



Q3 2021

# Failures' Fallout



*Predicting Politics & Policy in the Post-Pandemic Era*



## ***Failures' Fallout: Predicting Politics & Policy in the Post-Pandemic Era***

- When institutions, policies and leaders fail, **people demand change**.
- Growing **global frustration** with broader societal disruptions **is peaking** amidst perceived COVID failures.
- Rising dissatisfaction will **accelerate some 21<sup>st</sup> century trends** while inviting **backlash against older institutions and new disruptors**.
- Prepare for **big impacts** across geopolitics, markets, media, technology, culture & politics.

# HOW FAILURES LEAD TO CHANGE

## Backlash against:

- Failed leaders
- Failed strategies
- New disruptors



## Acceleration of:

- Innovative change
- Alternative approaches
- Systemic reform

## Impacts across:

Geopolitics



Markets & Media



Science & Tech



Culture & Politics





# FAILURES' FALLOUT: LESSONS FROM HISTORY



## PERCEIVED FAILURES

## ACCELERATED

## BACKLASH

**WWI**  
**Spanish Flu**  
**1920 Depression**

- Global entanglements bad
- Inadequate public health
- Over-active government

- Isolationism & protectionism
- Infrastructure (*public health system*)
- Innovation (*cars, radio, telephony*)
- Expanding freedom (*Suffrage, Jazz*)

- Anti-Immigration (*1<sup>st</sup> Red Scare*)
- Spirituality vs Modernity (*Prohibition, 1925 Scopes Trial*)
- End Progressive Era (*"Business of America is business"*)

**Great Depression**  
**Pearl Harbor**  
**WWII**

- Isolationism & appeasement fail
- Inadequate safety nets
- Insufficient economy oversight

- US lead new order (*UN, GATT, NATO*)
- Infrastructure (*TVA, SSA, highways*)
- Innovation (*flight, TV, penicillin*)
- Expanding freedom (*Brown vs Bd*)

- Anti-Communism (*2<sup>nd</sup> Red Scare*)
- Regulation vs Capitalism (*SEC, FCC, FDIC*)
- End Laissez-faire Era

**Vietnam**  
**Watergate**  
**Stagflation**

- Wrong global strategies
- Abuse of power & corruption
- Uncompetitive business climate

- Globalization, Nixon to China
- Deregulation (*Reaganomics*)
- Innovation (*PCs, cable TV, GPS*)
- Expanding freedom (*18 yr-old vote*)

- Anti-Soviet (*3<sup>rd</sup> Red Scare*)
- Environmentalism, Anti-Nuke
- End Great Society (*Anti-bureaucracy / "Government is the problem"*)

# 21<sup>ST</sup> CENTURY FAILURES: CRESCENDO IN 2020



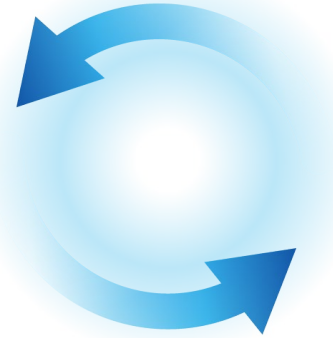
# 2020





# COVID IS A CATALYST: WHAT TO EXPECT IN 2021 & BEYOND

## BACKLASH



## ACCELERATION

- U.S.-China Decoupling
- Global Unrest Increasing



### Geopolitical

- Nationalism Overpowering Globalism
- COVID Worsening Globally

- Supply Chain Frictions Growing
- News Consumption Shrinking



### Markets & Media

- Extreme Weather Upending Markets
- Substackification: Atomizing News

- “Big Tech” Crackdowns Intensifying
- Trusting Science, Not Companies



### Science & Tech

- Disruptive Innovation Accelerating
- Bandwidth Is the New Electricity

- Institutional Mistrust Deepening
- Biden Headwinds Emerging



### Culture & Politics

- Activist Pressure on CEOs Growing
- GOP Populism Rising

# ACCELERATING CHANGE

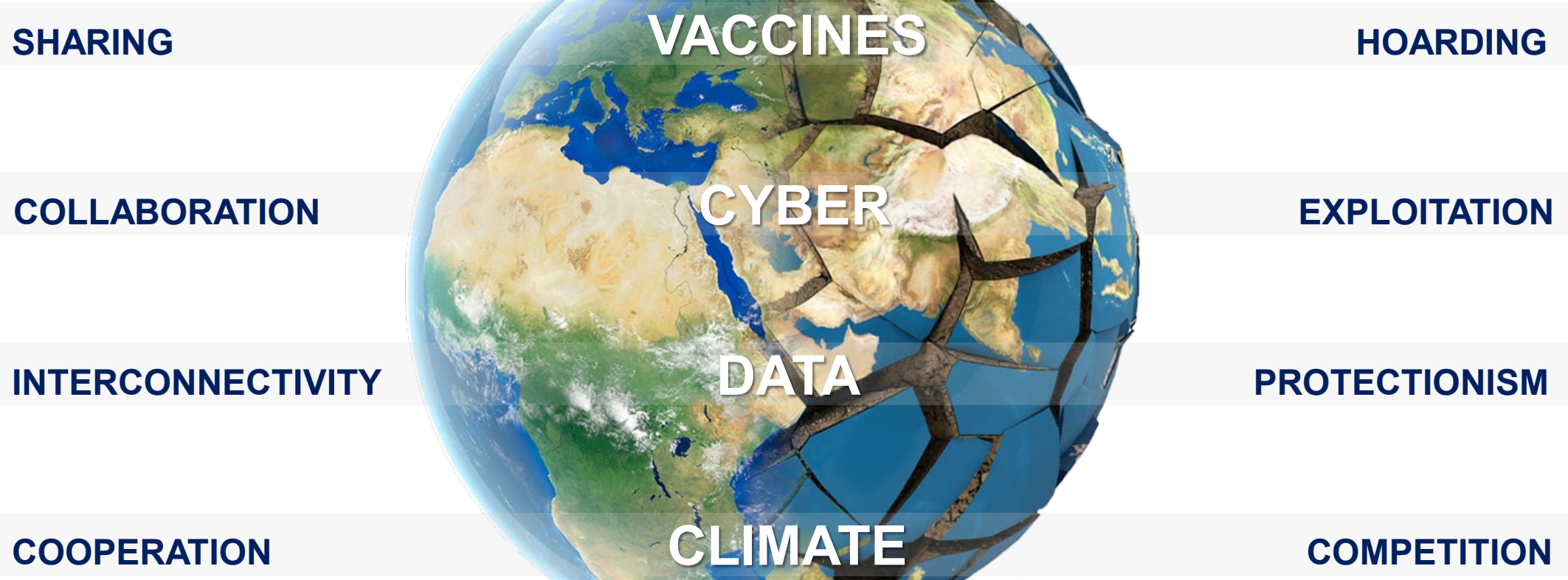
*Trends Bringing the Future Faster*

# GEOPOLITICAL: NATIONALISM OVERPOWERING GLOBALISM

Every Nation For Itself (e.g. “Buy American”)

