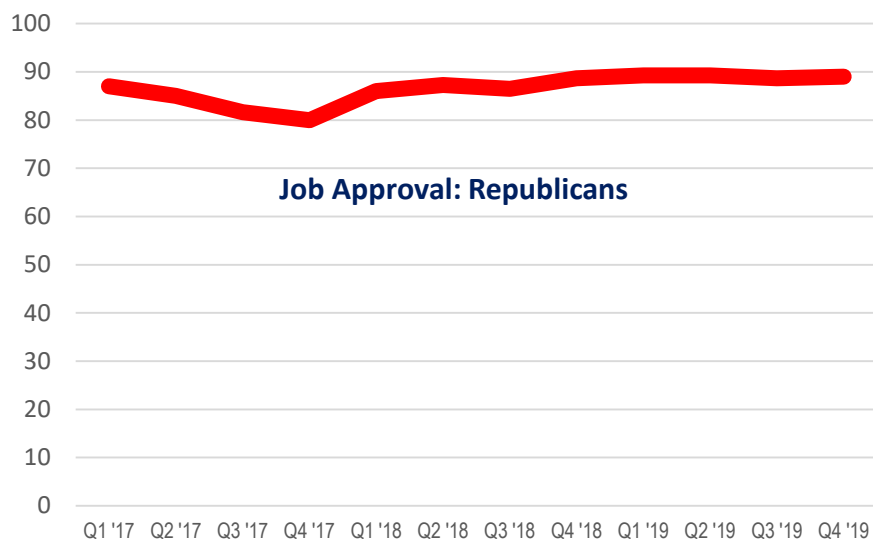
Presidential Cabinet Turnover by Year, 1<sup>st</sup> Term

