



# CROSSROADS



***Challenges & Choices in a Low-Trust World***

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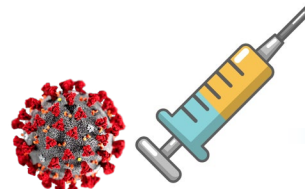
## **CROSSROADS: Challenges & Choices in a Low-Trust World**

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# SUMMARY: AT THE CROSSROADS

## 2021 Could Go Either Way

Mutations overwhelm,  
fear of vaccines prevails



Vaccinations prevail,  
distribution accelerates

Bubbles burst,  
double-dip recession



Relief recovery,  
growth soars

Confrontation  
& Conflict



Coordinated  
Containment

Gridlock, blame &  
permanent campaign



Bipartisan compromise,  
necessary reforms

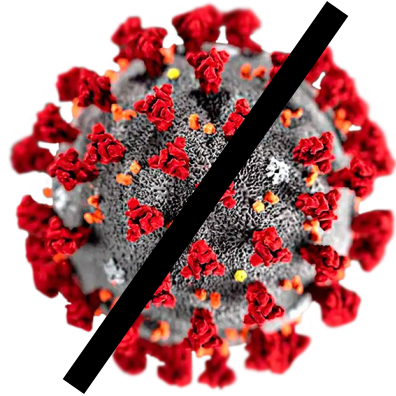
Austerity preempts  
readiness



Investments in  
resilience

# AMERICA'S BIGGEST CHALLENGE IN 2021 IS...

**NOT COVID**



**NOT the Economy**



**NOT China**



It's lack of  
**TRUST**

**20%**

of Americans trust the federal government "to do what is right just about always / most of the time"

**84%**

of Americans say "politicians have too much power & influence in today's economy"

**67%**

of Europeans say "Europe cannot always rely on the U.S."

**56%**

of Americans believe "journalists and reporters are *purposely trying to mislead* people by saying things they know are false or gross exaggerations."





# CROSSROADS: MACRO POSSIBILITIES FOR THE 2020's

**Inequality accelerates,  
divisions increase &  
societal fragility worsens**



**More inclusive growth,  
stronger consumer protection  
& greater societal resilience**

**Spheres of influence  
replace post-WWII global  
order, China leads**



**Multilateralism rearchitected  
to address 21<sup>st</sup> century  
challenges, U.S. leads**

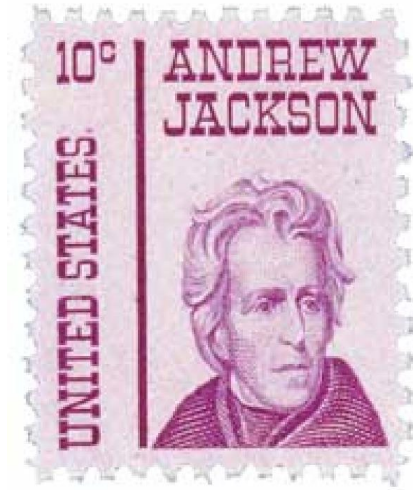
***Divided We Fall...*  
Lack of Trust in media &  
government weakens  
America**



***The Center Holds...*  
Leaders restore trust in key  
institutions, strengthening  
America**

# WILL THIS BE A NEW GREAT AWAKENING... OR UNRAVELLING?

## Popular Movements Drive Big Changes in America Every ~60 Years



**Revolutionary Period**  
1765-1785

**Jacksonian Uprising**  
1825-1845

**Progressive Era**  
1890-1920

**Protest Era**  
1955-1975

**Modern Populism**  
2015-



**Moral indignation at the state of the country + Contempt for established power + Trust in institutions plummets + New generation of leaders emerges, drives reform**

**YES, BUT...**  
***Why Conclusions & Predictions  
Are Hard***

# TRUMP'S GOP LOST THE HOUSE, SENATE & WHITE HOUSE

**BEFORE**

**AFTER**





# YES, BUT... GOP PRESIDENCIES RARELY PRESERVE GOP CONTROL

## Trump Continued a Long Losing Tradition

*Party Control Upon Entering Office*

*Party Control Upon Leaving Office*

HOUSE	SENATE	WH	YEAR	PRESIDENT	YEAR	HOUSE	SENATE	WH
Red	Red	Red	1929	HOOVER	1933	Blue	Blue	Blue
Red	Red	Red	1953	EISENHOWER	1961	Blue	Blue	Blue
Blue	Blue	Red	1969	NIXON / FORD	1977	Blue	Blue	Blue
Blue	Red	Red	1981	REAGAN	1989	Blue	Blue	Red
Blue	Blue	Red	1989	H.W. BUSH	1993	Blue	Blue	Blue
Red	Red	Red	2001	W. BUSH	2009	Blue	Blue	Blue
Red	Red	Red	2017	TRUMP	2021	Blue	Blue	Blue

# PRESIDENTS HISTORICALLY START FAST, DO MOST IN 1<sup>ST</sup> 2 YEARS

## Major Initiatives Get Launched Early (Before Losing Congress)



**Crime Bill; Brady Bill;  
Assault Weapons Ban**

**NAFTA; GATT**

**Reinventing Gov't Initiative**

**Deficit Reduction Bill (tax ↑)**

**AmeriCorps**

**Family & Medical Leave Act**



**No Child Left Behind**

**2001 Tax Cuts (10-yr cuts)**

**Patriot Act; DHS Bill**

**US-Russia Nuclear deal**

**FTAs launched/concluded:  
Singapore, Chile, Australia,  
Morocco, CAFTA**



**\$787B Stimulus package**

**Affordable Care Act**

**Dodd-Frank**

**2010 Tax Deal**

**Lily Ledbetter Fair Pay Act**



**Tax Cuts & Jobs Act**

**USMCA; Korea FTA**

**First Step Act (Criminal  
Justice Reform)**

**Regulatory rollback**

**Immigration reductions**

# YES, BUT... DEMOCRATS HAVE HISTORICALLY SMALL MARGINS IN 2021

## Congressional Majorities for Democratic Presidencies after 1<sup>st</sup> Election



# Dem SENATORS 1 <sup>st</sup> Year	<b>U.S. SENATE</b> Year	President	Dem SENATE Margin
68	1965	Johnson	36
64	1961	Kennedy	28
61	1977	Carter	23
59	1933	FDR	23
41	1857	Buchanan	21
57	2009	Obama	16
38	1853	Pierce	16
57	1993	Clinton	14
54	1949	Truman	12
51	1913	Wilson	7
50	2021	Biden	0
34	1885	Cleveland	-8

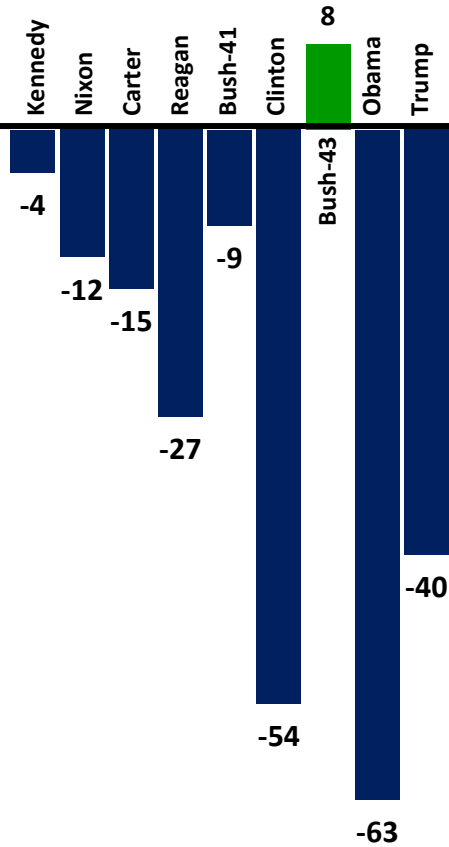
# Dem REPRESENTATIVES 1 <sup>st</sup> Year	<b>U.S. HOUSE</b> Year	President	Dem HOUSE Margin
313	1933	FDR	196
291	1913	Wilson	157
295	1965	Johnson	155
292	1977	Carter	149
263	1949	Truman	92
264	1961	Kennedy	91
157	1853	Pierce	86
258	1993	Clinton	82
257	2009	Obama	79
132	1857	Buchanan	42
182	1885	Cleveland	41
222*	2021	Biden	9**

