

THE GREAT ACCELERATION



How 2020's Crises Are Bringing the Future Faster

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THE GREAT ACCELERATION

How 2020's Crises Are Bringing the Future Faster

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SUMMARY

The Great Acceleration

TECHNOLOGY

- 4TH Industrial Revolution Speeds Up
- Digital Disintermediation Expedited
- New Tech Regulation (aka “Techlash”)

GLOBALIZATION

- New World Disorder
- Demographics Will Drive Declines
- Nationalism > Globalism

CULTURE

- New Psychology & Priorities Post-COVID
- Leadership Leaving Washington
- More Diversity & Inclusive America

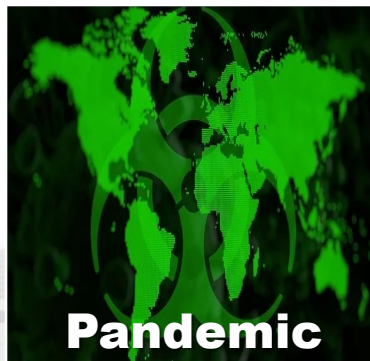
POLITICS

- Bigger Government
- Party Civil Wars & Realignment
- New Reform Era

2020: A YEAR UNLIKE ANY OTHER

Four Concurrent “Super-Disruptors”

(Since 1900 only 3 other years had 3)



2020

YES

YES

YES

YES

1968

NO

YES

YES

YES

1957

YES

YES

YES

NO

1919

YES

YES

YES

NO

YESTERDAY

The Age of Disruption & Backlash

YESTERDAY'S KEY TRENDS: A WORLD REMADE

TECHNOLOGY

TREND



Digital Age Dawns

OPPORTUNITY



Innovation Booms

CHALLENGE



Inequality Grows

BACKLASH



Regulators Rise

GLOBALIZATION



Cold War Ends



Hyper-Globalization



Arbitrage & Authoritarianism



Nationalists Rise

CULTURE



Comfortable Conformity



New Voices Heard



Old Gatekeepers Gone



AFFIRMS



Hyper-Activism

POLITICS YESTERDAY: LOST CONFIDENCE IN LEADERS

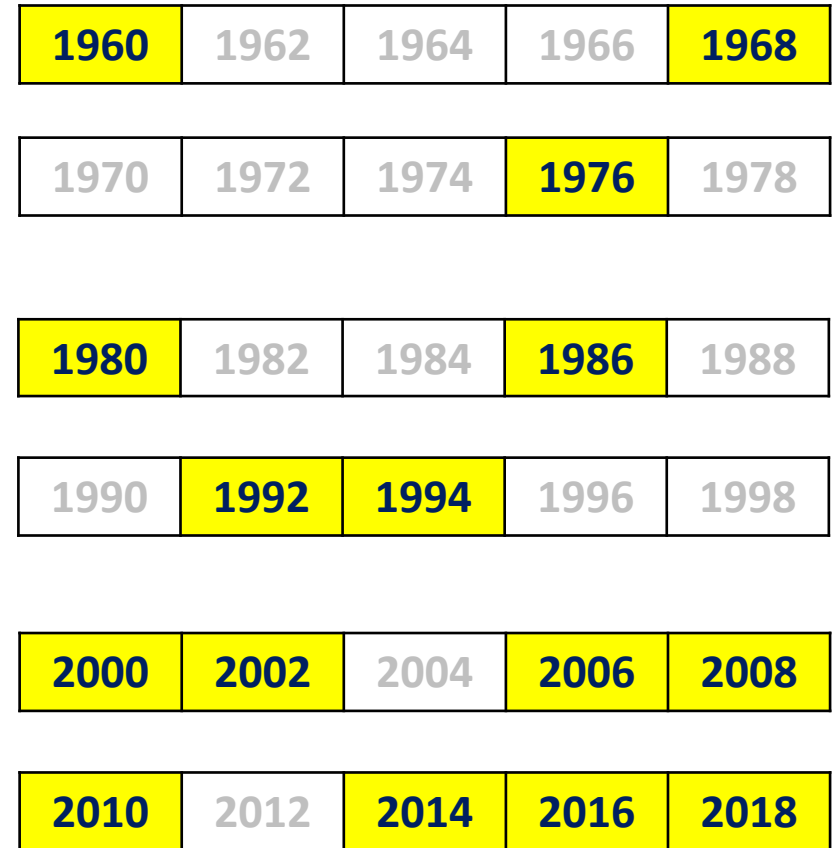
Loss of Trust

(% Great Deal / Fair Amount of Trust)

1979	Institution	2019
54	The Military	73
72	Mass Media	41
45	Supreme Court	38
52	The Presidency	38
65	The Church	36
N/A	The Medical System	36
60	Banks	30
36	Public Schools	29
N/A	Organized Labor	29
32	Criminal Justice System	24
34	Big Business	23
34	Congress	11

Voting for Change

House, Senate or WH Changed Parties



SOWING THE SEEDS OF 2020'S CRISES: FORSEEABLE FAILURES

PANDEMIC: UNPREPARED



ECONOMY: UNPROTECTED

53% lacked emergency savings



27.9M lacked health insurance



21.3M lacked adequate broadband



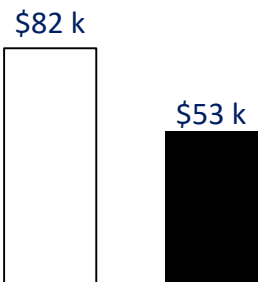
33.6M lacked paid sick leave



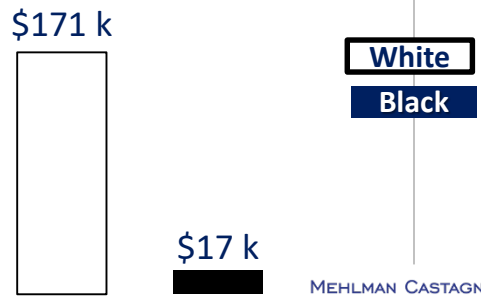
Sources: [Savings](#); [Leave](#); [Insurance](#); [Broadband](#)