■ Year 1 ■ Year 2 ■ Year 3 ■ Year 4



## Unshakable GOP Support

Job Approval: Republicans



## Intentional Political Incorrectness

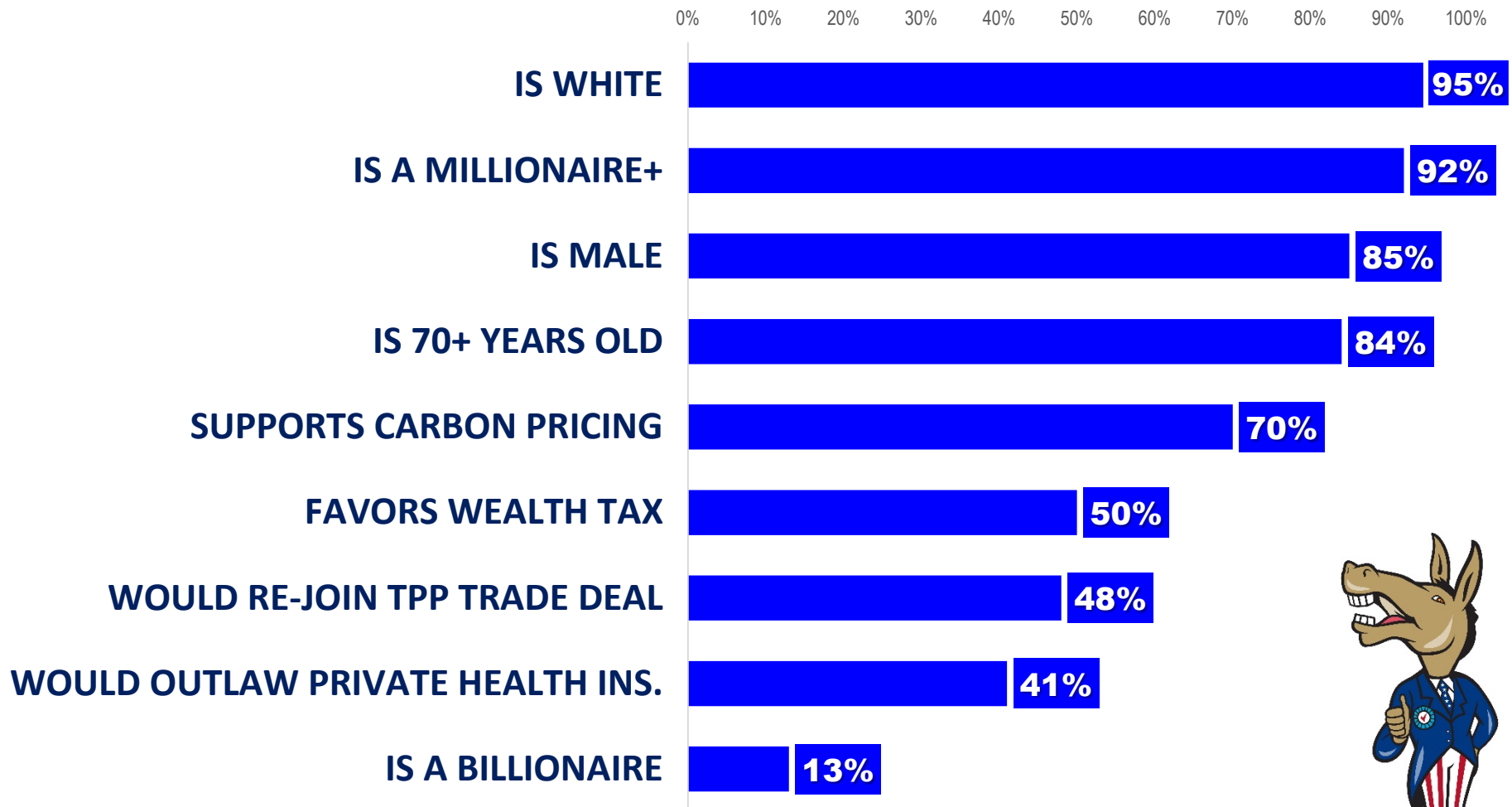




# UNKNOWN: WHO WILL LEAD THE DEMOCRATS?

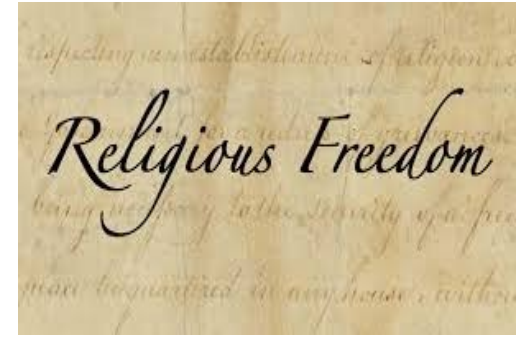
*What the Betting Markets Say About the Likely Democratic Nominee*

## Odds Dem Nominee is:



# KNOWN: SUPREME COURT FACING HOT BUTTON ISSUES 2019-2020

## *Culture War's "Greatest Hits" are on the 2020 Docket*



# UNKNOWN: A SUPREME COURT VACANCY?

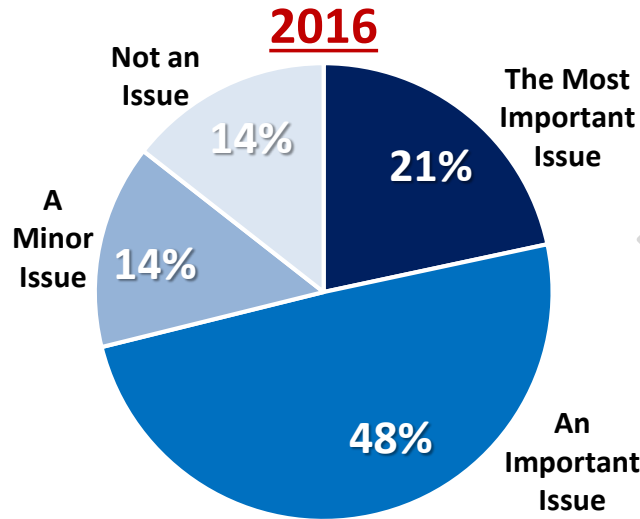
## Current Justices Older Than / Near Recent Average Departure Age (80.4)