MULTILATERALISM

NATIONALISM

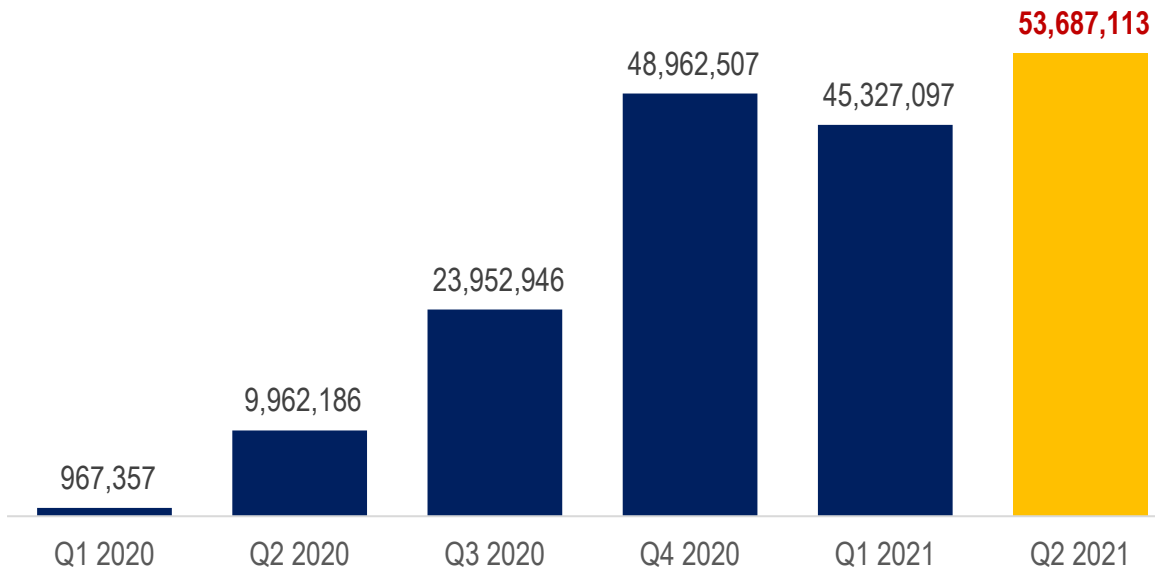




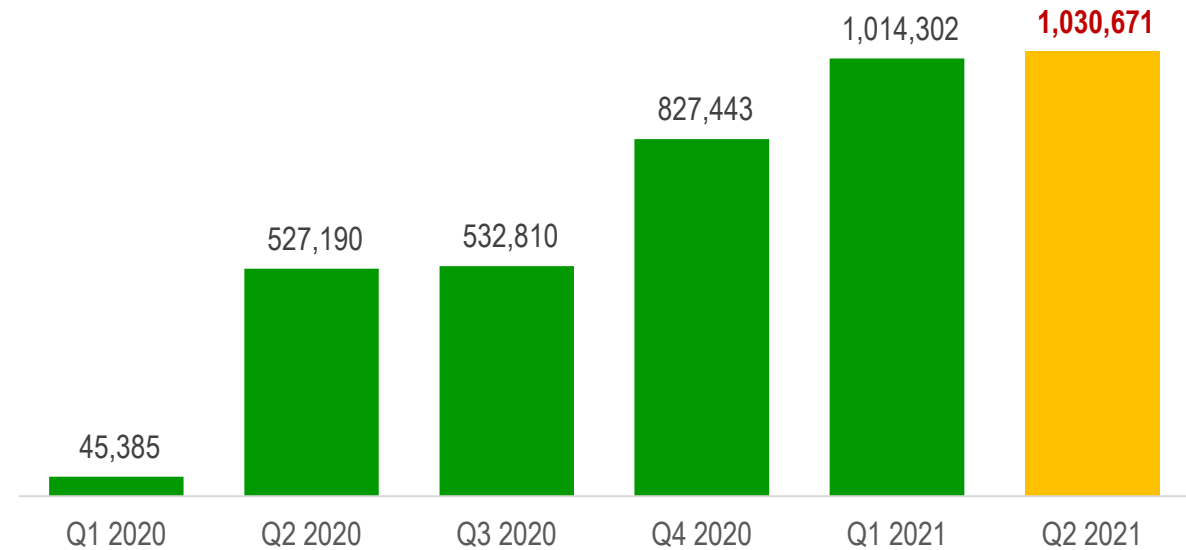
# GEOPOLITICAL: GLOBALLY PANDEMIC GETTING WORSE

**Contagious Variants + Limited Vaccinations = Record Cases & Deaths in Q2 '21**

## New Cases (Global)



## Deaths (Global)



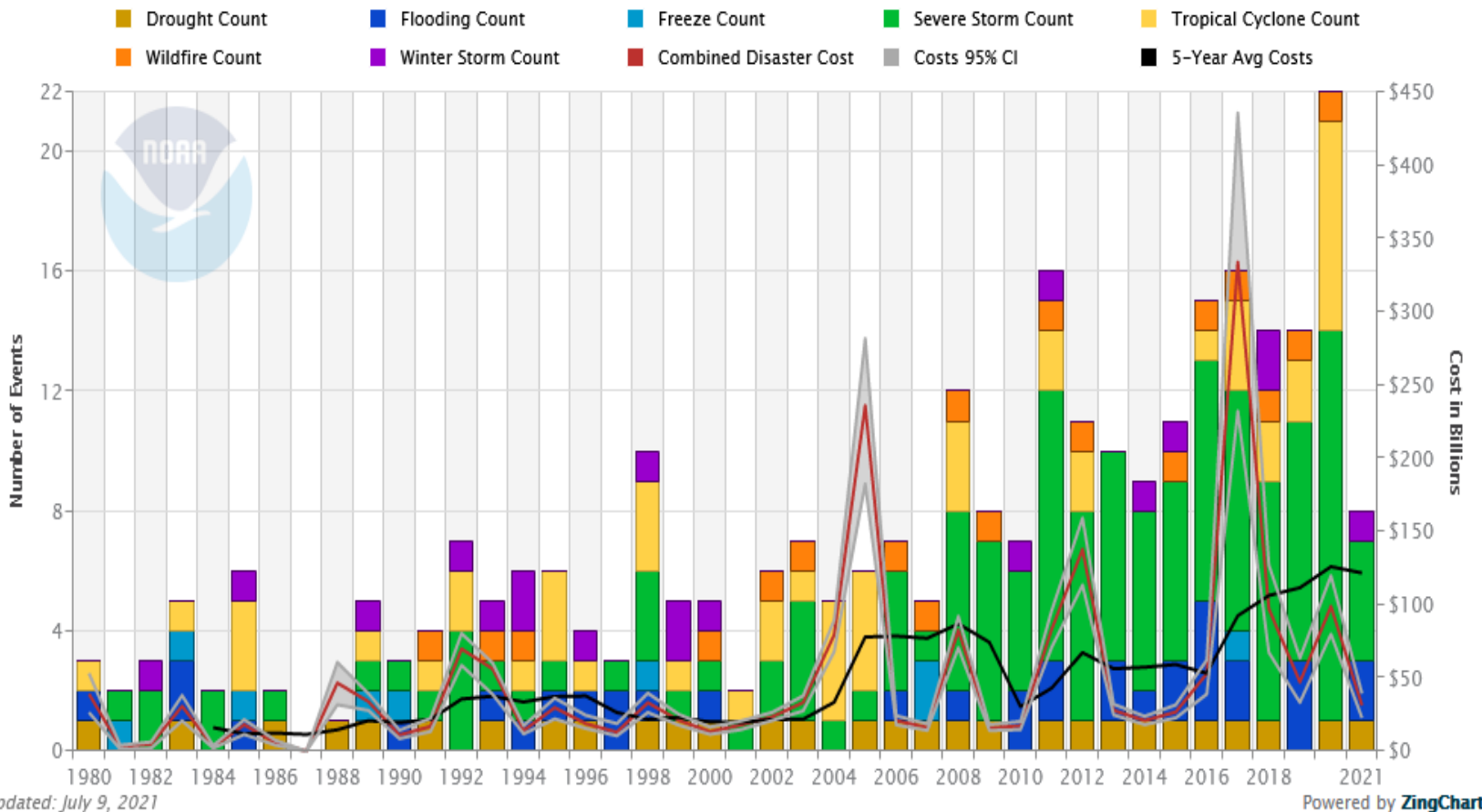
### Previous Pandemics → Deadliest Years (not the 1<sup>st</sup>)

- 1889 pandemic → 1890
- 1918 pandemic → 1919
- 1957 influenza → 1960
- 1968 pandemic → '68 in US, '69 in EU
- 2009 influenza → 2010 outside US