SOCIAL JUSTICE: GLARING GAPS

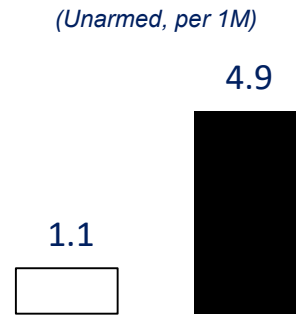
INCOME



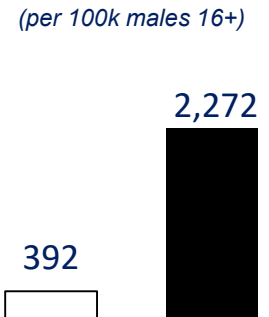
WEALTH



KILLED BY POLICE



IN JAIL



MEHLMAN CASTAGNETTI
 ROSEN & THOMAS

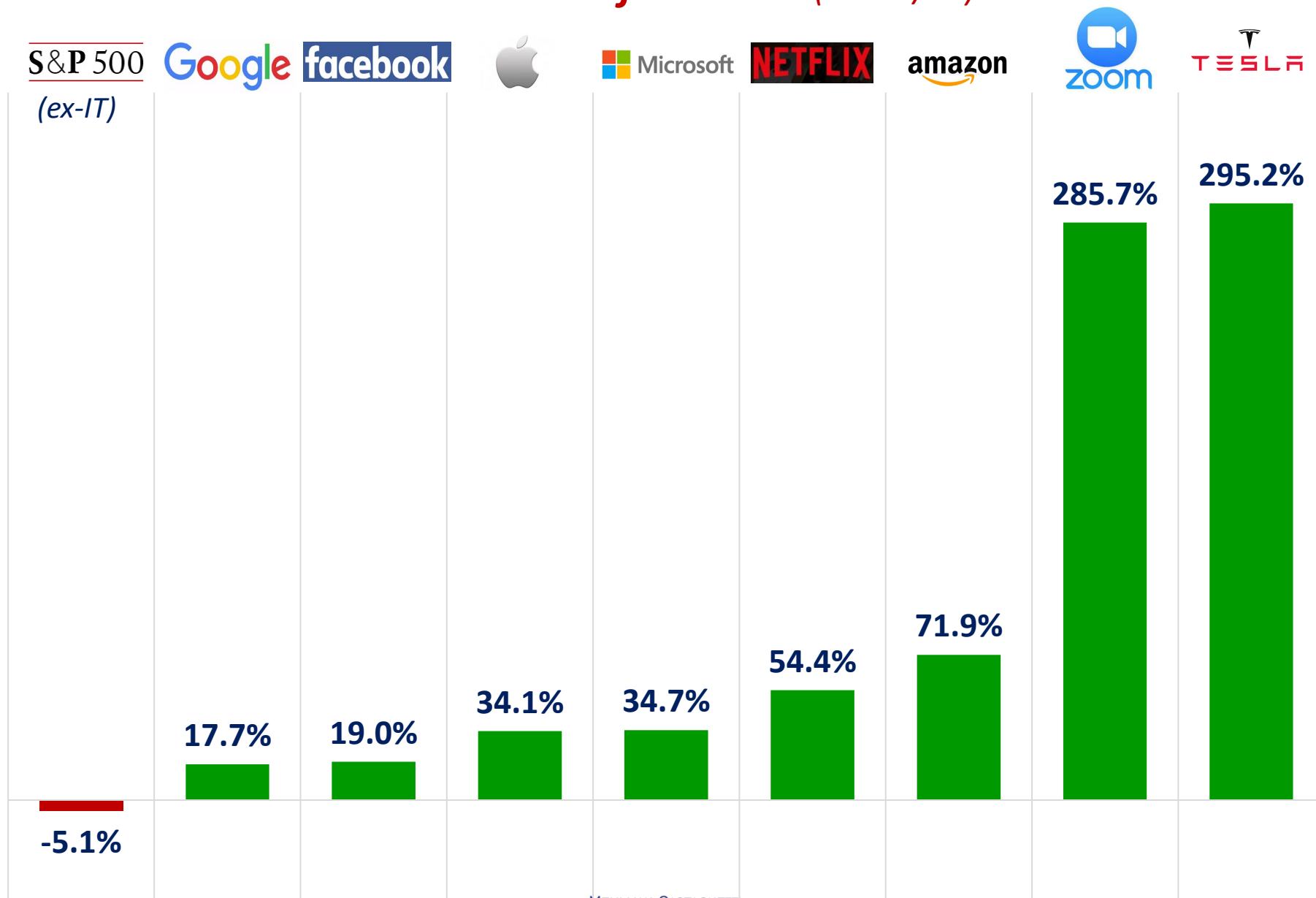
Sources: [Income](#); [Homes](#); [Wealth](#); [Jail](#); [Deaths](#); [Police](#)

TODAY

Divided We Fall

TECH: THE DIGITIZED ARE THRIVING

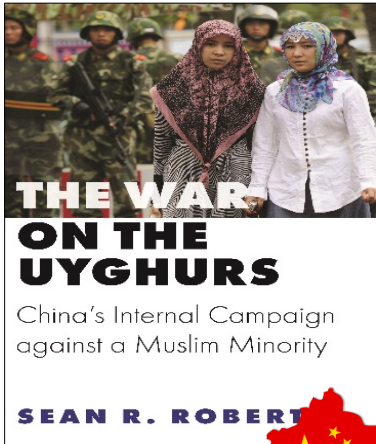
YTD Stock Performance (thru 7/20)



GLOBALIZATION: A SOFT POWER VACUUM

Managing Global Challenges Without Trusted Global Leaders

RUTHLESS



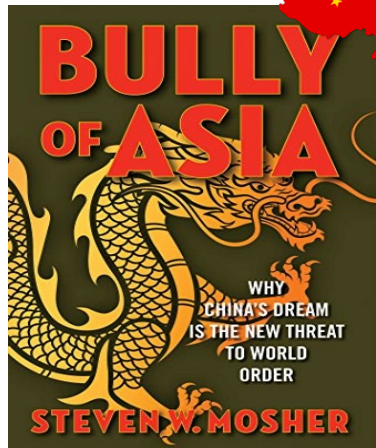
UNTRUSTWORTHY



RECKLESS



UNRELIABLE



BULLY

UNFREE

BULLY

UNEQUAL

CULTURE WARS HAVE BECOME BUSINESS BATTLES

WHY ENGAGE? STAKEHOLDERS DEMANDING

“Wokeforce”



Consumers



HOW TO ENGAGE? ACTIONS > WORDS

Ad Spending



Advocacy



Investors



Activists



Partnership



Operations



POLITICS: THE CENTER IS UP FOR GRABS

Who Will Occupy the Center? Both Parties Have Been Moving Away

LEFT LOSING

(Too Politically-Correct)