Age of Justices Upon Retirement or Death Since 1990

Stevens	90
<b>Ginsburg</b>	<b>86</b>
Blackmun	85
Brennan	84
Marshall	83
Kennedy	82
Rehnquist*	81
<b>Breyer</b>	<b>81</b>
Modern Avg. <b>80.4</b>	
Scalia*	79
White	76
O'Connor	75
<b>Thomas</b>	<b>71</b>
Souter	69
<b>Alito</b>	<b>69</b>

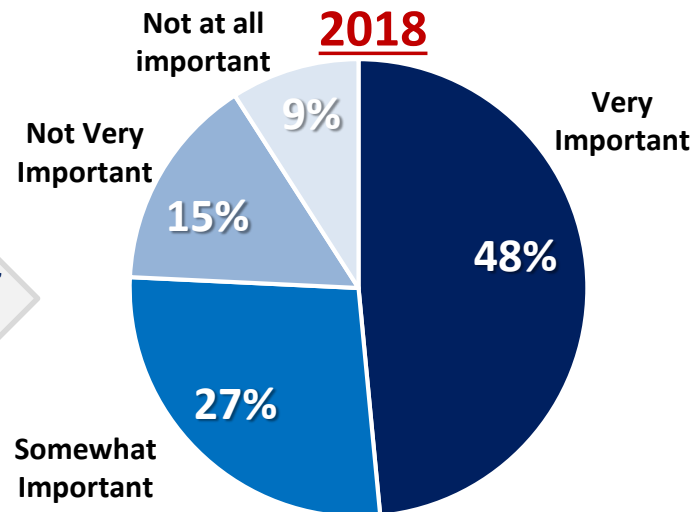
\* Died while in office

## Voters Are Highly Motivated by the Supreme Court



**2016 Exit Poll asked:**  
In your vote, were Supreme Court appointments...

**2018 Exit Poll asked:**  
Importance of the debate over Kavanaugh's confirmation to your vote...



# KNOWN: GLOBAL TECHLASH ACCELERATING

## *Growing Global Policy Challenges:*



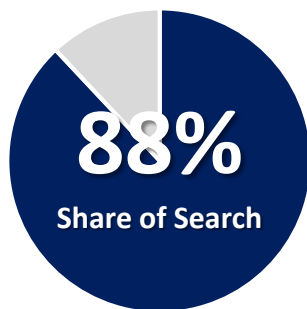
MARKET POWER	CONSUMER PROTECTION	PLATFORM LIABILITY	SECURITY & NATIONALISM	SOCIAL COMPACT
Antitrust	Privacy	Hate Speech	Trade	Taxation
“Efficient” IP Infringement	Digital Addictions	Censorship & Bias	Supply Chain Integrity	Automation & Inequality
Data Portability	Data Security	Contraband	Encryption	Gig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

# UNKNOWN: ARE ANTITRUST SUITS COMING?

*Platforms accused of abusing dominance, competing unfairly*

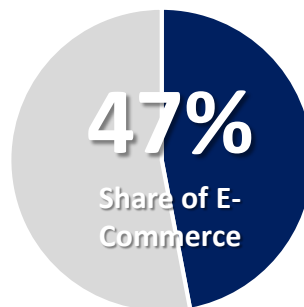
U.S. vs.