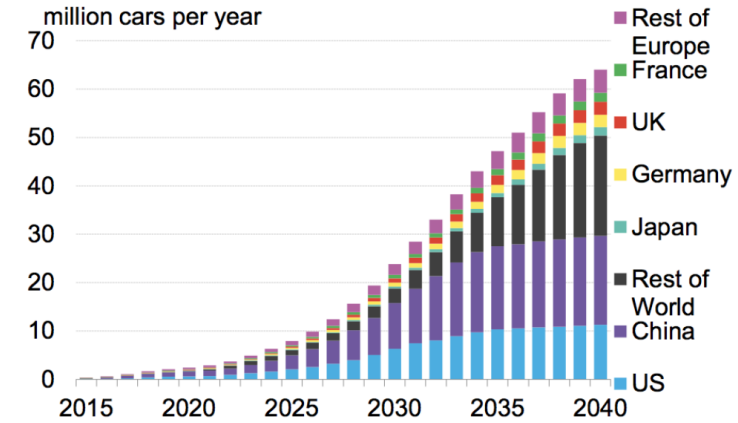
# MARKETS: EXTREME WEATHER UPENDING INVESTMENTS

## Rising Costs of Extreme Climate Events, Soaring Investments in Resilience

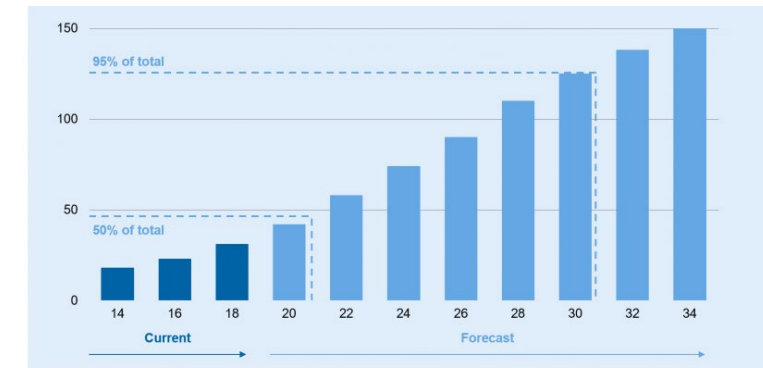
United States Billion-Dollar Disaster Events 1980-2021 (CPI-Adjusted)



### EV sales



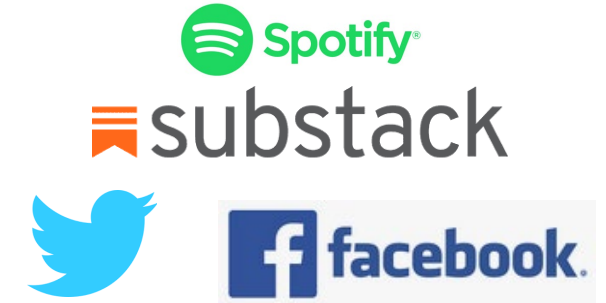
### ESG Funds AUM



Source: Deutsche Bank, Global Sustainable Investment Alliance, zeb research

# MEDIA: SUBSTACKIFICATION... NEWS KEEPS ATOMIZING

**More Information, More Disinformation, Less Shared Reality**



**Old Gatekeepers**

**New Gatekeepers**

**No Gatekeepers**

Local paper monopoly

Media web orgs, aggregators

Writers / podcasts you subscribe to

Big 3 Networks

Cable TV & Talk Radio

Stories your friends share

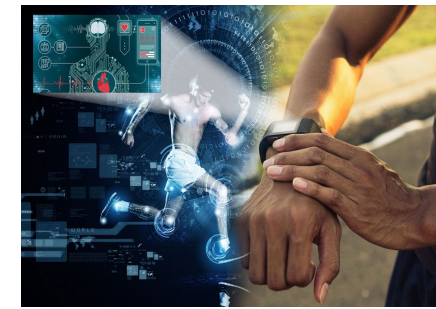
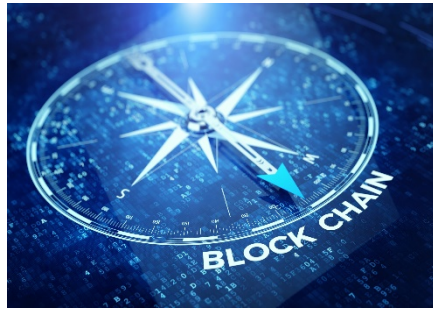
National papers / magazines

Punditry sites (Vox)

Influencers you pick to follow

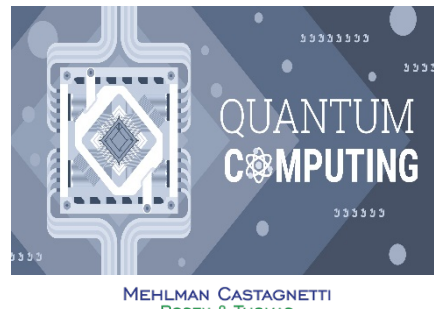
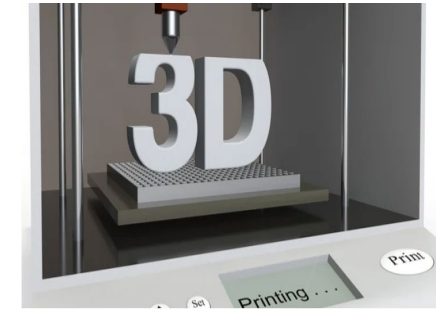


# TECH: DISRUPTIVE INNOVATION ACCELERATING



*“The **biggest innovations** rarely occur when everyone’s happy and safe, or when the future looks bright. They happen **when people are a little panicked**, worried, and when the consequences of not acting quickly are too painful to bear.”*