**ABOLISH
I.C.E.**

SAVE THE PLANET 20 MILLION JOBS
**GREEN
NEW DEAL**
ELECT BERNIE SANDERS

**DEFUND
THE
POLICE!**

**MEDICARE
FOR ★ ALL!**

**WEALTH
TAX**

ISSUE

(Politically Exhausted)

IMMIGRATION

**ENERGY &
ENVIRONMENT**

**RACIAL
JUSTICE**

**HEALTH
CARE**

**TAXES &
SPENDING**

MEHLMAN CASTAGNETTI
— ROSEN & THOMAS —

RIGHT LOSING

(Too Politically-Incorrect)



**CLIMATE CHANGE
DOES NOT EXIST**



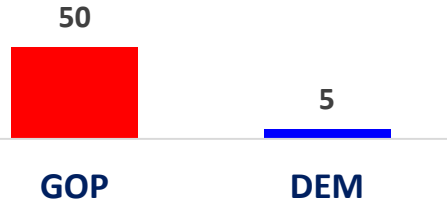
**REPEAL
OBAMA CARE**



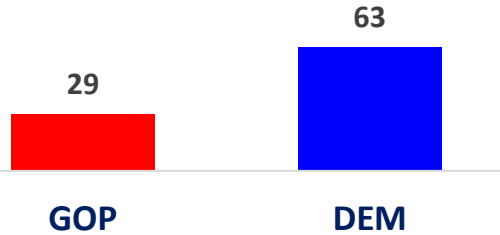
2020 CRISES: IT'S THE PANDEMIC, STUPID

PANDEMIC: OUR POLITICS ARE KILLING US

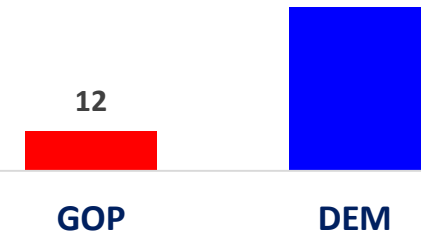
Official Death #: % Believe Overcounted



Masks: % Always



% Trust Dr. Fauci "A Lot"



Sources:
Gallup (Apr);
Pew (June);
YouGov (July)

ECONOMY: INABILITY TO CONTROL SPREAD PREVENTS RECOVERY

No Child Care?



-10% GDP
(U. Chicago)

No Masks?



-\$1T GDP
(Goldman Sachs)

No State Govt Help?

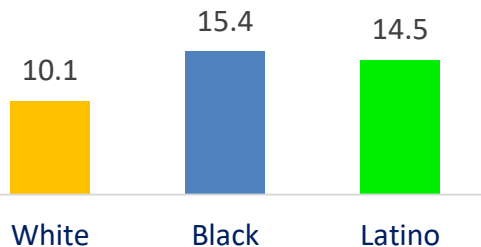


-5.3M Jobs
(EPI)

SOCIAL JUSTICE: FIGHTING OVER STATUES WHILE...

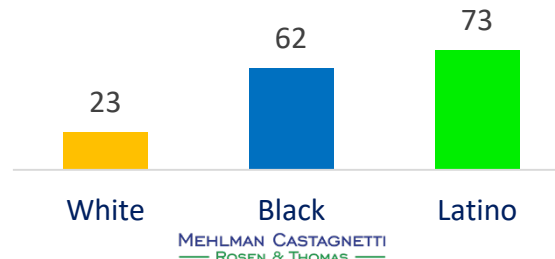
UNEMPLOYMENT RATE

(June 2020 %)



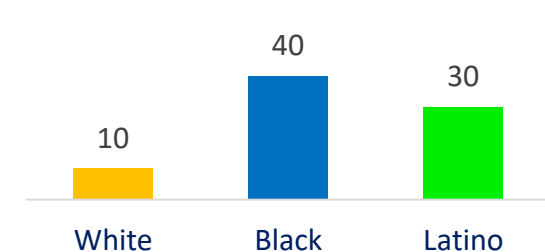
COVID-19 CASES

(per 10,000 people)



NO REMOTE INSTRUCTION

(% K-12 students)



Sources: Unemployment (BLS); COVID (NYT); K-12 (McKinsey)

TOMORROW

The Great Acceleration

TECH: DIGITAL DISINTERMEDIATION EXPEDITED

Internet Cutting Out More Middlemen: EDs, MEDs & FEDs



EDUCATION

- Hybrid online-offline degrees, more access
- Lower cost, higher enrollment, fewer schools
- Employers are becoming the new schools



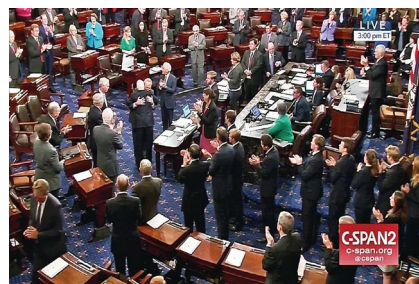
HEALTH CARE

- More telemedicine, greater access
- A.I. transforms diagnostics & discovery
- Real-time revolution: wearables + tracker apps + cloud



PHYSICAL BUSINESS MODELS

- “Retail-pocalypse” → “Office-pocalypse”
- Cash & credit cards → ePayments
- Travel & Broadcast → Zoom & Streaming



GOVERNMENT





- More virtual hearings & voting
- A.I. Oversight (fraud, waste, abuse)
- Smarter policing & national security



TECH: NEW TECHNOLOGY REGULATION

Government is Coming

In progress	Very Likely	Possible	Unlikely	N/A
-------------	-------------	----------	----------	-----

			 U.S. STATES CALIFORNIA REPUBLIC	
Antitrust / Competition	Very Likely	Unlikely	Very Likely	Very Likely
Privacy Enforcement	In progress	In progress	In progress	Possible
Platform Liability / Content Ctrls	N/A	Very Likely	Possible	Very Likely
New Digital Taxation	N/A	Very Likely	Possible	Possible
Emerging Tech Regulations <i>(A.I., Facial Recog., Blockchain)</i>	Very Likely	Very Likely	Possible	Possible
Encryption Access	In progress	Possible	Possible	Possible
Export / Import Controls	In progress	Possible	N/A	In progress
Anti-Gig Work Rules	N/A	Possible	In progress	Possible
Supply Chain Security	In progress	Possible	N/A	Very Likely

GLOBALIZATION: NEW WORLD DISORDER

Post-Deglobalization Paradigms

Great Power Rivalry Returns

FRENEMIES → ENEMIES

Competing Alliances

Competing Technology

Market Access as a Weapon

Growing Military Frictions

Multilateralism Remade

NEW MISSIONS, MANDATES, MODELS



Cross-Border Flows Slow

REDUCED RATE OF GROWTH IN:

DATA
GOODS
PEOPLE
CAPITAL
KNOWLEDGE

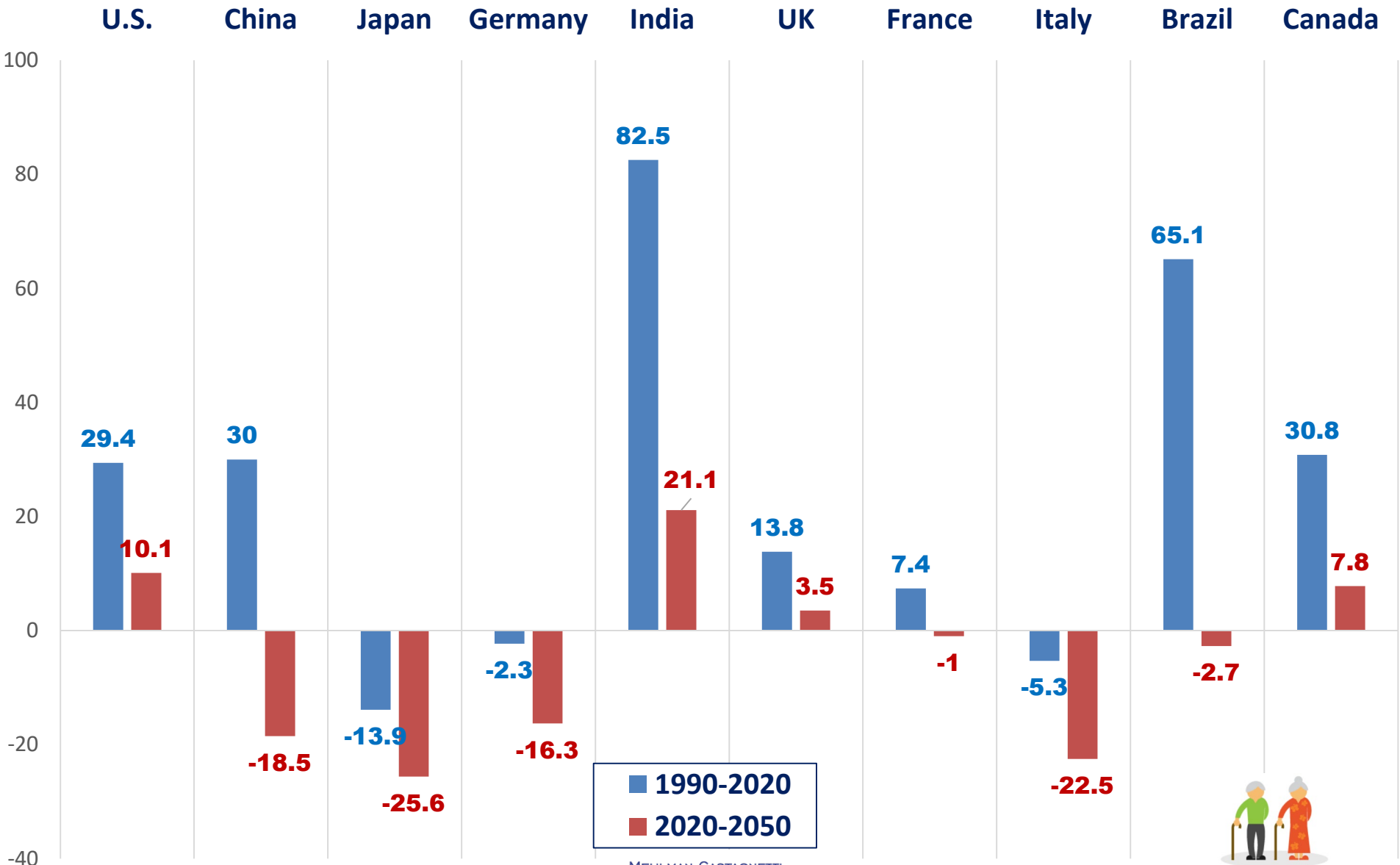
Trade Economics Disrupted

TECHNOLOGY:
Automation, 3D
printing reduce the
need

NATIONALISM:
Industrial policies
changing the
math

GLOBALIZATION: DEMOGRAPHICS WILL DRIVE DECLINES

% Change in Working Age Population, Past & Future 3 Decades



CULTURE: NEW PSYCHOLOGY, NEW PRIORITIES

BEFORE COVID

EFFICIENCY



G: Fund Stockpiles & Excess Capacity
B: Supply Chain Optionality, Process Redesign
I: Car > Metro; Suburb > City; Prepper-Nation

INTERDEPENDENCE



G: Industrial Base, Migration Limits
B: Less Global, More Vertical Integration
I: Home Cooking, Working, Schooling; DIY

LEVERAGE / RISK



G: More Regulation, Bigger Safety Nets
B: New Liability Risks, Safety Procedures; More Liquidity
I: Rent > Own; Big Employer > Startup

ABUNDANCE



G: Incur Less Debt, Find More Revenue
B: Deeper Reserves, Fewer Dividends/Buybacks
I: Save More, Spend Less, Borrow Less