# DEMS' HOUSE & SENATE MAJORITIES ARE AT RISK IN 2022 MIDTERMS

## Presidential Party Performance in 1<sup>st</sup> Midterm, by POTUS

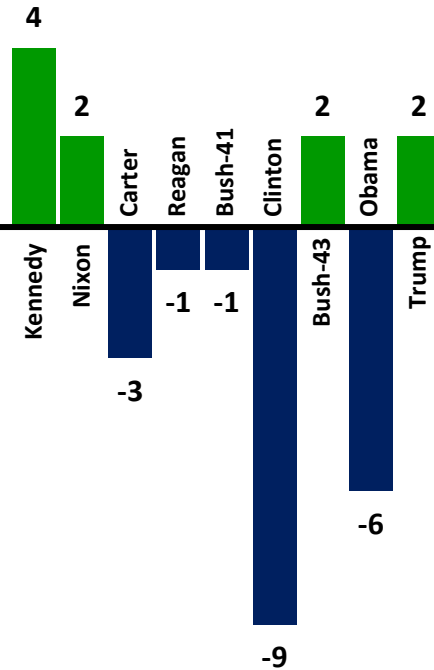
### U.S. HOUSE

(5 seats to flip in 2022)



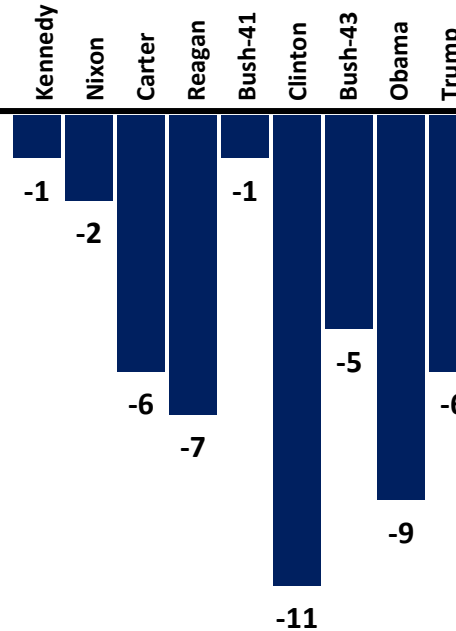
### U.S. SENATE

(1 seat to flip in 2022)

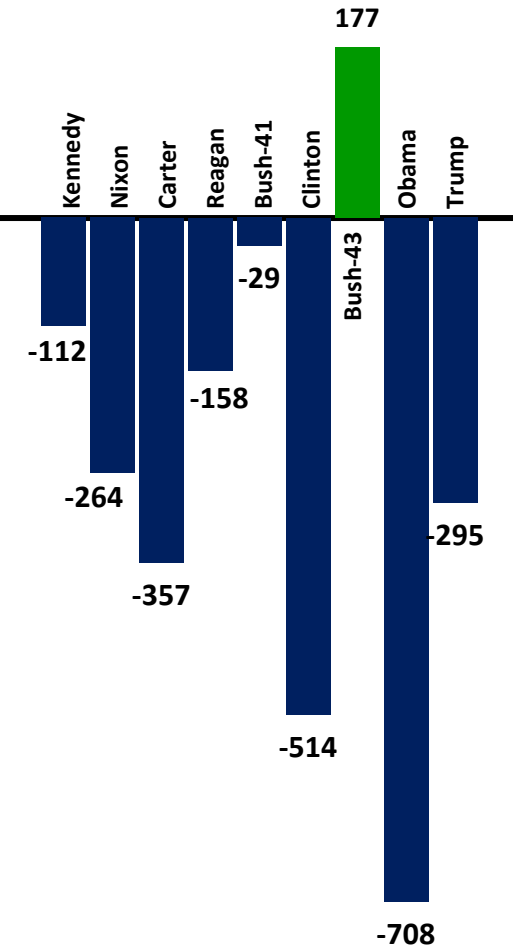


### GOVERNORS

(Dems hold 23)



### STATE LEGISLATORS





# YES, BUT... CONTESTED PRIMARIES COULD IMPERIL GOP GAINS

## Primary Battles in GOP Civil War (and Even the Risk of Them) Can Lead to...

### ...Less-Electable Nominees...

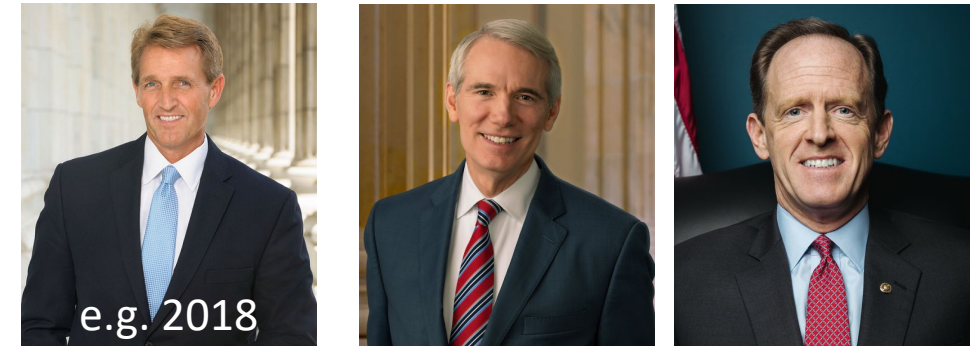


GOP Rep. Mike Castle had won 12 statewide elections in a row in Delaware by an average margin of 30.5%.

*He was favored to pick up the seat in 2010.*

Tea Party darling Christine O'Donnell beat Castle in the Primary but lost the general by 17%.

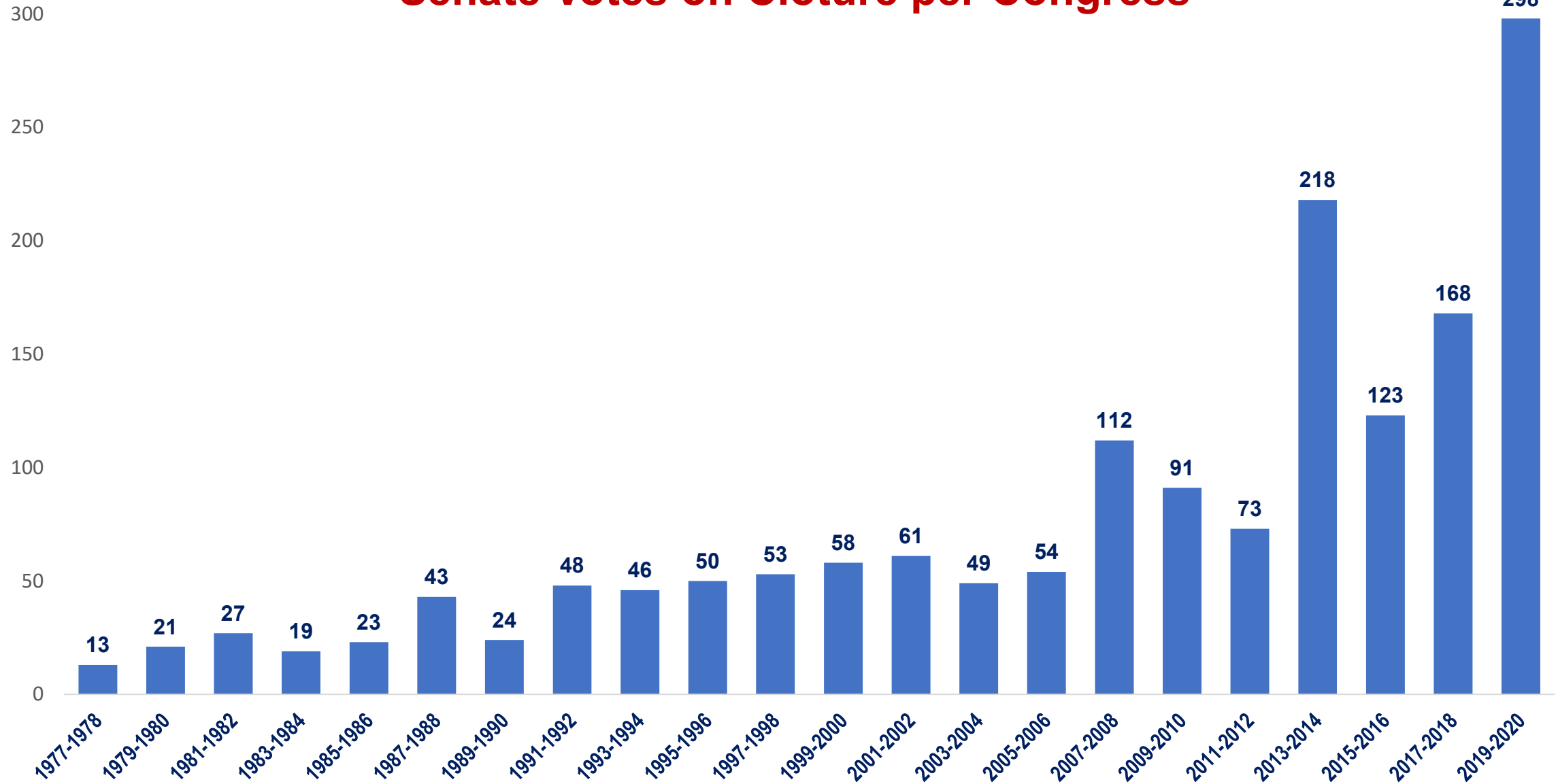
### ...Accelerated Retirements in Hard States