*—Morgan Housel*

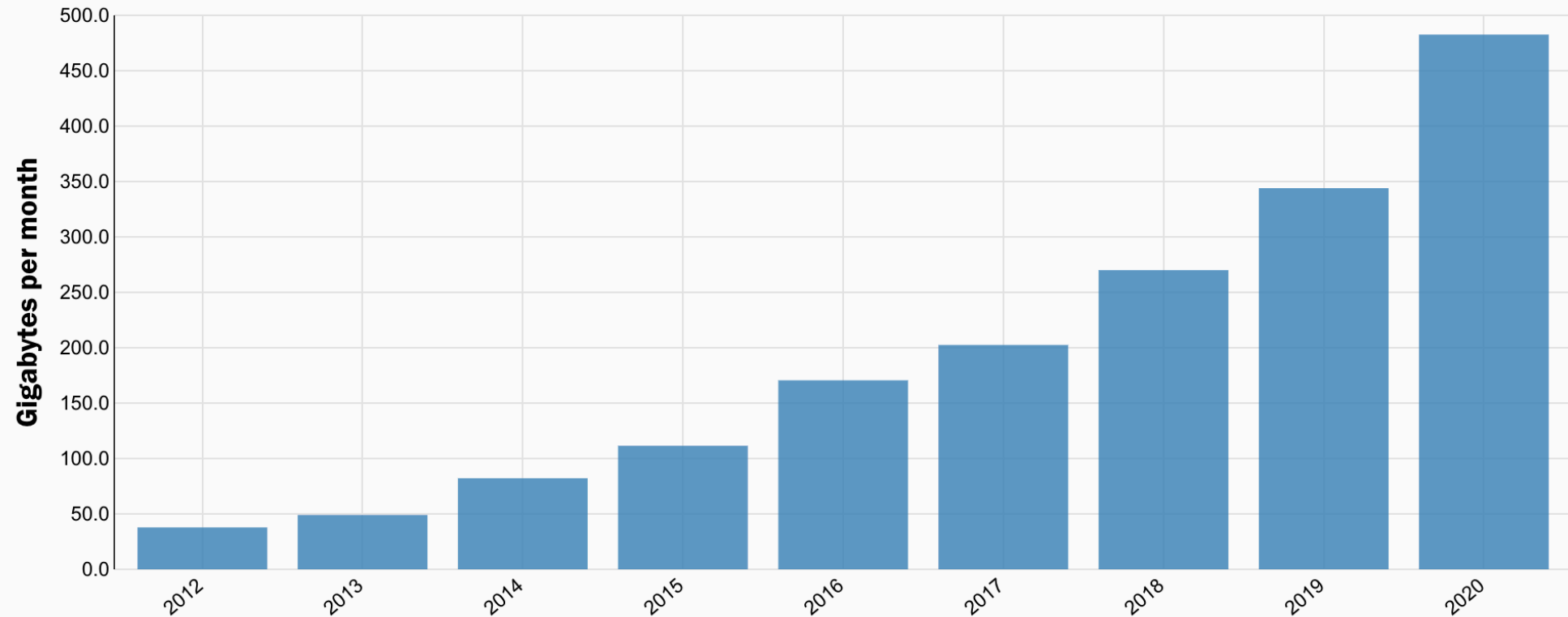


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— ROSEN & THOMAS —



## Transformational & Essential... How to Make It Universal?

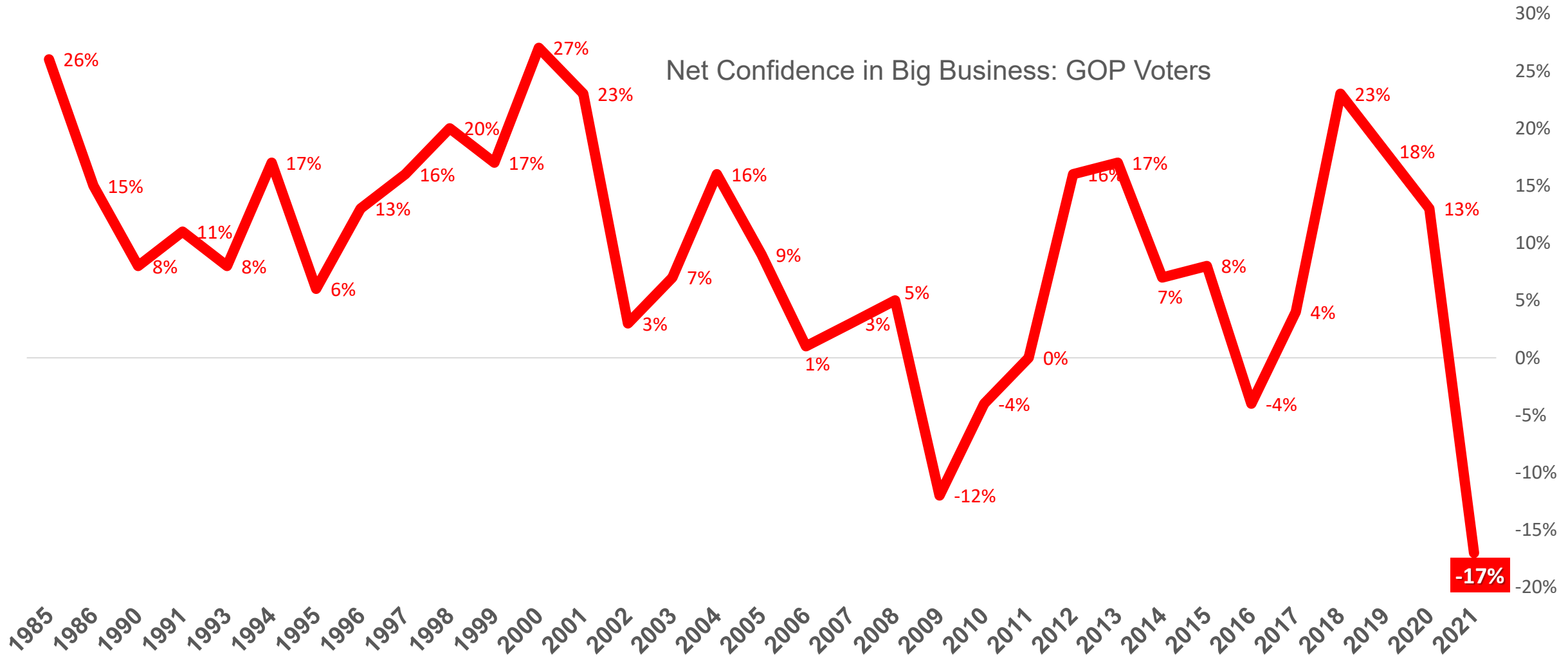
Average monthly broadband consumption per household



OpenVault Broadband Insights Report.

BROOKINGS

## Republicans' Confidence in Big Business Wanes As Populism Rises





# CULTURE: ACTIVISTS POSSESS NEW TOOLS, TARGETS & STRATEGIES

## New Tools

### Mobile & Weaponized Social Media



## New Targets

### Boards



### New Vehicles for Activism



### Brands



# GROWING BACKLASH

*Current Leaders, Policies & Institutions Under Attack*

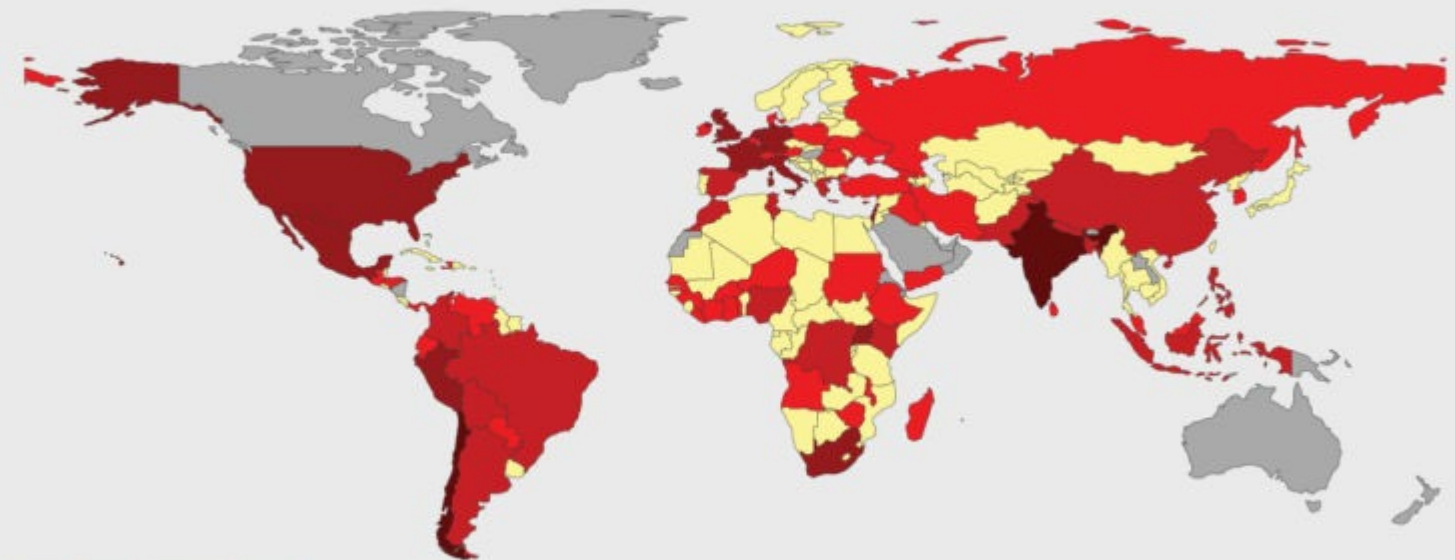
# GEOPOLITICAL: RISING UNREST CHALLENGING GLOBAL LEADERS

There were **14,871** violent demonstrations, protests and riots in 2020, a **10% increase** over 2019.

## DRIVING UNREST

- ❖ **COVID** / lockdowns, mask & vaccine mandates
- ❖ **Inflation** / food insecurity
- ❖ **Jobs** / economic recession
- ❖ **Politics** / fraud & corruption
- ❖ **Inequality** / health, work

### Map of COVID-19 related violent incidents, January 2020 to April 2021



0 10 50 100 200 900 NO DATA

Source: ACLED COVID-19 Disorder Tracker (acleddata.com), IEP calculations

**IEP**

53 of the 57 epidemics between the Black Death in the 1300s & Spanish Flu of 1918 led to civic unrest & revolts.