AFTER COVID

RESILIENCE

SELF-SUFFICIENCY

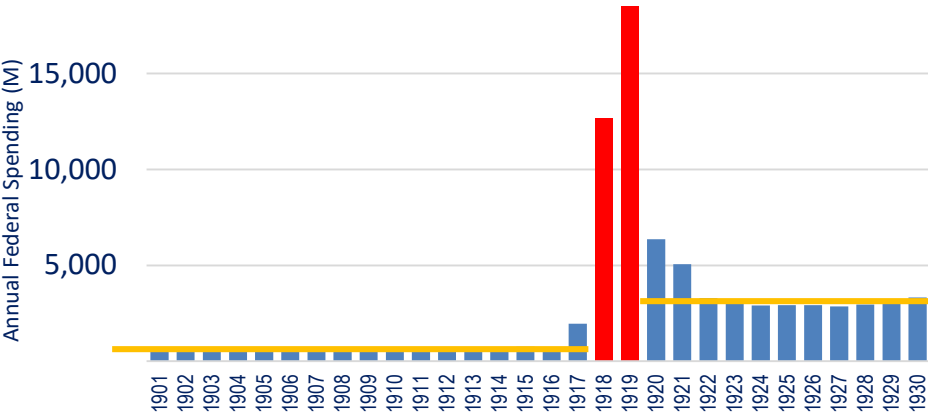
MARGIN / SAFETY

AUSTERITY

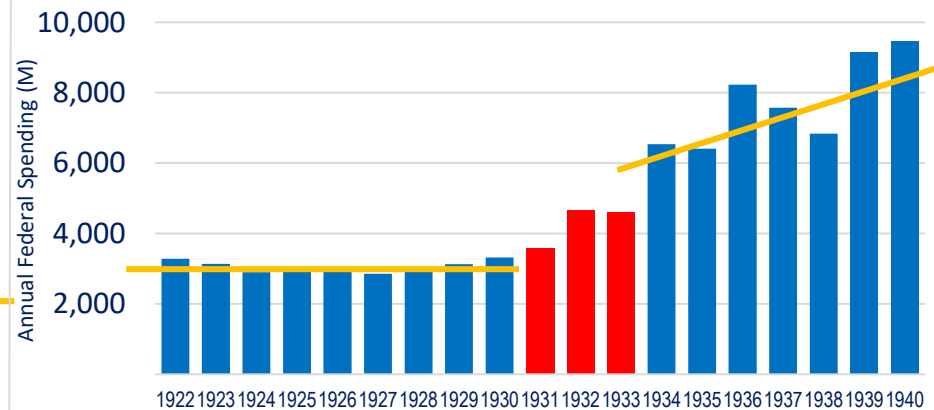
G: Government
B: Business
I: Individuals