Google



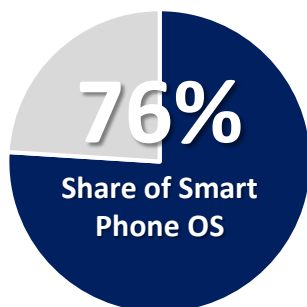
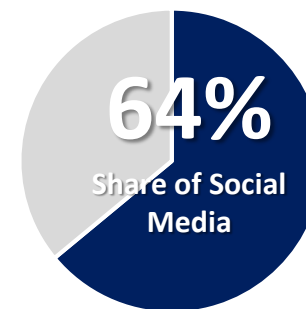
U.S. vs.

amazon



U.S. vs.

facebook



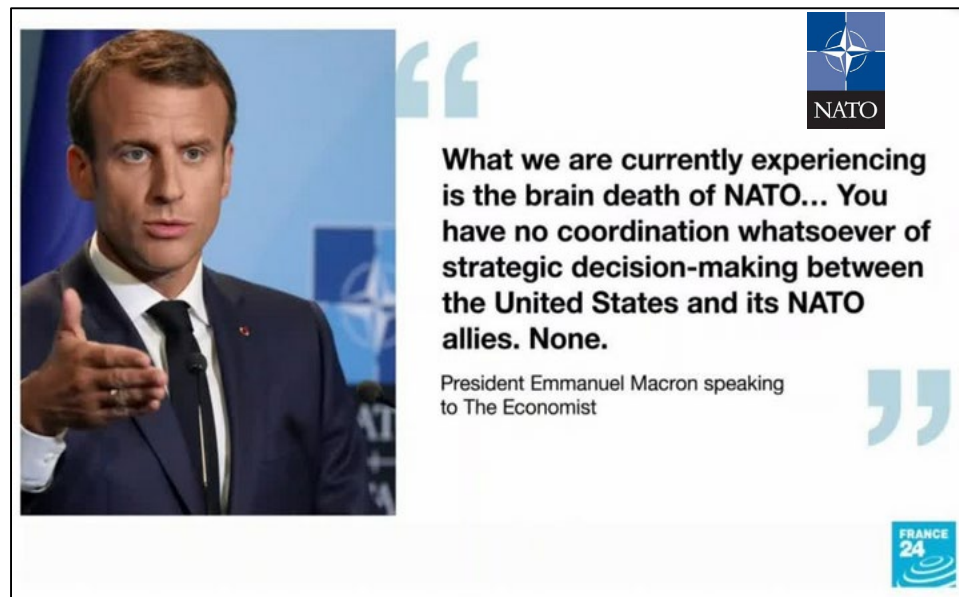
Antitrust investigations by:	GOOG	AMZN	FB
State attorneys general	✓		✓
US Dept. of Justice	✓	✓	✓
Federal Trade Commission	✓	✓	✓
House Judiciary Committee	✓	✓	✓
European Union	✓	✓	✓