# GEOPOLITICAL: U.S.-CHINA “CONSTRUCTIVE ENGAGEMENT” IS OVER

*More Competition, Less Collaboration, Business Stuck in Between*



**Export controls**  
**Software origins**  
**Critical materials**



**Data localization**  
**Boycotts / Nat'lism**  
**IP protection**



**Content liability**  
**Privacy / Antitrust**  
**Standard setting**



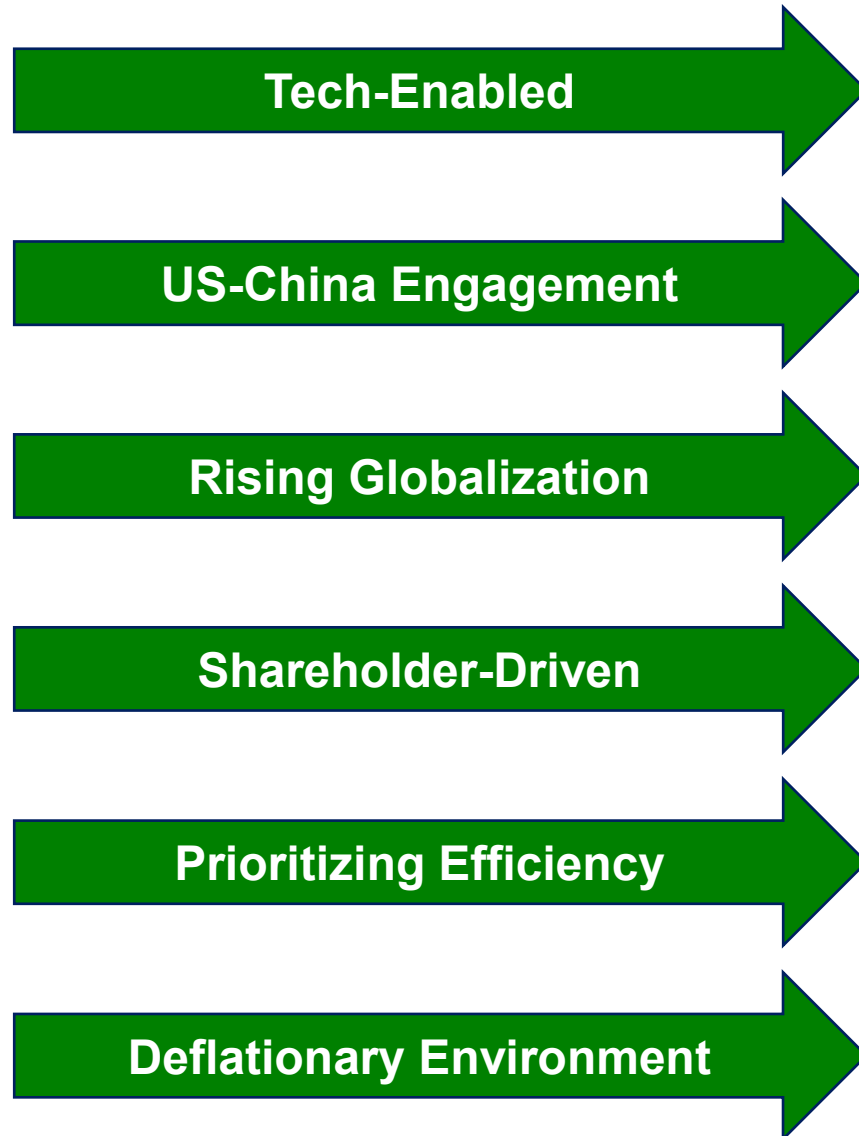
**FDI / M&A / LPs**  
**IPOs & Delisting**  
**Reserve currency**