POLITICS: CRISES GROW GOVERNMENT

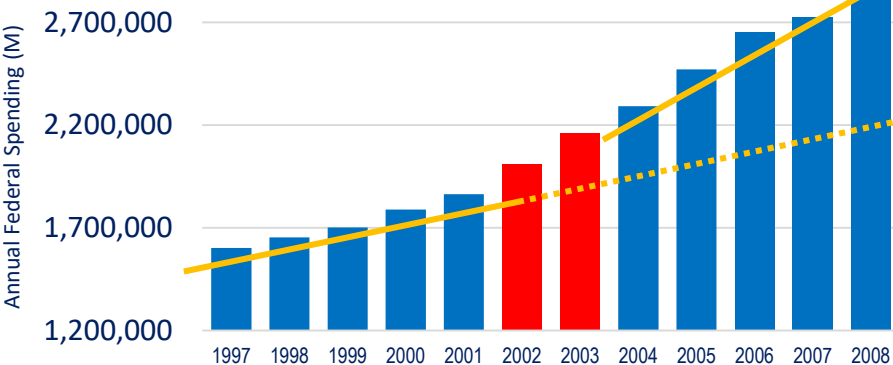
WWI & Spanish Flu



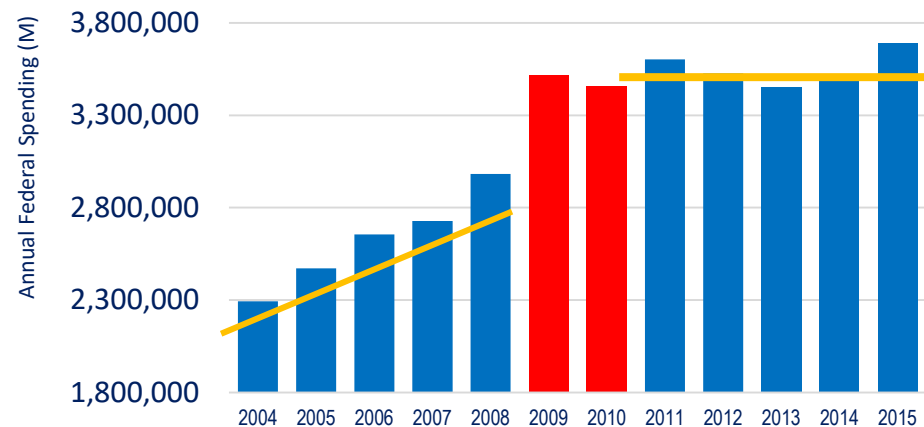
Great Depression



9/11



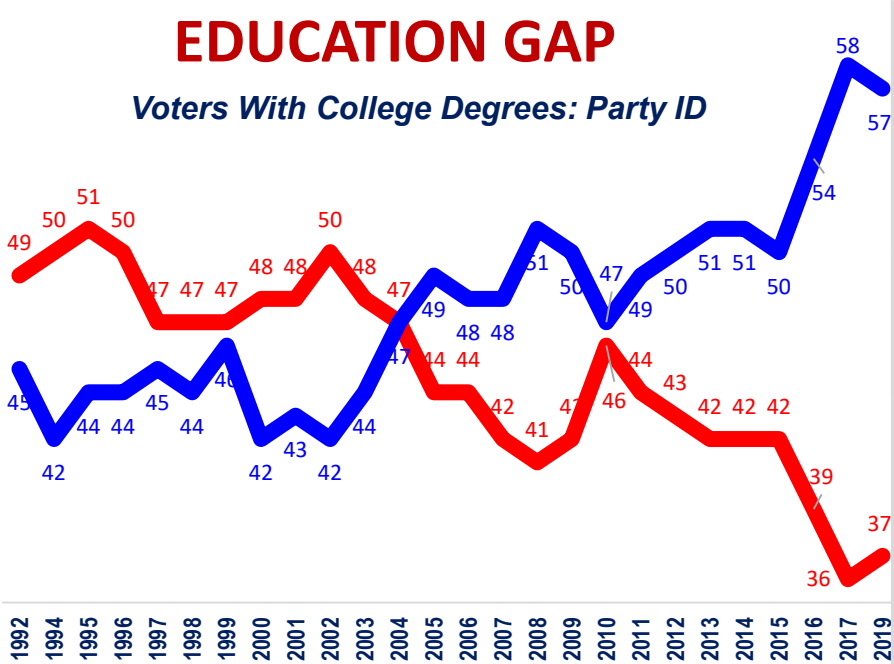
Global Financial Crisis



POLITICS: THE PARTIES ARE REALIGNING

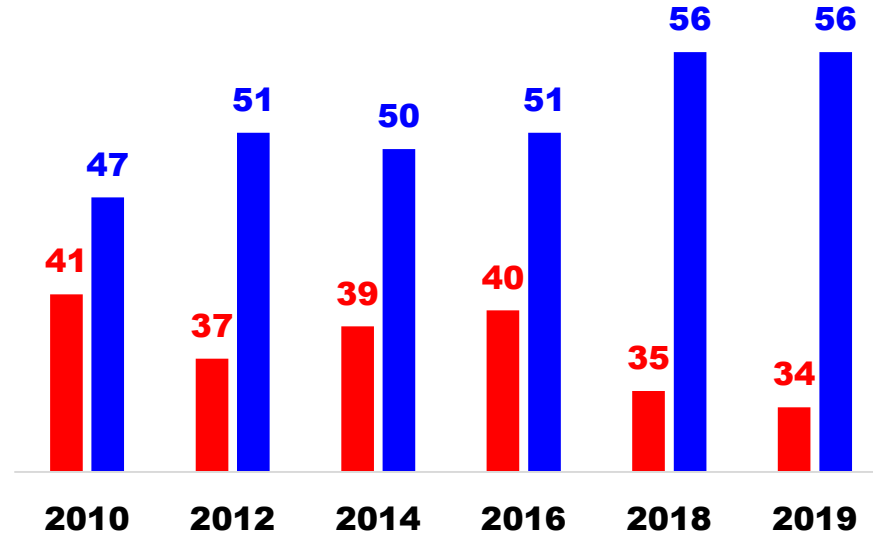
EDUCATION GAP

Voters With College Degrees: Party ID



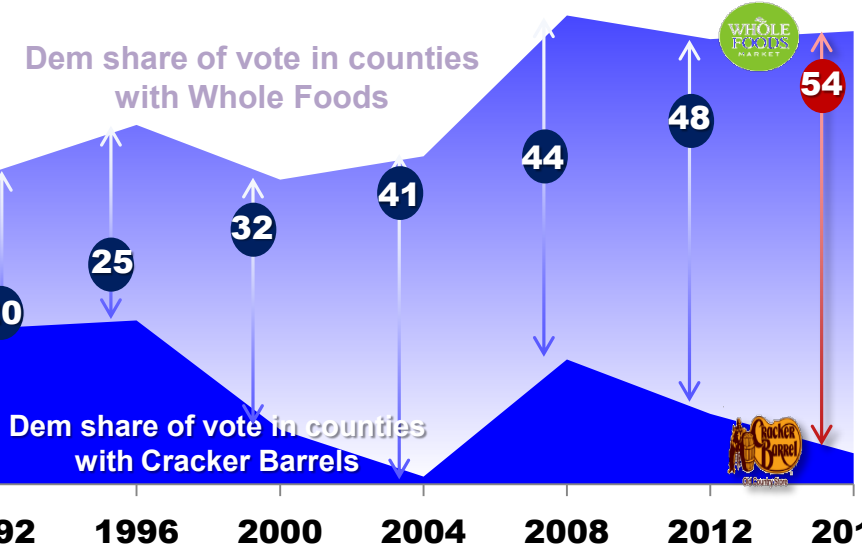
GENDER GAP

Women: Congressional Control Preference



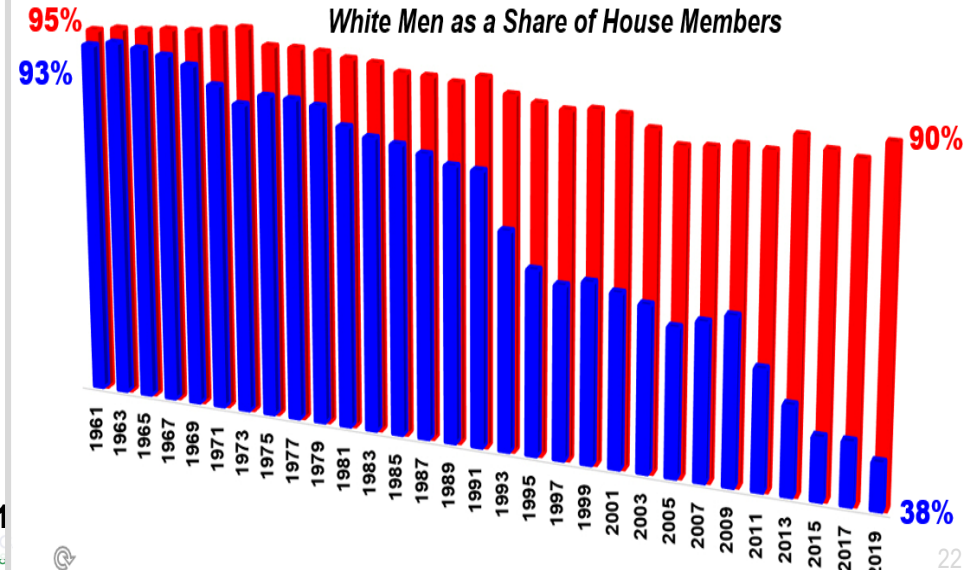
GEOGRAPHY GAP

Dem share of vote in counties with Whole Foods



RACE GAP

White Men as a Share of House Members



THE 2020 ELECTIONS

Pandemic Politics



CORE ELECTION DYNAMICS

PANDEMIC

Looks Like: "Wartime President"



Feels Like: We're Losing the War



Net Trump Approval
(Handling Pandemic):

-17

ECONOMY

The Re-Opener-in-Chief



Lockdown Joe



Better for the Economy
(Trump vs Biden):

Trump +6

TOLERABILITY

Too Old, Too PC, Too Washington?



Too Divisive, Dangerous & Corrupt?



Dislike both candidates:

2016: **Trump +17**

2020: **Biden +34**

BATTLE OF THE BRANDS



BIDEN'S BRAND RISKS

1. Uncle Joe → Grampa Joe
(seen as too old)

2. Regular Joe → Radical Joe
(seen as too PC for moderates)

3. Obama Era Joe → Clinton Era Joe
(seen as too moderate for liberals)

4. Patriotic Joe → Partisan Joe
(seen as rooting against recovery)

5. No Show for Joe
*(Fear of Disease + Lack of Enthusiasm +
Voting Restrictions depress turnout)*

TRUMP'S BRAND RISKS

1. Disruptor-in-Chief
(seen as unstable in a time of crisis)

2. Divider-in-Chief
(seen inflaming divisions, race-baiting)

3. The Pandemic President
(seen as failing to manage COVID)

4. Lock Her Up → Throw Him Out
(unable to shift focus off himself onto Biden)

5. The Vision Thing
(seen as lacking a plan for the future)

TURNOUT & TRUST

People Are Very Eager to Vote in 2020

2018

Highest U.S. Midterm Voter Turnout Since 1914

2019

Highest "Extremely Enthusiastic" to Vote Ever Recorded (CNN)