Corporate PACs sitting-out all elections may hurt more mainstream candidates, increasing odds of fringe candidates & divisive politics (opposite of the PACs' goal)

# FILIBUSTERS WILL LIKELY CONTINUE

## Senate Votes on Cloture per Congress



## What Democrats Could Do With 51 Votes

1. **End the Legislative filibuster, and then...**
2. Vote to make DC & Puerto Rico States = +3-4 Dem Senators
3. Voting Rights reforms to expand electorate, make voting easier (H.R. 1)
4. Redistricting reforms to reduce impact of 2022 GOP gerrymandering
5. Immigration reform to add millions of additional citizens / voters
6. Section 230 reform to reduce right wing social media amplification
7. Expand the number of Supreme Court Justices (last increased in 1869)
8. **Enact extensive Progressive agenda** (climate, inequality, civil rights, antitrust, etc.)



*BUT Democrats could not abolish the Electoral College or alter number of Senators / state absent Constitutional Amendments*

# WE ARE HYPER-POLARIZED



**81% of Republicans say:**  
*“The Democratic Party has been taken over by **Socialists**.”*

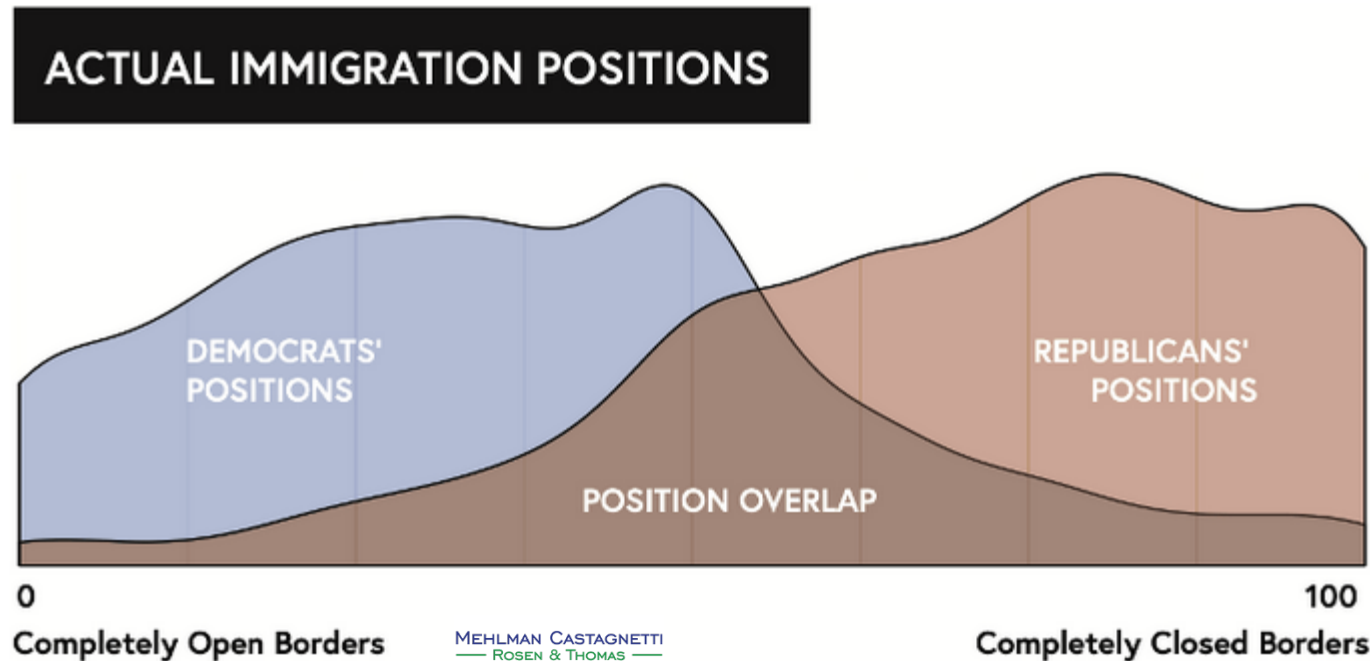
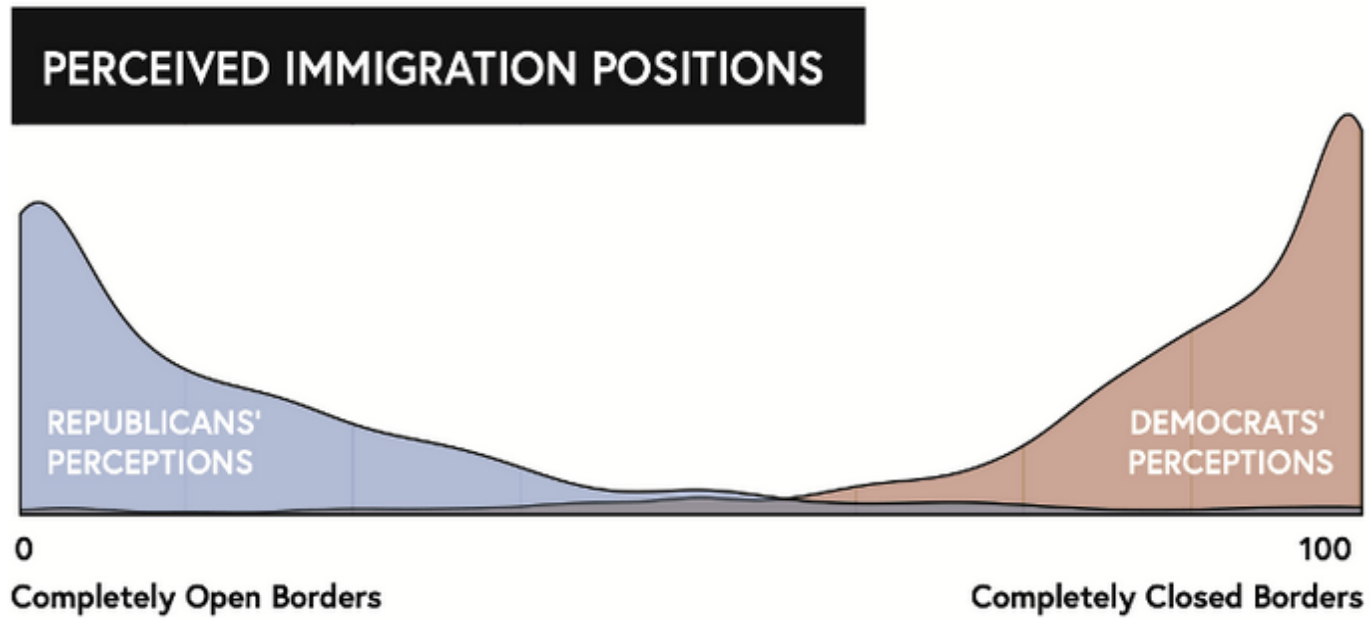