**Hacking / Crypto**  
**Taiwan / TSMC**  
**Law enf. access**

# MARKETS: SUPPLY CHAINS CONFRONTING NEW CONDITIONS

## 1989-2019: Tailwinds Prevailed

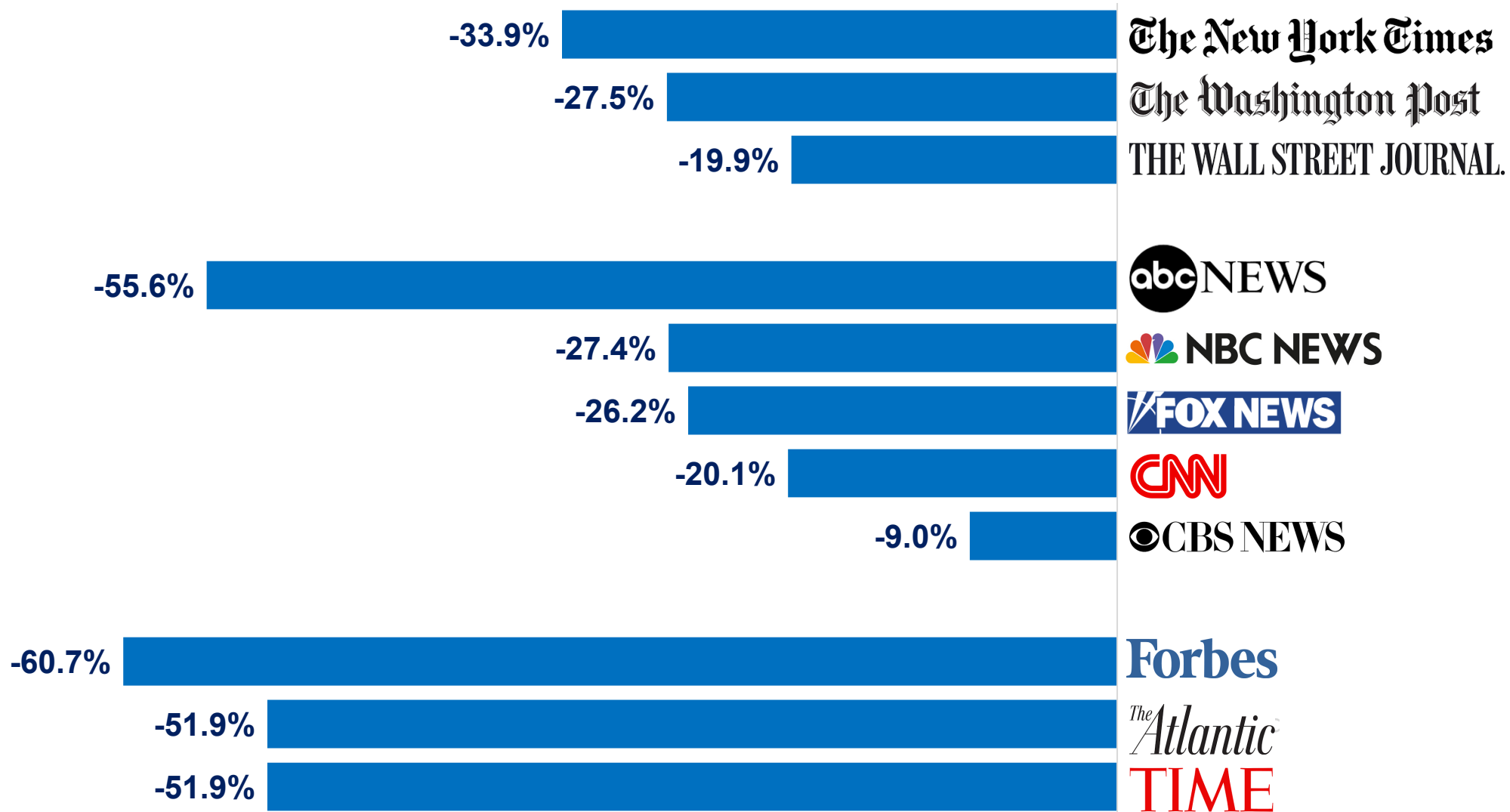


## 2020- : Headwinds Rising



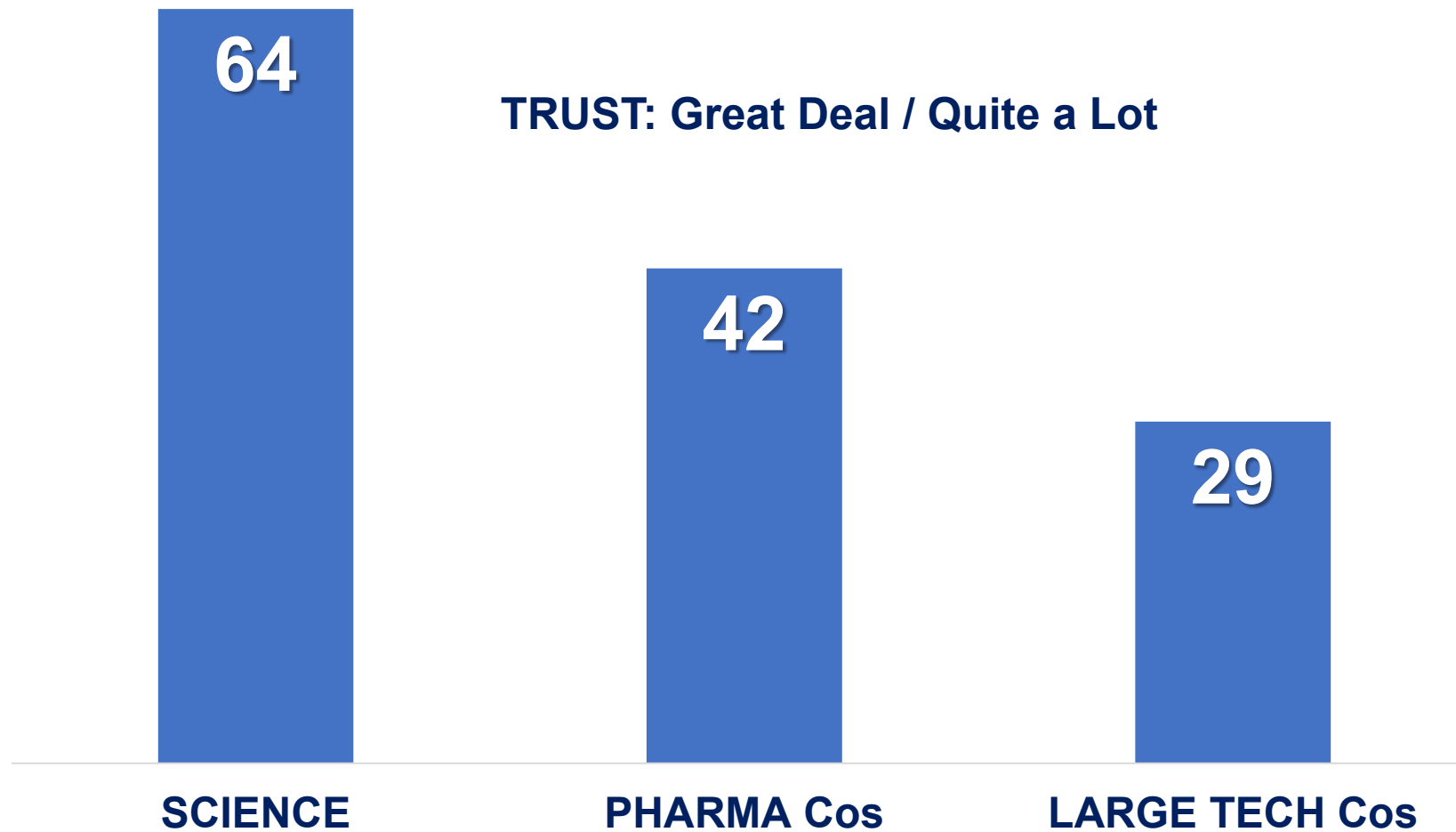
# MEDIA: TIRED OF POLITICS, SICK OF COVID COVERAGE

## Change in Traffic to Leading News Sites, June 2021 vs June 2020





## We Trust Science More than Companies Creating or Leveraging It



Trending...



“Overall View of tech companies such as Amazon, Facebook & Google”

**VERY NEGATIVE**

2019




2021

**10%**

**22%**

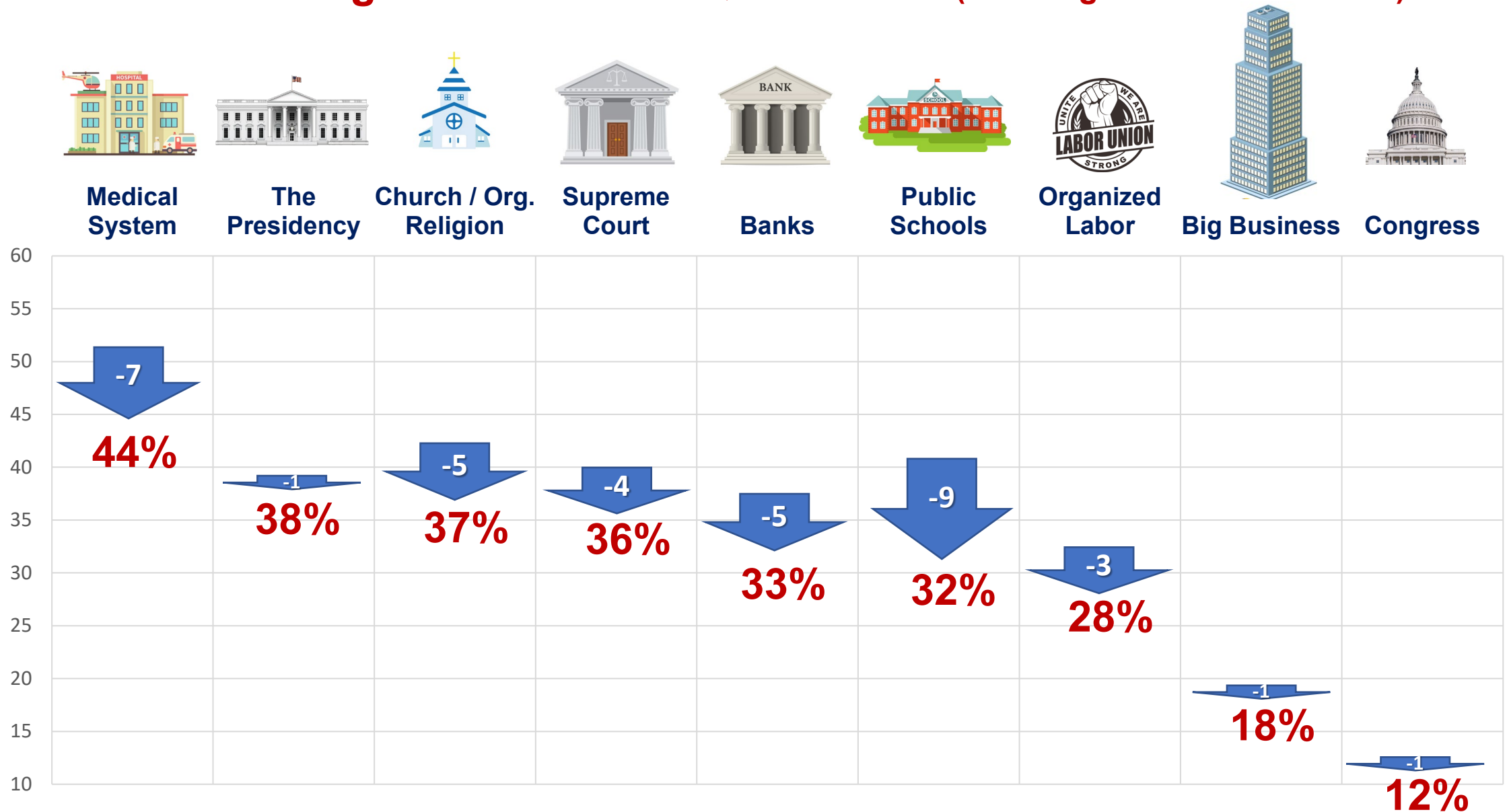
# TECH: NATIONS REASSERTING GOVERNMENT PRIMACY

## Different Regions, Similar Strategies: Limit Firms, Advance Technologies

	Protect Consumers & Social Order	Rebalance Economic Power, Reduce Inequality	Promote National Security & Geopolitical Power
	<ul style="list-style-type: none"> <li>• Speech controls: block more and/or censor less</li> <li>• More consumer privacy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Antitrust crackdown</li> <li>▪ Cryptocurrency regulation</li> <li>▪ Minimum global tax</li> <li>▪ More gig worker rights</li> </ul>	<ul style="list-style-type: none"> <li>▪ Subsidize 5G &amp; semiconductors</li> <li>▪ Buy local, support champions</li> <li>▪ Export/import controls</li> <li>▪ Data localization</li> </ul>
	<ul style="list-style-type: none"> <li>• Speech controls</li> <li>• Limit undesirable content</li> <li>• Social credit scores</li> </ul>	<ul style="list-style-type: none"> <li>▪ Antitrust crackdown</li> <li>▪ Cryptocurrency ban</li> <li>▪ More gig worker rights</li> </ul>	<ul style="list-style-type: none"> <li>▪ Subsidize 5G &amp; semiconductors</li> <li>▪ Buy local, support champions</li> <li>▪ Export/import controls</li> <li>▪ Data localization &amp; state access</li> </ul>
	<ul style="list-style-type: none"> <li>• Speech (DSA) &amp; market behavior controls (DMA)</li> <li>• GDPR de facto global privacy standard</li> </ul>	<ul style="list-style-type: none"> <li>▪ Antitrust crackdown</li> <li>▪ Digital services taxes</li> <li>▪ Minimum global tax</li> <li>▪ More gig worker rights</li> </ul>	<ul style="list-style-type: none"> <li>▪ Subsidize 5G &amp; semiconductors</li> <li>▪ Buy local, support champions</li> <li>▪ Export/import controls</li> <li>▪ Data localization</li> </ul>