# KNOWN: POPULISM IS RISING



# UNKNOWN: IS MULTILATERALISM FAILING?

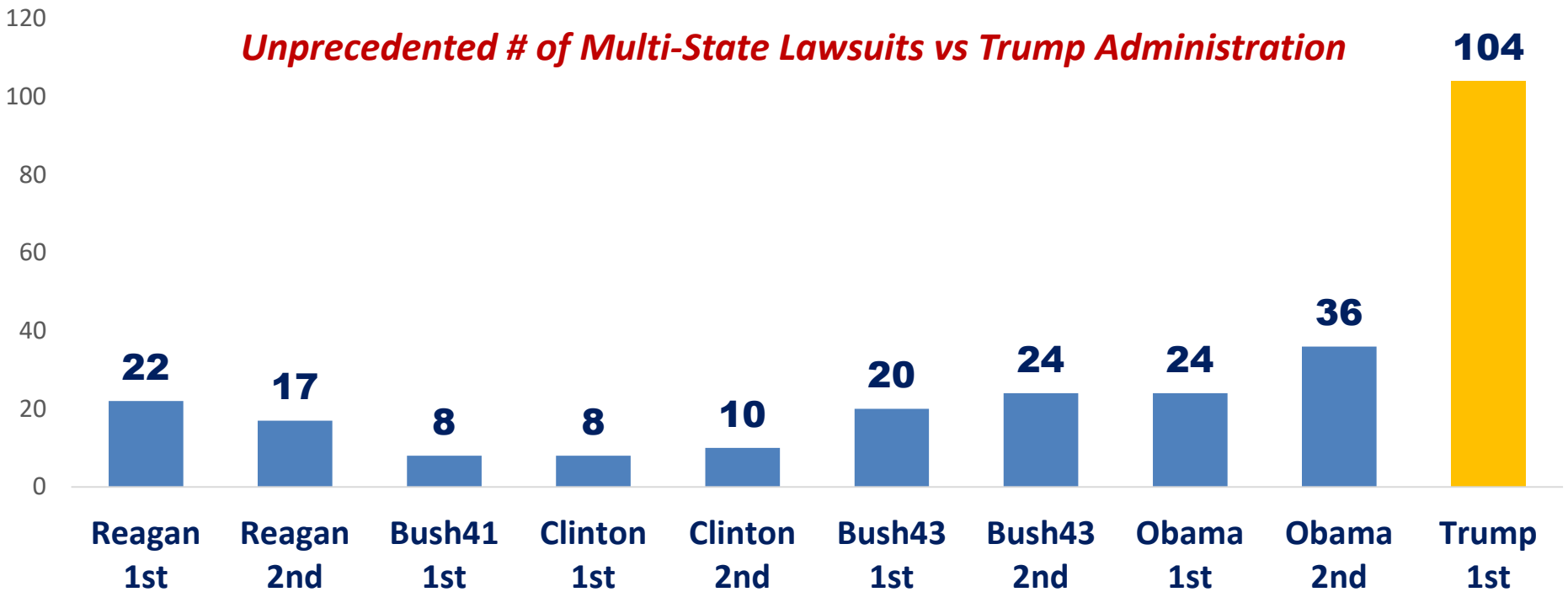




# KNOWN: STATES ARE NOT WAITING FOR WASHINGTON

## Unprecedented # of Multi-State Lawsuits vs Trump Administration

104



Nearly 20 states considering new **data privacy** laws, while CA's law takes effect

...And California Shall Lead Them

NY, NJ, IL considering laws like CA's AB-5 to **limit gig economy** work (so far)



# UNKNOWN: IS “WOKE CAPITALISM” RISING?

## *Growing Denial of Business Services for Ideological Reasons*

### De-Platforming

*(kicking off the Internet)*



### De-Banking

*(restricting partners)*



### De-Investing

*(no \$\$\$ for coal co's)*



### De-Fleece-ing

*(no branded vests for WS)*



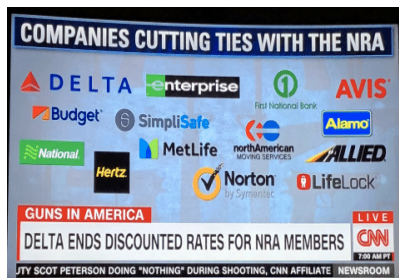
### De-Sponsoring

*(cutting ads for TV hosts)*



### De-Discounting

*(no affinity deals)*



### De-Scriminating

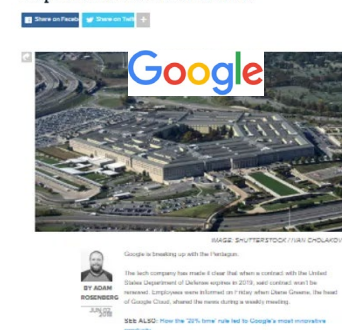
*(refusing services)*



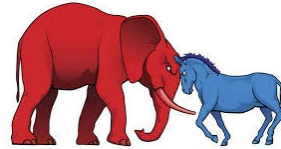
### De-DOD-ing

*(not working with USG)*

Google won't renew its U.S. Defense Department contract in 2019



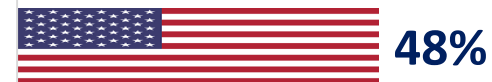
# KNOWN: INTENSE PARTISANSHIP PERSISTS



“The Democratic Party Has Been Taken Over by **Socialists**”