Both Sides See Turnout Opportunities & Risks

Eligible Citizens Who Didn't Vote in 2016

2016	White No College	College White	Non-White
MI	1,564k	412k	643k
MN	786k	211k	259k
NH	220k	69k	25k
PA	2,290k	603k	695k
WI	819k	161k	306k
AZ	684k	228k	904k
FL	2,565k	719k	2,565k
GA	1,172k	327k	1,303k
NC	1,105k	321k	834k
TX	2,665k	813k	4,274k

People Are Very Afraid of COVID, Fraud & Voter Suppression

25%

would be uncomfortable voting in person right now (40%D, 6% R)

59%

of Americans are not confident in the honesty of U.S. elections

HOW ELECTIONS MIGHT IMPACT POLICY

ISSUE	BIDEN ADMINISTRATION	TRUMP ADMINISTRATION
Immigration	More; give health care; DACA	Less; no gov't benefits
Climate / Energy	Regulate & enforce; Paris Accord	Deregulate
Gun Control	Gun safety laws & enforcement	No new laws
Labor	PRO Act + \$15/hr	Deregulate; Fewer NLRB rules
Policing Reform	Black Lives Matter; Have Feds lead	Blue Lives Matter; Let States lead
Health Care	ACA+ public option; Lower age for Medicare; Lower Rx costs	Kill ACA but says he'll cover pre-existing conditions; Lower Rx cost
Tax	Repeal Trump cuts for wealthy, corps	Maintain / more cuts
Finance	Homeowner protection; undo regulatory rollback; enforcement	Relax Dodd-Frank
Foreign Policy	Lead multilateral groups	End old multilateralism
Trade	Cut "Fair" deals, TPP; re-shore U.S. supply chains; fewer tariffs	Cut "America First" deals; re-shore U.S. supply chains
Deficits	+\$8.6T from '09-'16	+\$8.3T from '17-'20
China	Confront with allies	Confront
Infrastructure	\$\$\$\$\$ + green incentives	\$\$\$\$\$
Antitrust/Big Tech	Restrain "Big Tech" (Antitrust, \$230)	Restrain "Big Tech" (Antitrust, \$230)

MORE

DIFFERENCE

LESS

GOP SENATE AT RISK IN 2020... IF BIDEN RUNS THE TABLE

Since 1992, Incumbent Senators Win...

97%

126/130

...of races when the
Presidential candidate of
their party **wins** their state



70%

37/53

...of races when the
Presidential candidate of
their party **loses** their state

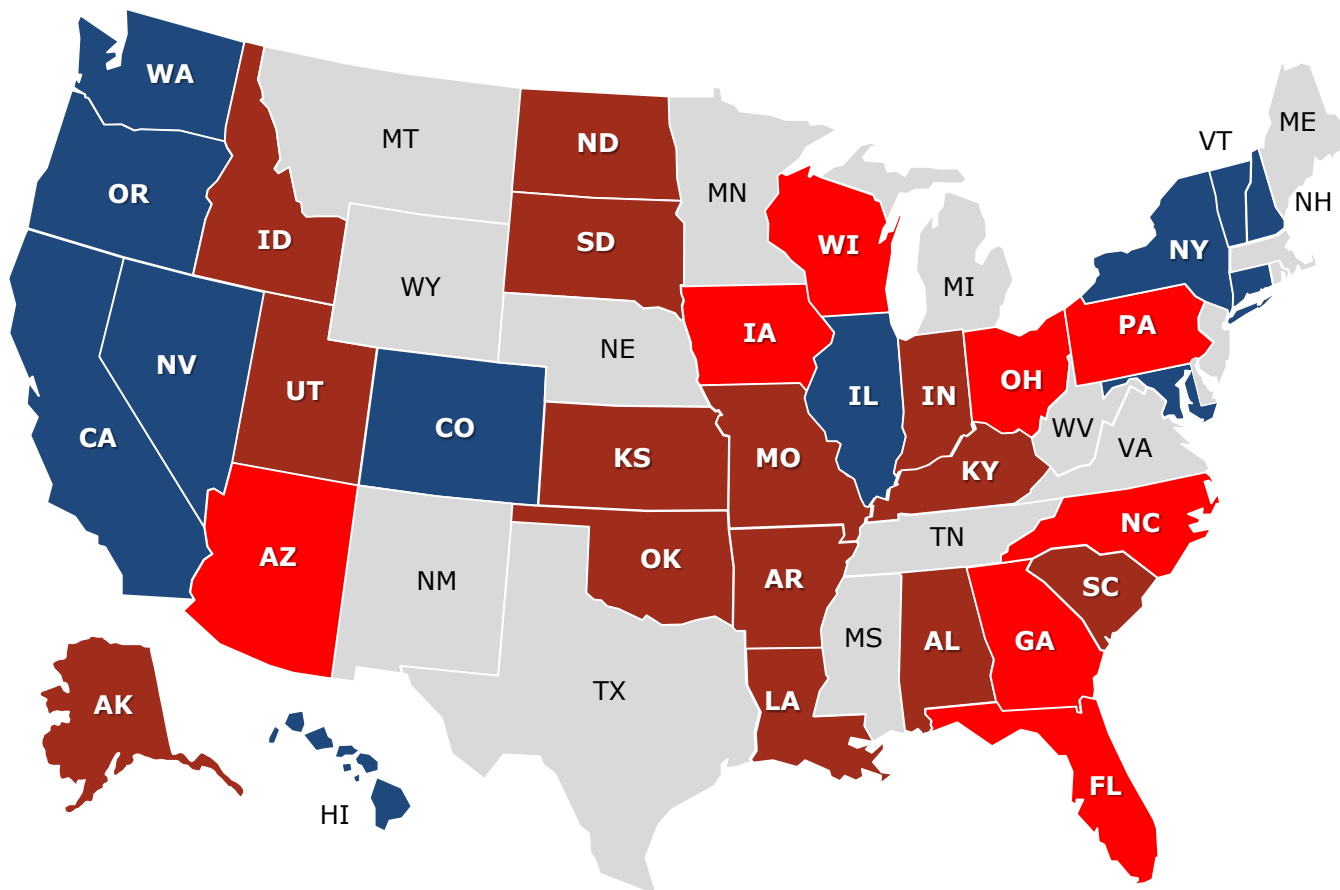
Closest 2020 Senate Races by

How State Is Leaning in the Presidential Race (per Cook Report)

Likely+ Dem	Lean Dem	Toss Ups	Lean GOP	Likely+ GOP
ME (Collins)	CO (Gardner) MI (Peters)	AZ (McSally) GA (Perdue) GA (Loeffler) NC (Tillis)	IA (Ernst)	AL (Jones) MT (Daines)

GOP SENATE 2022... IF TRUMP RE-ELECTED, HUGE RISKS

GOP Could Be Defending 8 of 10 Closest Trump 2016 States



6th Year Itch?