**78% of Democrats say:**  
*“The Republican Party has been taken over by **Racists**.”*



# YES, BUT... WE ARE LESS DIVIDED THAN WE THINK

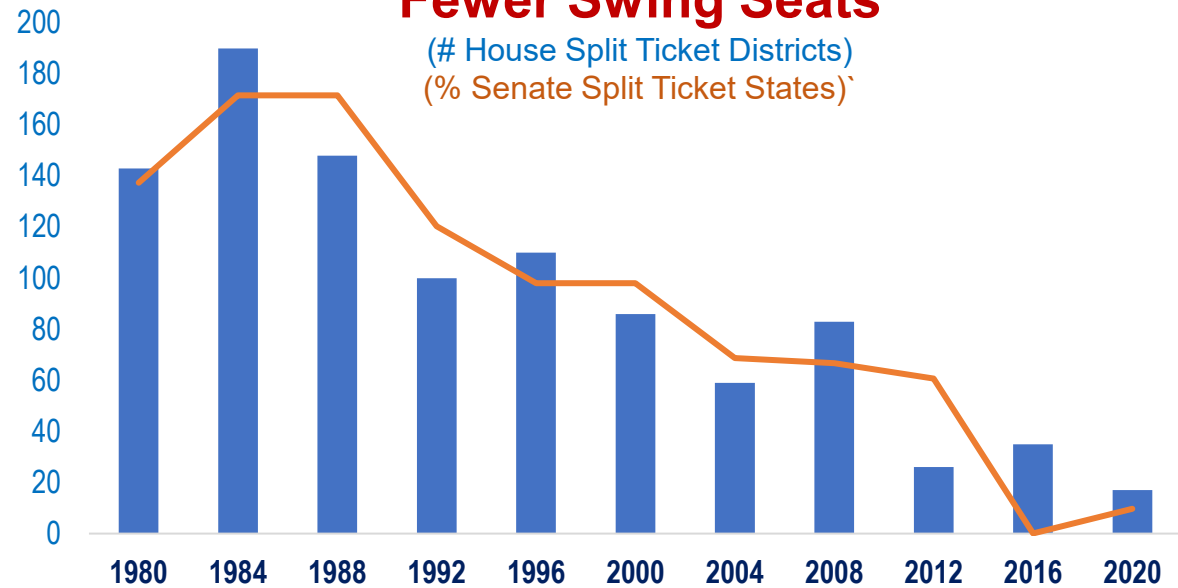
**We presume greater gaps between the parties than actually exist on issues.**



# POLICYMAKERS HAVE FEWER INCENTIVES TO COMPROMISE

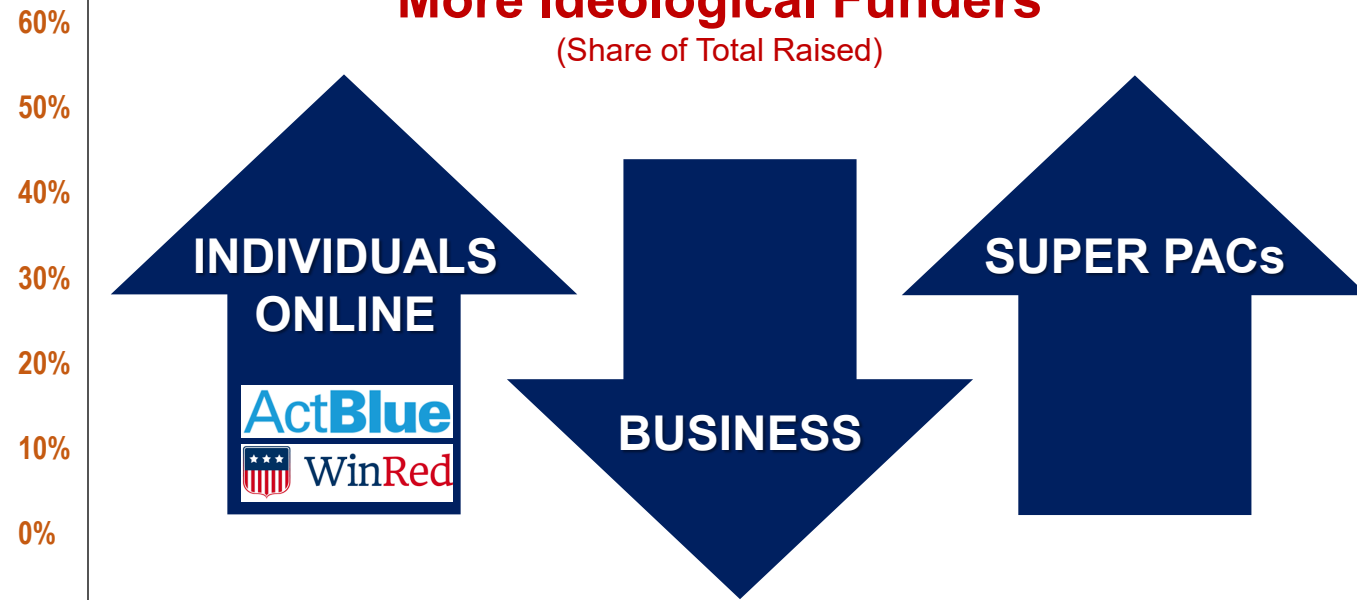
## Fewer Swing Seats

(# House Split Ticket Districts)  
(% Senate Split Ticket States)



## More Ideological Funders

(Share of Total Raised)



## Media Rewards Warriors

(Social media even more)



## Alternatives to Compromise

(Only Need 51 Votes)