# CULTURE: TRUST IN INSTITUTIONS RESUMING DECLINE

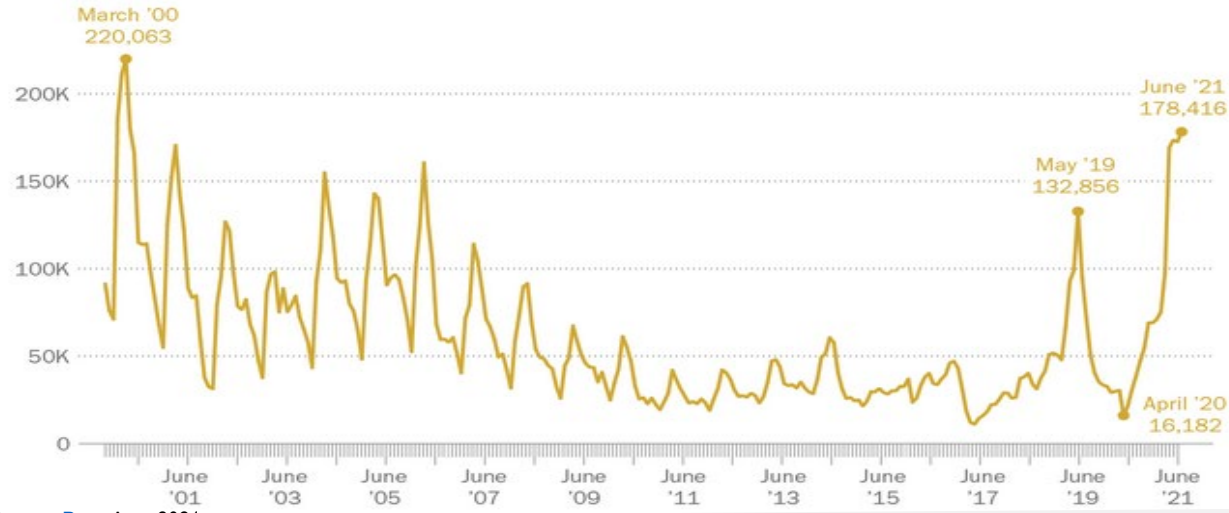
Percent Trusting “a Great Deal / Quite a Lot” (& Change in 2021 from 2020)



# POLITICS: BIDEN HEADWINDS EMERGING

## Border Crisis Growing

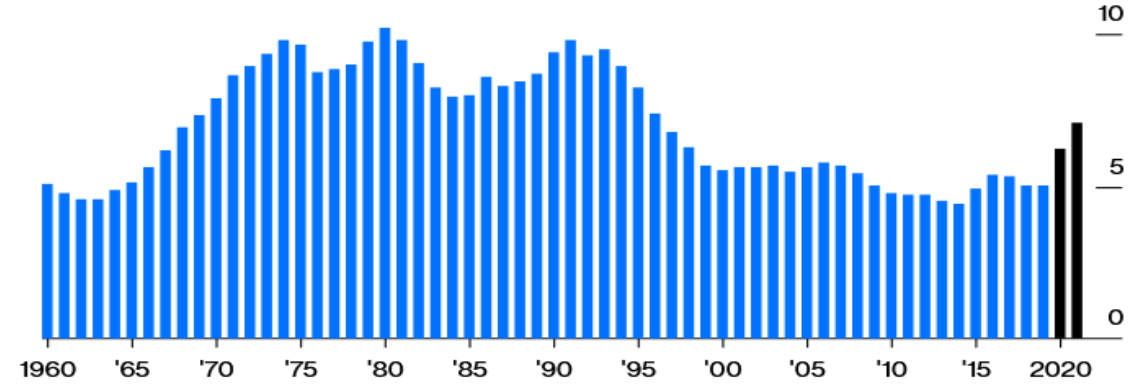
Migrant encounters at U.S.-Mexico border, by month



Source: [Pew](#), Aug. 2021

## Murder Rate Climbing

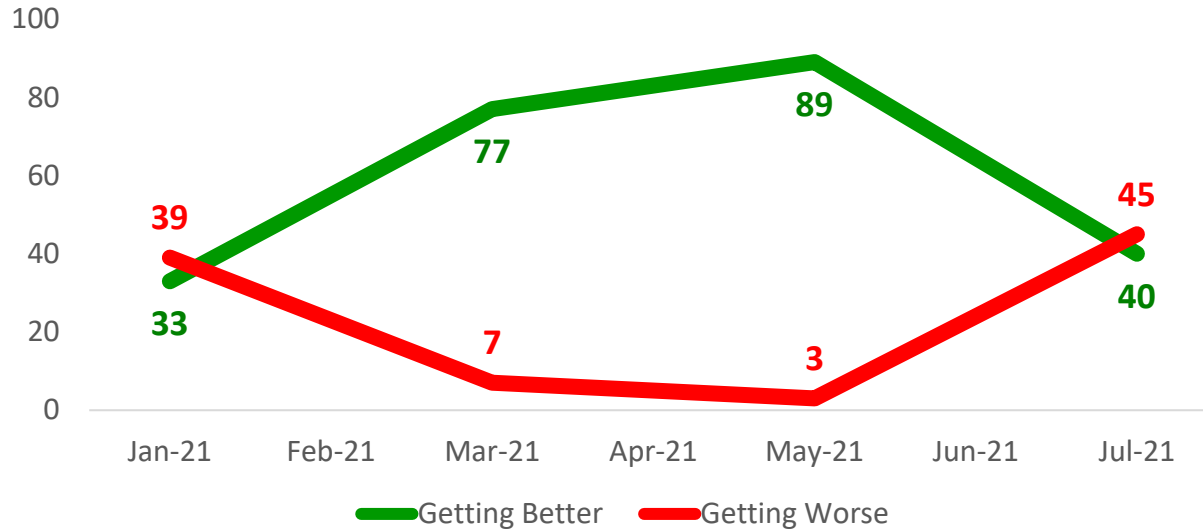
U.S. murders per 100,000 population\*



Sources: Federal Bureau of Investigation; AH Datalytics  
 \*2020 based on preliminary FBI estimate of 25% increase over 2019; 2021 assumes 15% increase over 2020

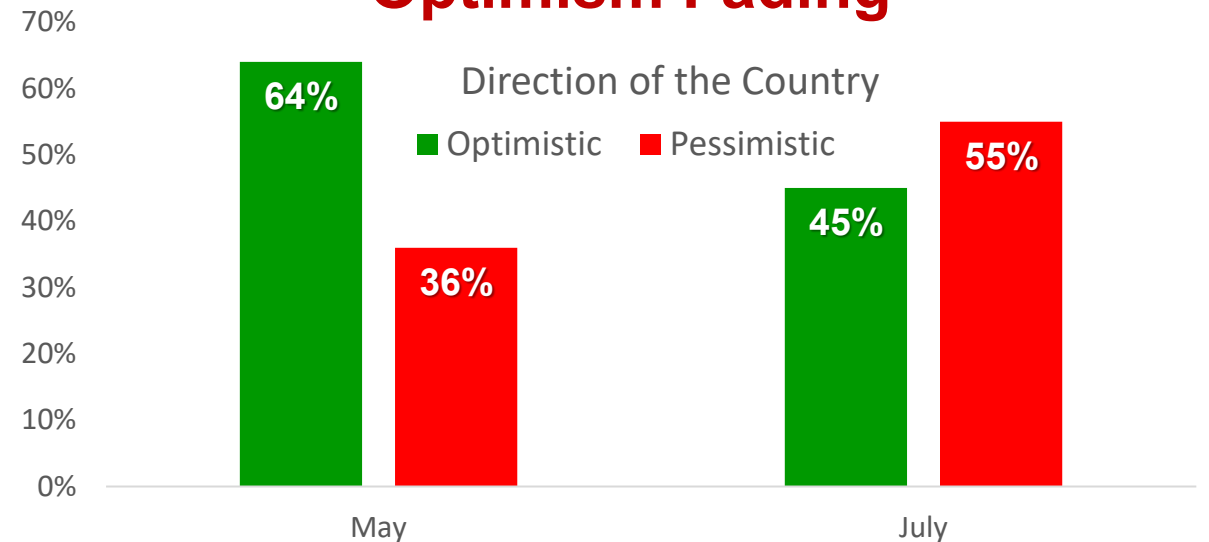
Source: [Bloomberg](#)