1986 Reagan lost Senate
2006 Bush lost Senate
2014 Obama lost Senate

CONGRESS: DON'T WRITE-OFF 2020

Significant Legislative Tasks Remain

MUST DO / VERY LIKELY IN 2020

COVID Recovery Package #5

*IN: liability limits, \$\$\$ for families, states+ health system
TBD: UI levels, election help, OSHA, airlines, broadband*

FY 2021 Spending Bills/CR

(or shutdown 9/30)

FY21 Nat'l Defense Authorization Act

Expiring Authorizations:

- FISA (expired 3/15)
- Surface Transportation (expires 9/30)
- National Flood Insurance (9/30)
- TANF & CCES programs (11/30)
- Water Resources Development Act
- Medicare, Medicaid, Community Health Ctrs & Other Public Health (11/30)

Sanctions *(China, Russia, Venezuela)*

Great American Outdoors Act

(LWCF permanent reauthorization)

Oversight of Recovery Spending



MAY DO IN 2020 / LIKELY BY 2021*

\$1T+ Infrastructure Overhaul

Policing Reform → by '21 new civil rights agenda (jobs, health, housing, education)

Tech: Limiting CDA §230; Promoting U.S. semiconductor manufacturing; Supporting 5G broadband deployment; Cyber Solarium recommendations

HC: Drug Pricing; Surprise Billing; Telehealth expansion; Moving Rx/PPE supply chains to U.S.; Health disparities/social determinants

Fin: Anti-Money Laundering bill

Trade: Carrots/sticks to re-shore supply chains

Post-COVID safety net fixes

Oversight of Recovery Spending

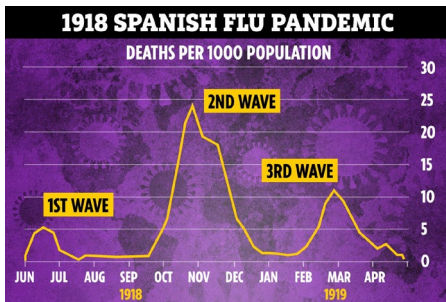
** If Biden wins WH, new agenda & new team = more issues*

RECOMMENDATIONS

“Those Who Fail to Learn from History...”

MORE CRISES ARE LIKELY

We Have Been Warned... Will We Be Prepared?



Second Pandemic Wave

- 8 of last 8 major pandemics had 2nd waves including Spanish Flu
- Coinciding with seasonal influenza could overwhelm public health in the Fall disrupting economy, elections, education

Disrupted & Disputed Elections

- Long lines, closed polling locations, fearful voters
- Winner may be unknown for week(s)
- High chance close results are disputed → largest protests in U.S. history

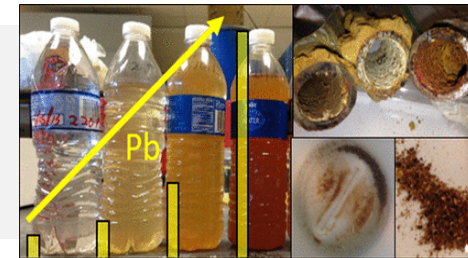


Cyber “Pearl Harbor”

- Cyber crime costs the world \$6T per year, is occurring with greater frequency with growing hacking by nations
- Critical U.S. infrastructure remains vulnerable

Catastrophic Infrastructure Failure

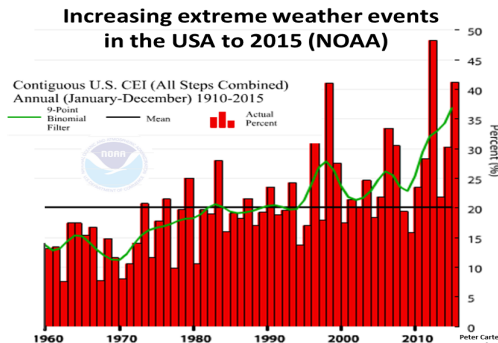
- Michigan suffered collapsed dam in 2019 & lead in groundwater in 2014-2016
- Trillions are needed to promote safety



Flint Water Crisis “Ground Zero”

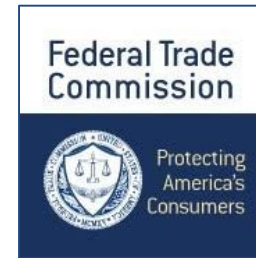
Climate Cataclysm

- Extreme weather events have occurred with increasing frequency, driven by changing climate



CRISES CATALYZE REFORMS

GILDED AGE



GREAT DEPRESSION



MERS OUTBREAK (S. KOREA, 2015)



OUTH KOREA'S 'DRIVE-THRU
VID-19 TESTING CENTRES

Fast, early,
widespread testing



Universal
mask wearing



Health care system
prepared for surges



S. KOREA'S
QUARANTINE MEASURES

Compliance
with quarantines

HOW LEADERS CAN PREPARE FOR COMING CRISES

1. TRUST: the Most Important Brand Attribute This Decade

- You will be judged on what you do to help in 2020... Expect aggressive government oversight, heightened media scrutiny & increasing activist engagement.

2. TECHNOLOGY: Disruptive Innovation Will Accelerate

- Leverage new opportunities to become more competitive... Build a smarter, more resilient business.

3. GEOPOLITICS: Plan for Ongoing Deglobalization

- Diversify supply chain optionality and engage local governments... but also lead by example in supporting multilateral institutions aimed at shared challenges.

4. CULTURE: Traditional Washington Gatekeepers Are Losing Power

- Expand stakeholder outreach, doing more than just writing checks... who will partner on your priorities later because you supported theirs now?

5. POLITICS: Reforms Are Necessary & Inexorable

- Engage in the messy process of political & policy reforms... populism will continue rising at home & abroad until more people feel “dealt-in”.

<http://www.mehlmancastagnetti.com/>

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— ROSEN & THOMAS —

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RECENT MCR&T ANALYSES:

Q2 '20: After COVID: <https://bit.ly/After-COVID-Mehlman2020>

Q1 '20: Hunting Black Swans: <http://bit.ly/HuntingBlackSwans2020>

Q4 '19: Deglobal: <http://bit.ly/Deglobal-Mehlman2019>

Q3 '19: Wokepocalypse: <http://bit.ly/Wokepocalypse2020>

Q2 '19: The Roaring 2020s: <http://bit.ly/Roaring2020s>

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

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

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