### Judges & Noms

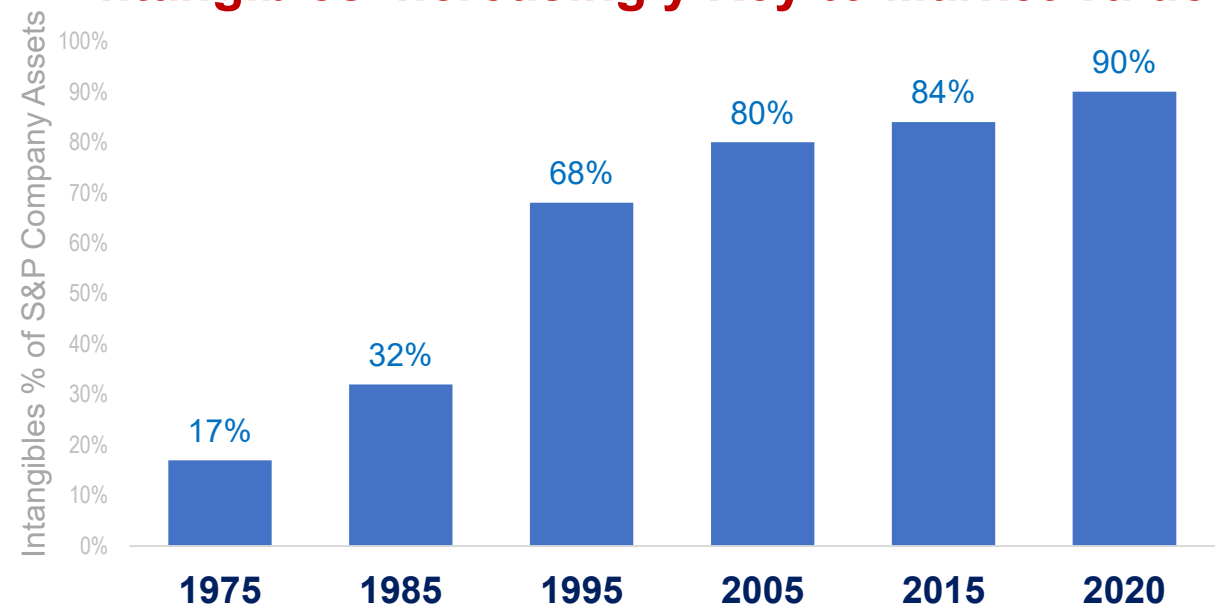


### Reconciliation



# YES, BUT... CEOs HAVE INCREASING INCENTIVES TO ADDRESS SOCIAL ISSUES

## Intangibles Increasingly Key to Market Value



## Stakeholders Critical to Growing Intangibles

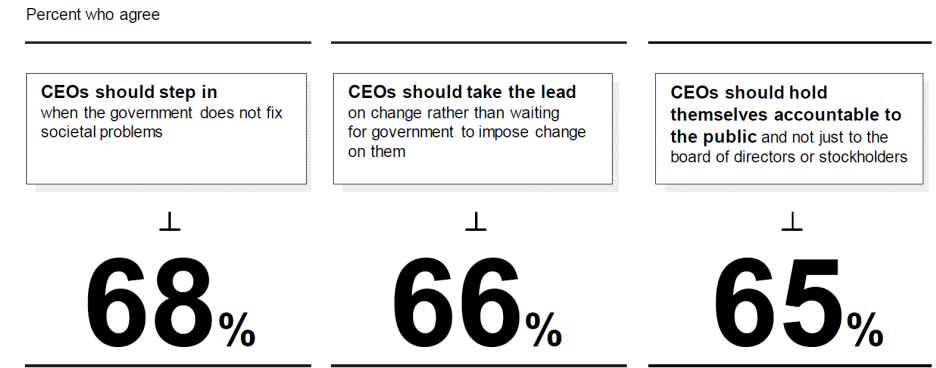
- EMPLOYEES**: Image of a protest with signs like "STAND Together", "Don't EXIT", "#Google White", "The Google One", "#NOBAN NOWALL", "Make America think again".
- CONSUMERS**: A large red stamp that says "BOYCOTT".
- INVESTORS**: Logo for "Climate Action 100+ Global Investors Driving Business Transition".
- COMMUNITIES**: Logo for "We are a Living Wage Employer".

## Intangibles Include



## Stakeholders Looking to Businesses to Engage

### BUSINESS EXPECTED TO FILL VOID LEFT BY GOVERNMENT



2021 Edelman Trust Barometer. CEO\_EXP. Below is a list of potential expectations that you might have for a company CEO. Thinking about CEOs in general, whether they are global CEOs or a CEO who oversees a particular country, how would you characterize each using the following three-point scale? 3-point scale, sum of codes 2 and 3. Question asked of half of the sample. CEO\_AGR. Thinking about CEOs, how strongly do you agree or disagree with the following statement? 9-point scale; top 4 box, trust. Question asked of half of the sample. General population, 27-mkt ag.

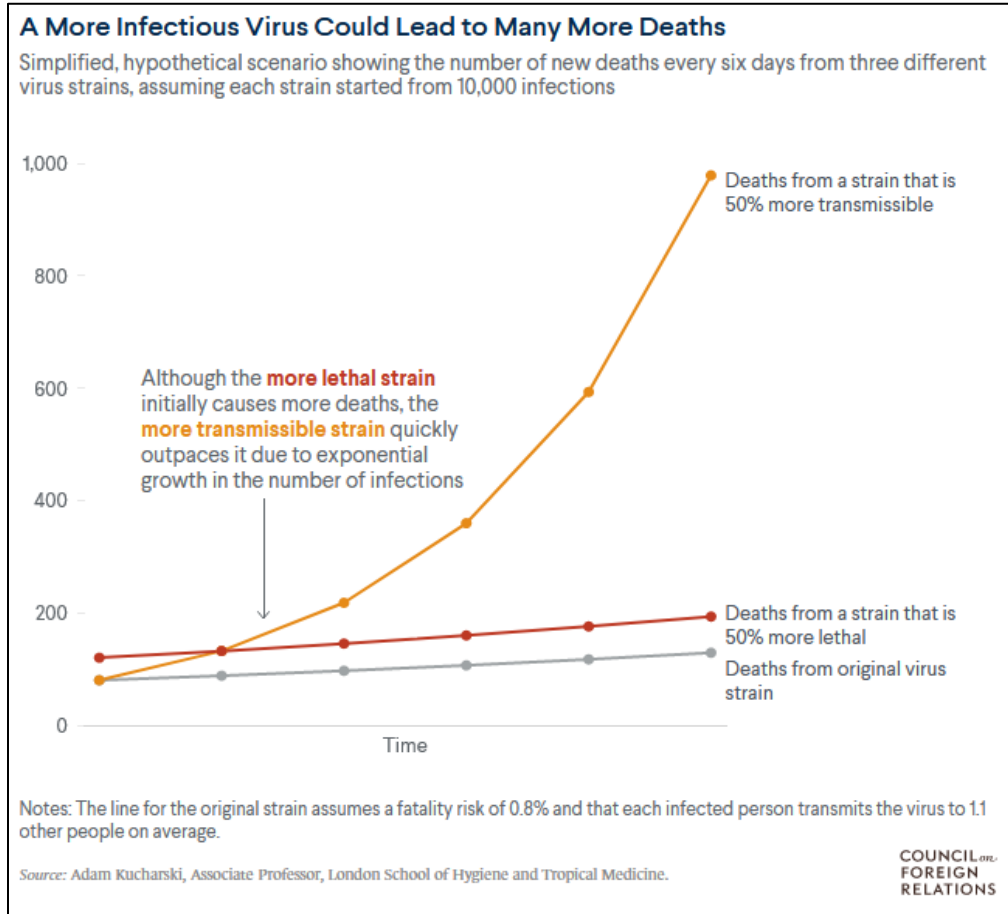
# CROSSROADS

## *The Challenges & Choices Ahead*

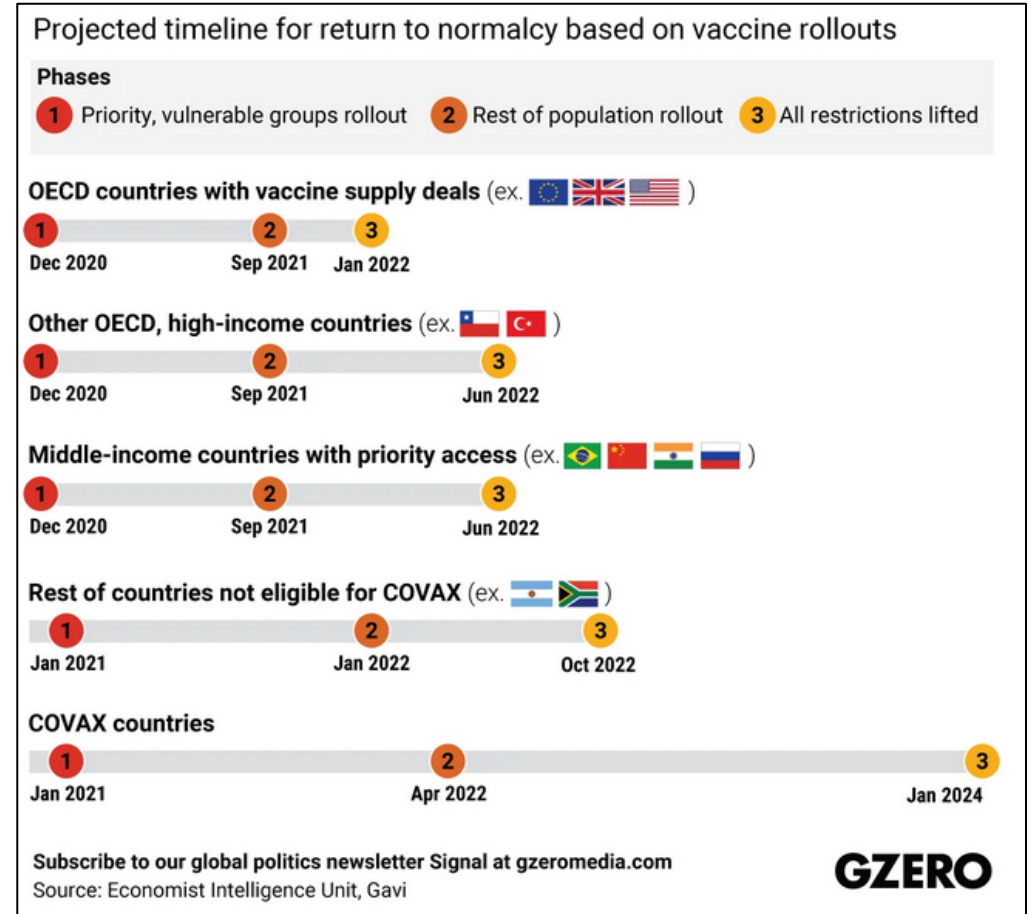


# PANDEMIC: BEGINNING OF THE END OR END OF THE BEGINNING?

## Reason for Fear: Variants & Delays



## Reason for Hope: Vaccines



# ECONOMY: BEST OF TIMES OR WORST OF TIMES?

## Case for Economic Pessimism



- COVID Continues:** New strains & fear of vaccines slow drive to immunity & return to normalcy
- Pain Across Real Economy:** ~9M fewer jobs today than 1/20, over 100k businesses closed permanently, 19M+ at risk of eviction & 26M+ face food insecurity... K-Shaped recovery
- Bubbles Burst:** Market excesses trigger collapse, with negative wealth effect undermining hiring and spending
- Policy Retreats:** Fiscal (return of deficit hawks, debt ceiling), Monetary (Fed tapers QE<sup>∞</sup>), and/or Trade (nationalists outmaneuver globalists)