“The Republican Party Has Been Taken Over by **Racists**”

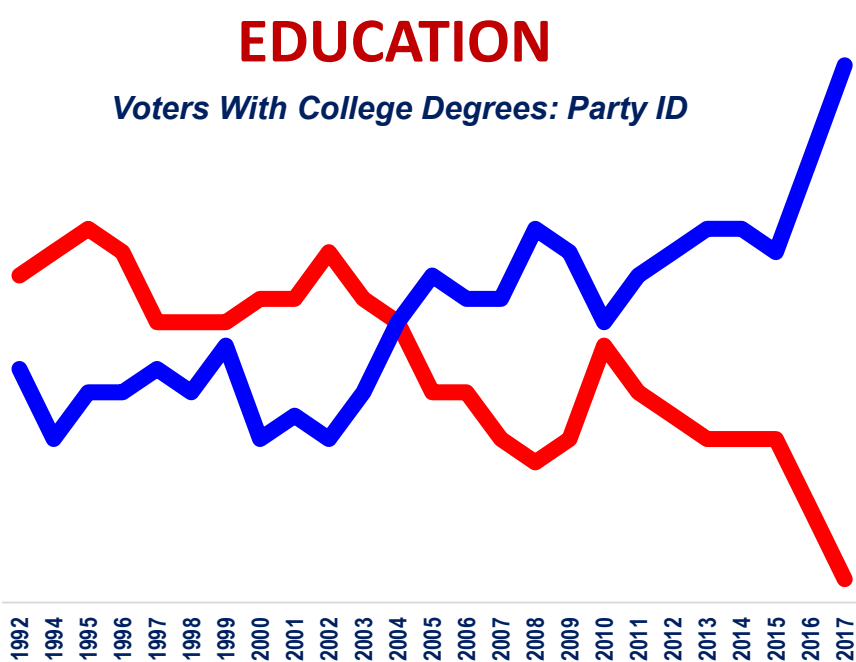




# UNKNOWN: ARE OUR PARTIES REALIGNING?

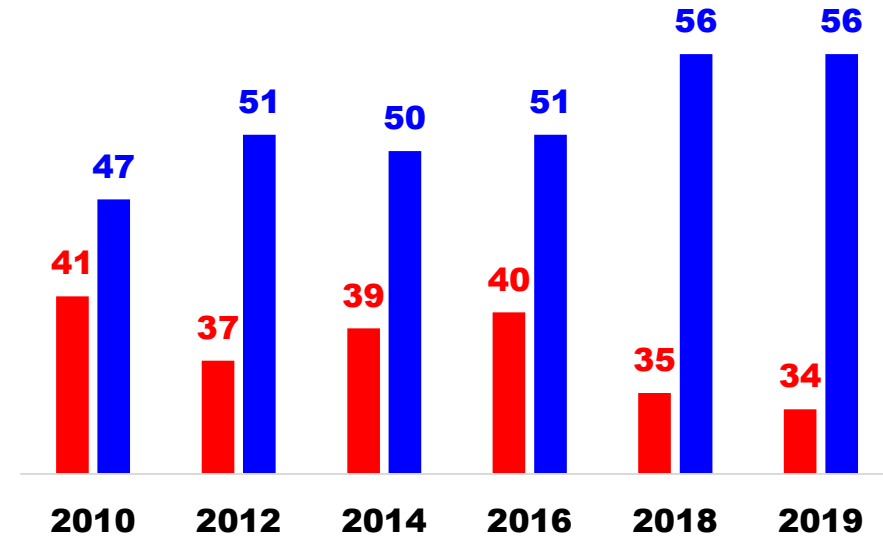
## EDUCATION

*Voters With College Degrees: Party ID*



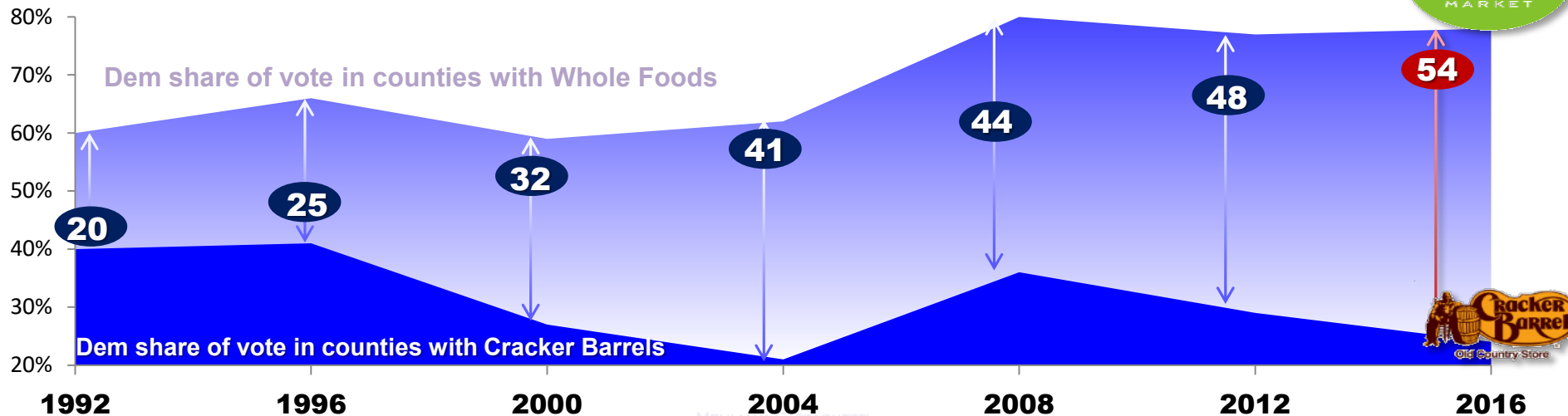
## GENDER

*Women: Congressional Control Preference*



## GEOGRAPHY

*Democrats' Share of Rural vs Urban/Suburban Counties*



# KNOWN: EXPECT ANOTHER DISINFORMATION ELECTION

## *We're Preparing for the Last War*

Phishing attacks on campaigns

Foreign IP addresses behind  
"U.S." voices

Social media ads paid for via  
foreign currency

Fake news travels faster,  
further than truth