## COVID Confidence Collapsing



Source: [Gallup](#)

## Optimism Fading



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Source: [ABC News / Ipsos](#), July 2021



# KNOWN UNKNOWN

*May Be Accelerating, May Be Rolling Back*

# IS RISING INFLATION LASTING OR A TEMPORARY SURGE?

## Why Inflation May Be Transitory

### DRIVING PRICES DOWN

**COVID** accelerating/Delta slowing global recovery

**Stimulus ending** (maybe)

Recessionary effects (still 5.7M **jobs** below last peak)

**Technology** (digital productivity, automation)

**Supply chain** corrections (eg lumber)

Massive government **debts**

## Why Inflation May Keep Accelerating

### PUSHING PRICES UP

Wage gains sticky & **labor markets** tight

Epic government **stimulus spending**

Historic consumer **savings**

**Supply chain** issues & rebuilding inventories

**Tariffs** & deglobalization

**Fed's QE** ∞

Money supply (**M2**) up 30% in 18 months

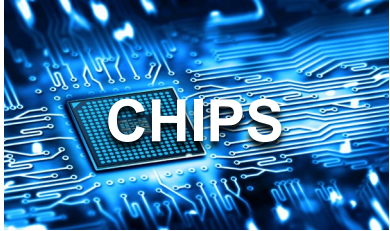
# WILL DEBT & DEFICITS MATTER?

## We're All Modern Monetary Theorists Now

Select Stimulus Bills & Tax Cuts	2020 Dollars	% US GDP
<b>American Rescue Plan (2021)</b>	<b>\$1.90T</b>	<b>9.1%</b>
<b><i>Bipartisan Infrastructure (2021)*</i></b>	<b>\$550B</b>	<b>2.4%</b>
<b><i>Ds' Reconciliation Bill (2021)*</i></b>	<b>\$3.50T</b>	<b>15.4%</b>
<b>Phase 4 Covid Relief (2020)</b>	<b>\$900B</b>	<b>4.3%</b>
<b>CARES Act (2020)</b>	<b>\$2.02T</b>	<b>10.2%</b>
<b>Tax Cuts &amp; Jobs Act (2017)</b>	<b>\$1.9-\$3.0T</b>	
<b>ARRA (2009)</b>	<b>\$1.03T</b>	<b>5.8%</b>
<b>Marshall Plan (1948)</b>	<b>\$154B</b>	<b>5.2%</b>
<b>New Deal (1930)</b>	<b>\$835B</b>	<b>12.6%</b>

# IS BIPARTISANSHIP “BACK” ... OR BROKEN?

## Big Bipartisan Possibilities



Major Bipartisan Senate Action, Past & Future, 2021	Vote Margin
COVID-19 Hate Crimes Act	94-1
US Innovation & Competition Act	68-32
Juneteenth National Independence Day Act	Unanimous consent
US Capitol Security Funding & Afghan Refugee relocation	98-0
Bipartisan Infrastructure Funding	69-30
National Defense Authorization Act	Expected
FY22 Appropriations	Expected
Increasing the Debt Ceiling	Fingers crossed

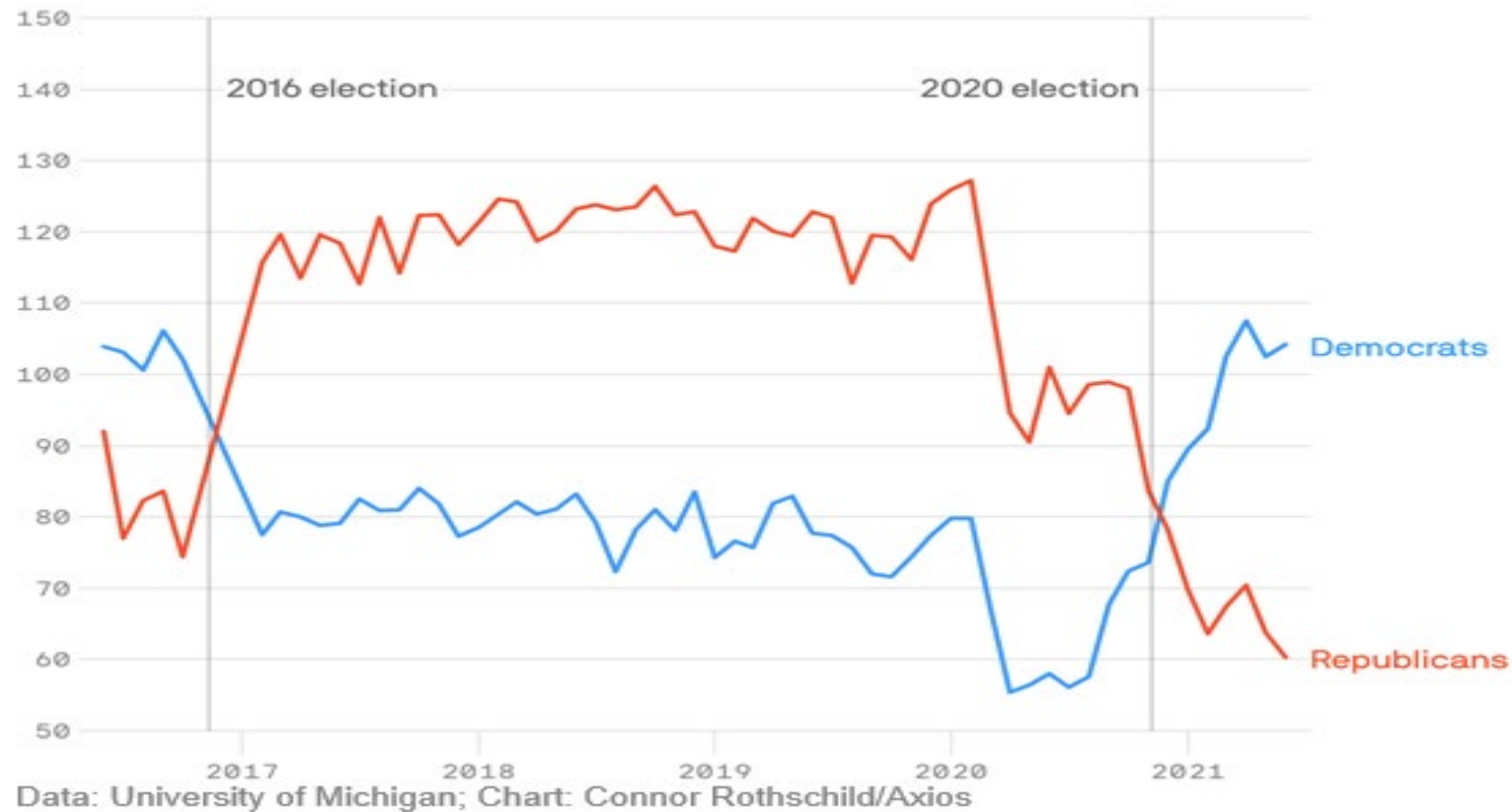


# DOES POLLING ON THE ECONOMY TELL US ANYTHING?

**“Consumer Sentiment” depends on which Party holds the White House**

## Consumer sentiment by political party

Higher index value equals more economic confidence; June 2016 to June 2021



# WHAT ARE WE MISSING WHILE WE'RE WATCHING COVID?

YEAR

BIGGEST NEWS STORY

GREATEST LONG-TERM IMPACT

1994

GOP captures Congress



WORLD'S FIRST WEB BROWSER

First Internet browser launched

2001

9/11 terrorist attacks



China joins the WTO

2007

Mortgage foreclosure crisis



The iPhone is born

2020

COVID-19 pandemic



?

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

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