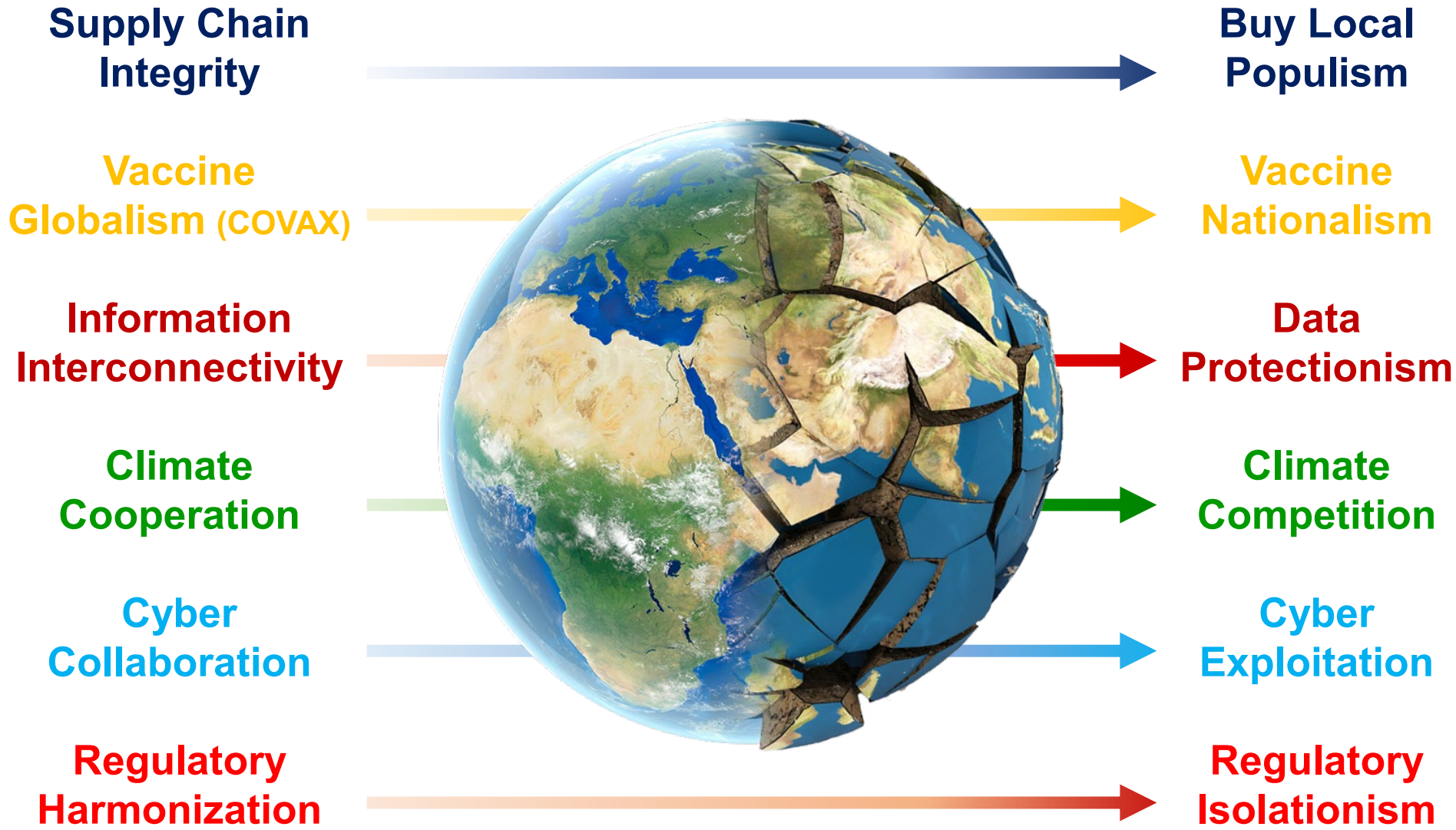
## Case for Economic Optimism

- Vaccinations Work:** Relief rally spending-splurge powers rapid recovery across entire economy
- Investment Ready:** Historic levels of market wealth, household savings, private wages & salaries, corporate cash-in-bank, residential real estate & investor “dry power” unleashed
- Accommodative Policy:** Unlike at start of the Great Depression, government mostly helping:

1930		2021
HEADWIND	FISCAL	TAILWIND
HEADWIND	MONETARY	TAILWIND
HEADWIND	SAFETY NET	TAILWIND
HEADWIND	IMMIGRATION	IMPROVING
HEADWIND	TRADE	HEADWIND