## *We're Facing New Combatants, New Weapons & New Tactics*



# UNKNOWN: WHO'LL REFEREE A CONTESTED 2020?



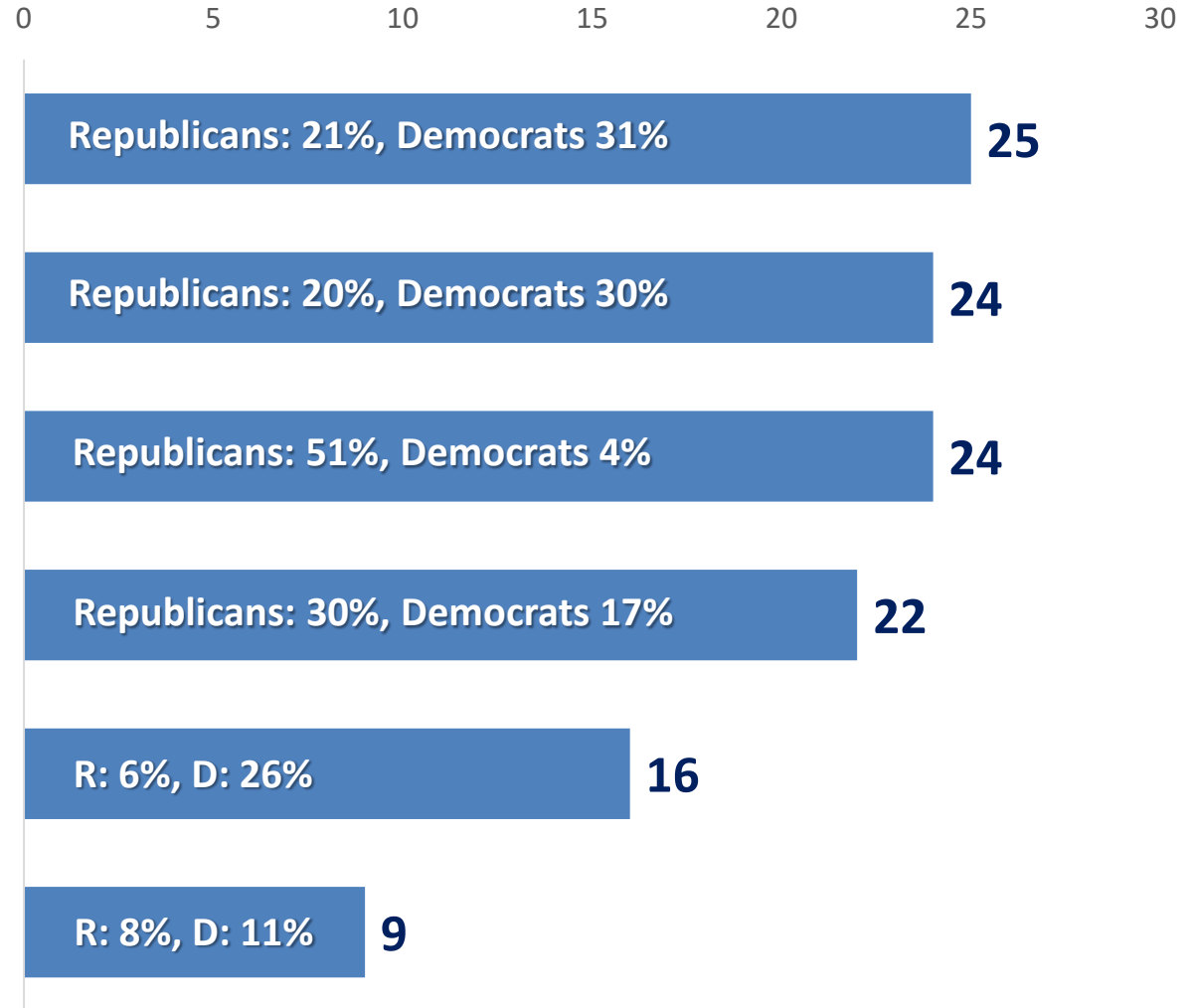
NEWS MEDIA



CONGRESS

## *Few Institutions Trusted by All Sides*

*"A Great Deal" of Trust in:*



# 2020 Recommendations

*For Leaders & Investors*

*Navigating the Age of Disruption*

# 2020 RECOMMENDATIONS FOR LEADERS

## 1. Disruption Is Accelerating

- *Understand what new innovations are coming and the challenges & opportunities they present for you, your stakeholders & competitors.*

## 2. Political Risk Is Growing

- *Conduct scenario planning to identify and mitigate risks in a deglobalizing world; include experts in politics and policy in business considerations.*

## 3. Traditional Gatekeepers Are Losing Power

- *Expand stakeholder outreach to those who can validate your brand locally and partner on your priorities because you supported theirs.*

## 4. A Reform Era Is Coming

- *Identify and support policy reforms that meaningfully expand opportunity... global populism will continue rising until more citizens feel “dealt-in”.*

## 5. Expect to See More Black Swans

- *Prepare for a greater number of high-impact, formerly-low-probability events to protect your license to operate and anticipate opportunities.*



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