# GEOPOLITICS: GLOBALIZATION OR DEGLOBALIZATION?

Multilateralism Renewed



Nationalism Prevails

# THE GOP: CONSERVATISM OR POPULISM?

## Civil War for the Future

### TRADITIONAL CONSERVATIVES

**Business Is Good**

**Pro-Trade**

**The World's Cop**

**“Give me your huddled masses”**

**Pursue “Principled Compromise”  
with Democrats**

**Trump is the Problem**

**Character Matters**

**Strength: Community & Business  
leaders**

**Weakness: Establishment is tiring  
of the fight; No leader or battle plan**

### POPULIST NATIONALISTS

***Small Business Is Good***

**America First**

**Bring Troops Home**

**“Build that wall”**

**Pursue Partisan Purity &  
“Own the Libs”**

**Trump is the Answer**

**Winning Matters**

**Strength: Grassroots armies  
(engaged & motivated)**

**Weakness: Few viable paths to  
>50% of voters**





# DEMOCRATS: INCREMENTALISM OR AGGRESSIVE PROGRESSIVISM?

PROGRESSIVES

Fight for the Biden Agenda

MODERATES



HEALTH CARE



ENERGY & ENVIRONMENT



TAX



TECH & TELECOM



CIVIL RIGHTS



IMMIGRATION



# THE BIDEN ADMINISTRATION: GO BIG OR GO BIPARTISAN?

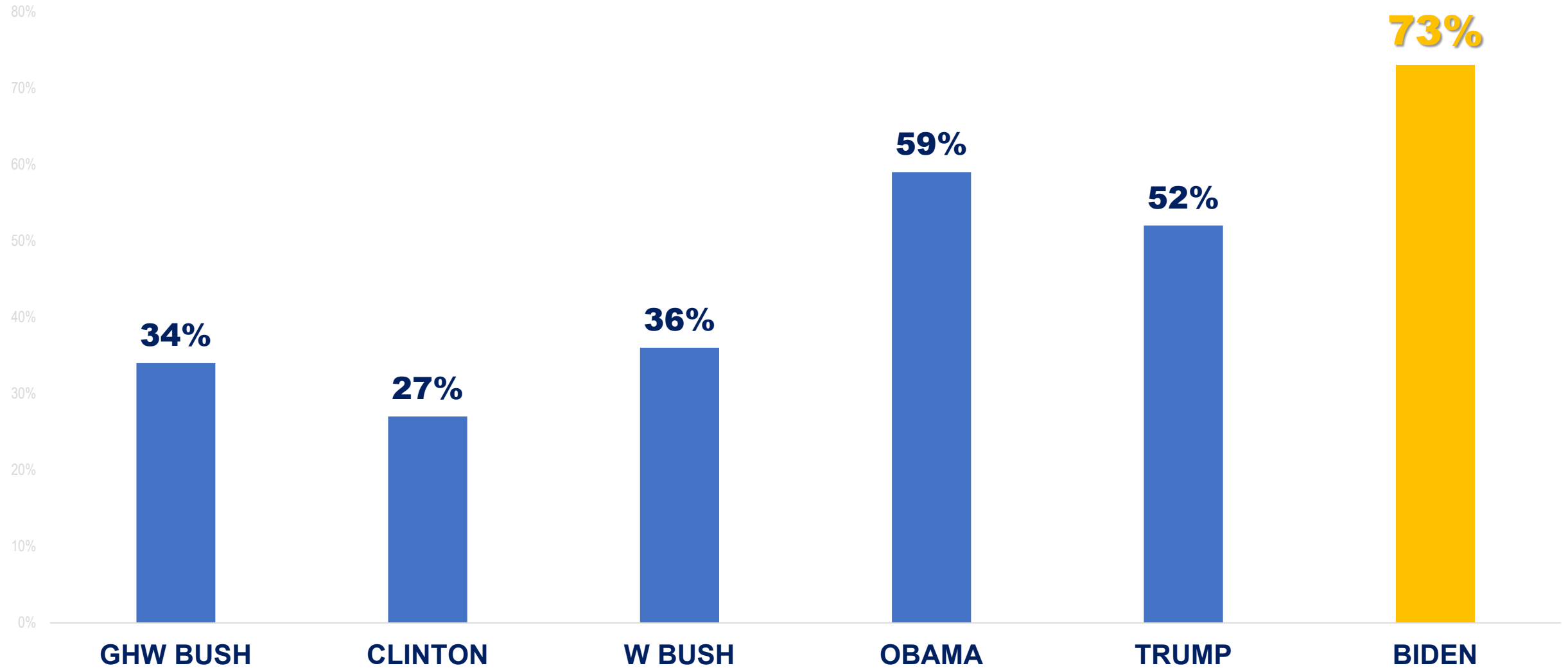
## Obama Veterans Shaped by Obama Lessons, New Imperatives

<b>INCREMENTAL</b>		<b>AGGRESSIVE</b>
Deals with 10+ Republicans	<b>LEGISLATIVE</b>	Reconciliation or Post-Filibuster
Restore Obama rules	<b>REGULATORY</b>	Go Well Beyond Obama
Cooperate	<b>CHINA</b>	Confront
Targeted	<b>CLIMATE</b>	All-of-Government & Bully Pulpit
Improve Processes	<b>COVID</b>	Wartime Leader
Restore & Repair	<b>HEALTH CARE</b>	Transform
Recover	<b>ECONOMY</b>	Reimagine
Limited	<b>IMMIGRATION</b>	Comprehensive
Same Tools, More Enforcement	<b>TECH</b>	More Enforcement, New Tools
Leverage Gov't	<b>SOCIAL EQUITY</b>	All-of-Government & Bully Pulpit

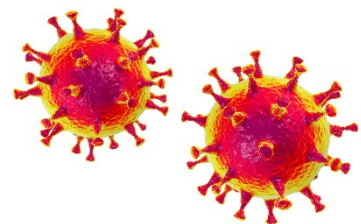
**THE ROAD AHEAD**  
***2021 Will Be Very Consequential***

# PRES. BIDEN FACES MORE PESSIMISTIC PUBLIC THAN PREDECESSORS

## % Who Say the Country is on the **WRONG TRACK** *at the Start of their Presidency*



# AGGRESSIVE EXECUTIVE BRANCH INITIATIVES LIKELY



- Massive vaccine roll-out effort, testing expansion
- Rejoin WHO; Coordinate strong fed'l public health response (e.g. mask mandates, travel restrictions)
- Extend student loan forbearance, eviction moratorium

- Restore fed'l worker protections, DE&I training
- Leverage Federal contracting (wages, diversity, LGBTQ protections, no private prisons)
- Expand SNAP



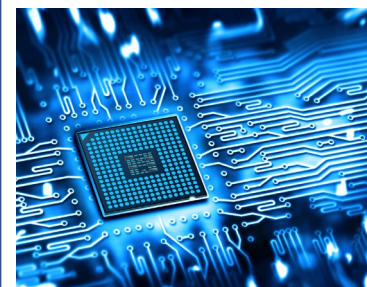
- Rejoin Paris Accord, block Keystone pipeline, no new oil & gas leases on fed'l land
- Preemptive FEMA spending
- Reestablish stronger MPG & CAA standards
- SEC climate disclosure standards

- Reverse Trump ACA rules & push aggressive enrollment
- Pause/reverse key Trump Rx & Medicare rules
- Expand Medicaid & Curtail Work-Requirements & Block-grant-like program Waivers
- Promote value-based care & use of social determinants
- Prioritize health equity in all programs and policies



- Restore DACA protections
- Undo Trump rules on country-bans, public-charge & asylum-seekers
- End family separations
- Restore H1B spouses' ability to work

- Increase clean energy use & procurement
- LGBTQ service allowed
- No more military equipment sales to police
- Stop spending defense \$\$ on Mexico border wall



- Increase antitrust scrutiny
- Increase privacy enforcement
- Enact IT procurement reforms
- Increase cyber standards & reporting
- USG IT modernization

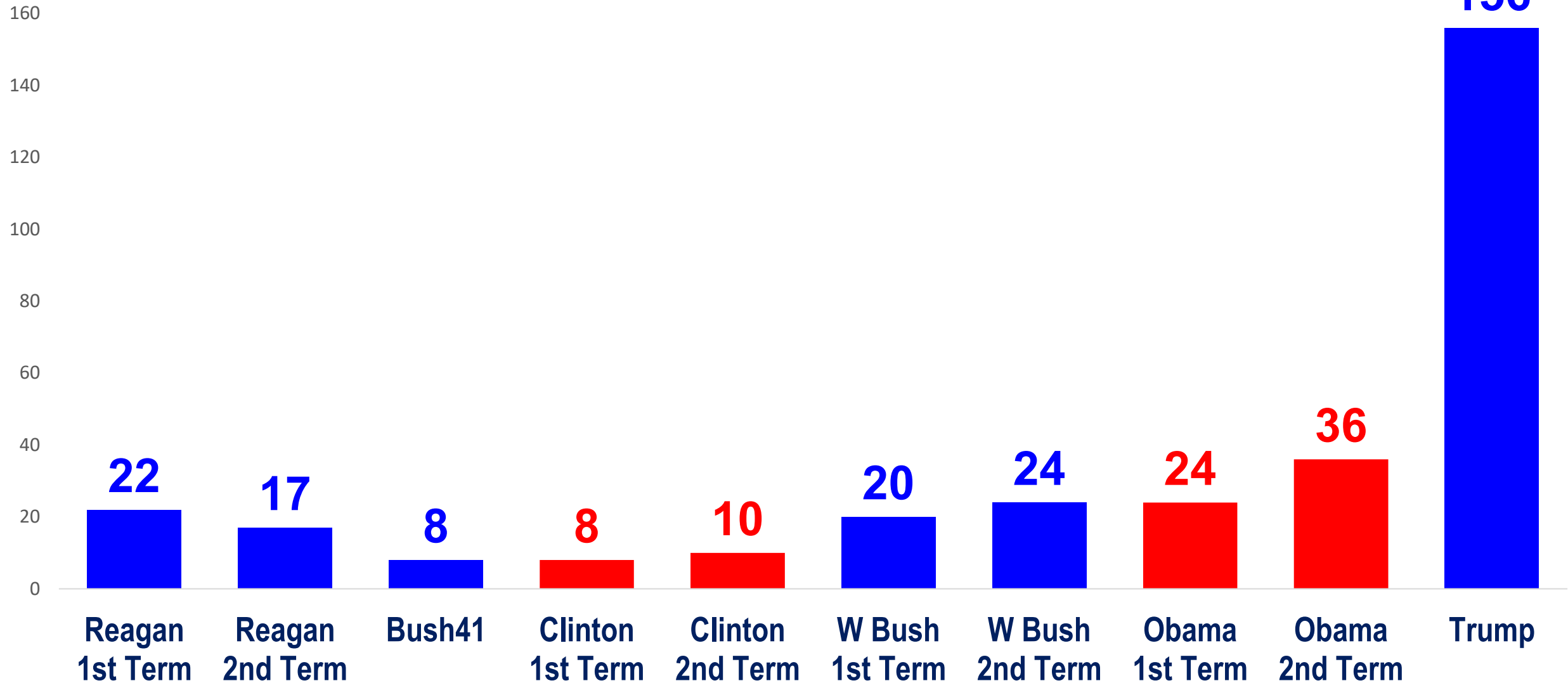
- Rejoin WHO, Join COVAX
- Press China on Human rights
- Reconsider min. tax regs (GILTI)
- Try to revive Iran deal & New START
- Develop comprehensive China strategy





# EXPECT HOSTILE ATTORNEYS GENERAL TO SUE TO BLOCK EVERYTHING

## Multistate AG Lawsuits Initiated vs. Administrations



# A YEAR OF CLAMPDOWNS & CLAWBACKS

## Intense Oversight

- ❑ January 6 U.S. Capitol Riots
- ❑ Cyber Hacks & Supply Chains
- ❑ U.S. COVID Preparedness & Response
- ❑ Disinformation & Democracy on Social Media
- ❑ Systemic Risk & Fairness in Stock Trading

## Systemic Reforms

- Inspector General independence
- Member stock trading
- Emergency spending powers
- Congressional subpoenas & Executive Branch
- POTUS & family outside businesses & tax returns

## Return of Austerity Politics

- ❖ Debt Ceiling returns (Q3)
- ❖ State & local spending cuts &/or tax hikes
- ❖ Competition for tax revenue (*MA vs NH; U.S. vs EU*)
- ❖ Calls to raises taxes on companies, digital services, carried interest, wealthy individuals

## Return of Aggressive Enforcement

- |              |        |
|--------------|--------|
| ✓ EPA        | ✓ ATF  |
| ✓ CFPB       | ✓ DOJ  |
| ✓ <u>SEC</u> | ✓ FERC |
| ✓ <u>IRS</u> | ✓ FTC  |
| ✓ NLRB       | ✓ FCC  |

# INTERACTING WITH THE BIDEN ADMIN WILL BE DIFFERENT... & SIMILAR

	<b>TRUMP ADMIN</b>		<b>BIDEN ADMIN</b>	
<b>Biden very different from Trump</b>	<b>Policy Entrepreneurs Tweets</b>	<b>PROCESS</b>	<b>Coordinated Working Groups Vetted Statements</b>	
	<b>Direct / Unpredictable Off the RADAR</b>	<b>ACCESS</b>	<b>Guarded / Managed Transparent / Logged</b>	
	<b>CEO-Loving Fought Political Correctness</b>	<b>APPEARANCES</b>	<b>CEO-Cautious Eager to highlight Diversity</b>	
	<b>America First / Markets Show Strength</b>	<b>PRIORITIES</b>	<b>COVID (+Economy) / Climate DE&amp;I / Multilateralism</b>	
	<b>Make More in USA Confront China</b>	<b>DIRECTION</b>	<b>Make More in USA Confront China</b>	<b>Biden more similar to Trump</b>
	<b>EO's / Regs / Bully Pulpit Reconciliation</b>	<b>TOOLS</b>	<b>EO's / Regs / Bully Pulpit Reconciliation</b>	
	<b>Obstruction from Other Party Own Party Misgivings Media Hostility (Left, Center)</b>	<b>PARTISANSHIP</b>	<b>Obstruction from Other Party Own Party Misgivings Media Hostility (Right)</b>	

# WHAT COULD POSSIBLY GO WRONG? BIGGEST 2021 RISKS

## Domestic Terrorism



## Market Crash



## New COVID Strain



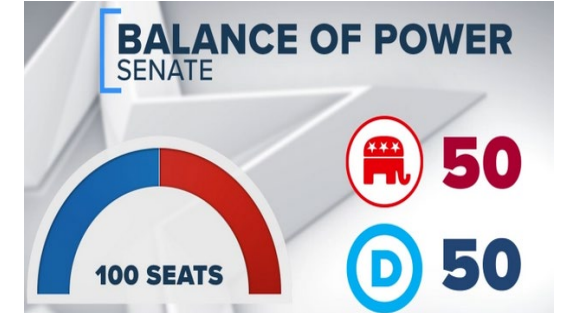
## Debt Ceiling Impasse

WHAT IS THE NATIONAL DEBT TODAY?  
\$27,759,907,486,856

## Border Refugee Crisis



## Loss of 1 Dem Senator



## China & Taiwan



## New Iran / N.K. Capabilities



## Infrastructure Hack



# REASONS FOR HOPE

*The Future Will Be Better than You  
Think*



# ACCELERATING DIGITAL TRANSFORMATIONS WILL IMPROVE THE WORLD

## The Digital-Hybrid Future is Safer, Healthier, More Innovative & Productive

### HEALTH CARE



### RESEARCH



### WELLNESS & FITNESS



### EDUCATION



### CITIES & RETAIL



### ENTREPRENEURSHIP



### GOVERNMENT



### WORKPLACE



### TRANSPORTATION



# 2020 UNLEASHED A WAVE OF INNOVATION & INVESTMENT

## 20 Hopeful Headlines You May Have Missed

1. “Covid [vaccine was developed in record time](#)”
2. “This nail-biter election generated the [highest U.S. voter turnout](#) rate in 120 years”
3. “Black Lives Matter [activism is working](#): Police shootings of African Americans and unarmed suspects are declining...”
4. “Majority of health execs say [telemedicine has improved patient care](#)”
5. “VW One-Ups Tesla With a [Revolutionary Battery Breakthrough](#)”
6. “Gene-editing [treatment shows promise for sickle cell disease](#)”
7. “Diet modifications -- including more [wine and cheese – may reduce cognitive decline](#), study suggests”
8. “[Bird deaths down 70%](#) after painting wind turbine blades”
9. “‘It will change everything’: DeepMind’s [AI makes giant leap](#) in solving protein structures”
10. “Quantum supremacy ‘milestone’ achieved by light-emitting [quantum computer](#)”
11. “The [CARES superdole was a huge success](#)”
12. “Innovative universal [flu vaccine shows promise](#) in first clinical test”
13. “China Just Turned On Its Artificial Sun: It’s go time for the Far East’s most formidable [fusion](#) reactor.”
14. “Scientists create [mutant enzyme that recycles plastic bottles in hours](#)”
15. “[Flu season may be very mild this year](#), thanks to COVID-19 precautions”
16. “America’s \$20 Trillion [Debt Pile is Getting Cheaper](#) as It Grows”
17. “[Renewable Energy Prices](#) Hit Record Lows”
18. “A [New Drug Slows Aging](#) in Mice”
19. “Microneedles Could Enable [Painless Injections and Blood Draws](#)”
20. “[The flying car is here](#) – and it could change the world”

**HOW LONG DOES IT  
TAKE FOR MEDICAL  
KNOWLEDGE TO DOUBLE?**

→ 1950: 50 years

→ 1980: 7 years

→ 2010: 3.5 years

→ 2020: 73 days

*Dr. Peter Densen, 2011*

# A "RESILIENCE ECONOMY" IS EMERGING

## Pervasive Preparedness



## Active Cyber Defense



## Aggressive Climate Adaptation



## Smart Infrastructure





# RECOMMENDATIONS FOR LEADERS AT THE CROSSROADS

1. **COMMUNICATE DIRECTLY, TRUTHFULLY & OFTEN.** Business is now more trusted than political, media or NGOs ([Edelman](#)) thanks to pandemic straight-talk. Trust begins with truth.
2. **SUPPORT CONSTRUCTIVE LEADERS.** Treating responsible & irresponsible players equally does not drive change, nor does ignoring problems. Stand up for those doing the right thing and engage those you hope to change.
3. **LEVERAGE YOUR POWER.** Business has become the “4<sup>th</sup> branch of government” ([Axios](#)). Leverage your impact via advertising, what you demand of vendors, whom you endorse, how you run your business & the causes you champion.
4. **LEAD BY EXAMPLE.** Modern media & politics reward outrage, division & sanctimony rather than pragmatic problem-solving. Demonstrate the value of global cooperation, climate responsibility, and inclusion through your actions (not just words).
5. **WE’RE ALL IN THIS TOGETHER.** Doing your part is no longer enough. Societal & global risks threaten to overwhelm our system, demanding collective action. Sometimes you need to go outside your “lane.”

For future slides: [bruce@mc-dc.com](mailto:bruce@mc-dc.com)

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